

**THE EU AND GLOBAL CHALLENGES:
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THE UNEMPLOYMENT OF YOUNG PEOPLE IN THE EU

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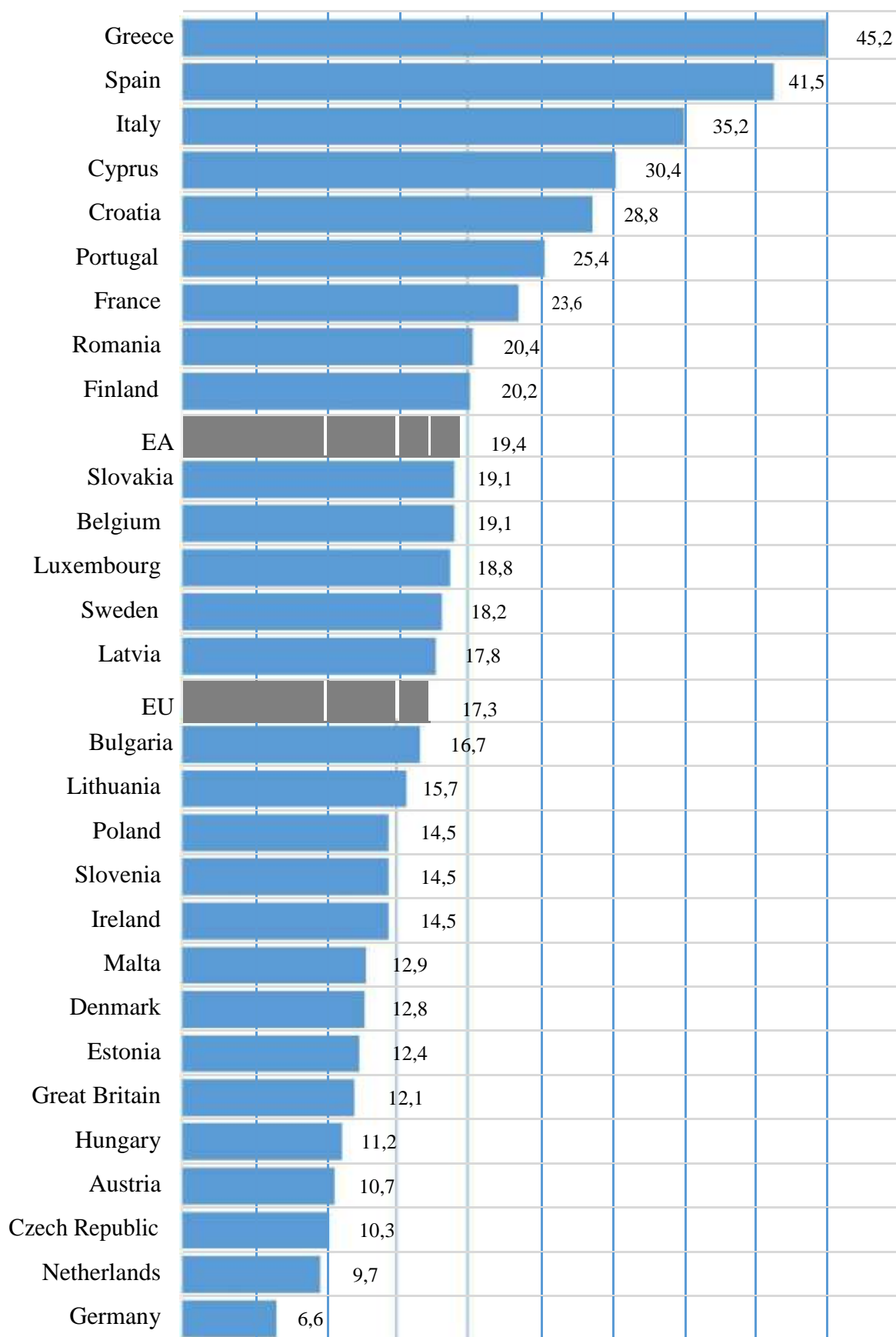
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Introduction

The unemployment of young people is a phenomenon that affects the European Union (EU) significantly. In spite of the fact that the EU supports the Member States in reducing youth unemployment in line with its long-term target of achieving a 75 per cent employment rate for the working-age population, the rate of youth unemployment remains higher than the rate of total unemployment in almost every Member State of the EU. Youth unemployment is a crucial economic factor for every country: it comprises the unemployment figures of people aged 15 to 24 years old. These figures have not changed significantly over the last decade, and even though they are very concerning at the moment, the contemporary framework of policies and programmes of the EU and its Member States is not likely to improve them in following years. This is the reason why we decided to address this issue, and identify the main shortcomings of current policy-making of the Union decelerating the fight against this phenomenon.

According to the latest figures issued by Eurostat (2017), the average rate of total unemployment throughout the EU stands at 8 per cent. In contrast, the rate of unemployment of young people, in other words those aged 15 to 24, as we suggested in the previous paragraph, reads more than 17 per cent. As Figure 1 (see the next page) shows, the unemployment of young people is a problem of whole Union. There are not significant differences, or cleavage lines between the North and the South, or the West and the East, in this respect. We argue that this underlines the need of adopting a common approach to tackle this issue, and of addressing both supply-side and demand-side of the labour market, as the International Labour Organization (ILO, 2016), World Bank (WB, 2016) and Organization for Economic Co-operation and Development (OECD, 2016) have emphasized repeatedly. In addition, we believe that instead of focusing only on the quantitative side of the issue, therefore the availability of job opportunities for young people across the Union, the EU should pay attention to its qualitative side, too - to make sure the youth is provided with decent jobs, especially in terms of working conditions and remuneration, as defined by the Decent Work Agenda proposed by the ILO.

Youth Unemployment Rate in the EU (Eurostat, 2017)



Youth Unemployment

According to the latest figures of the EU, more than 4 million young people living in the EU were unemployed in the beginning of 2017. As we have already pointed out, the EU youth unemployment rate is more than double the overall unemployment rate. The EU is well-aware of the presence of this issue, and it has developed several mechanisms to tackle it.

Most importantly, based on the Recommendation of the Council of the EU adopted in April 2013, and following a proposal from the European Commission, it has introduced the Youth Guarantee, a programme underlying a commitment by all Member States to ensure that all young people under the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of leaving formal education or becoming unemployed. According to the European Commission (2017b), this programme has helped to improve the lives of millions of young Europeans, as approximately 14 million young people have entered Youth Guarantee schemes since 2014, and circa two thirds of young people who left it in 2015 took up an offer of education, traineeship, apprenticeship or employment. (European Commission, 2017b) The Member States have introduced the programme through their national implementation plans updated on the annual basis.

The Youth Guarantee has facilitated structural reforms and innovation in policy design, target-ing young people, highlighting a strong focus on youth employment, across Europe. Since its establishment, it has been supported by a variety of other actions of the EU and its Member States, including the European Solidarity Corps, which has been aimed at creating opportunities for young people to volunteer or work in solidarity related-projects, a Quality Framework for Traineeships that has proposed guidelines for making the transition between school and work easier, or the Youth Employment Initiative, which has been established as one of the main financial sources to support the implementation of national Youth Guarantee schemes, and to support young people not in education, employment or training in regions with the highest rates of youth unemployment. (European Commission, 2017b)

Nevertheless, most of the measures the Youth Guarantee, and other instruments created by the EU, have enforced, focused on the supply-side of the labour market only. As long as employment is a relationship between two sides, employers and employees, we argue that if the EU and its Member States want to tackle youth unemployment effectively it has to rectify the bias towards supply-side measures, and increase their efforts to address the demand-side of the labour market with at least an equal intensity.

As the ILO and WB have repeatedly concluded, experience shows that youth employment policies and programmes often result in the labour market interventions that are fragmented or isolated, so they address only supply-side or demand-side of the labour market. A supply-demand mismatch lies at the root of the weak labour market integration of young people. We strongly believe that this is a situation that could be resolved by adopting integrated approaches that consider both sides of the labour market effectively and that involve all sectors of society, including the youth, in the decision-making process on the matter.

Supply-side of the labour market

The EU and its Member States have been prioritising the supply-side of the labour market in attempt to improve the employability of young people in the labour market recently. Most frequently, they have targeted education and training in order to simplify the transition of young people between education and employment, and to address the mismatch between the knowledge and skills of young people on the one hand, and the demands of the labour market on the other one. In addition, several of the initiatives conducted on either supranational or national level have focused on the improvement of access of young people to capital to make it easier for them to set up their own entrepreneurship.

In line with Article 13 of the International Covenant on Economic, Social and Cultural Rights, that was signed and ratified by all Member States of the EU, “the States Parties to the present Covenant recognize the right of everyone to education. They agree that education shall be directed to the full development of the human personality and the sense of its dignity, and shall

strengthen the respect for human rights and freedoms.” The EU and its Member States are committed to provide full and complete access to education for every person. Availability of education is a fundamental human right, and even though Europe records significantly higher rates of formal educational attainment than, for example, Africa or Asia, the Court of Justice of the European Union, and, more frequently, the European Court of Human Rights, which supervises the implementation of the Convention for the Protection of Human Rights and Fundamental Freedoms of Council of Europe, have declared that the universal access to education is not a standard in Europe. Apart from conflicts, which are still not rare in some parts of the EU, several other obstacles, like the status of minority, distance to schools, unsafe roads leading to schools, a lack of security at schools, a lack of sanitation facilities at schools, negative environment at schools, often resulting to violence and harassment there, and, last but not least, unsuitable infrastructure for people with a certain degree of disabilities, stand in the way of universal access to education for all girls and boys, and should be tackled immediately.

But it is a qualitative side of education that is a primary problem for the EU: in most countries, there is a big gap between school and work, because education and training of young people is not conducted in line with the requirements and needs of employers. We argue that the support towards the vocational education, and the establishment of internship and apprenticeship programmes that enable the combination of theoretical and practical aspects of education, is a key for reducing the rate of unemployment of young people. Nevertheless, only very few of the Member States of the EU have established national-level frameworks for the development and implementation of such measures. For example, there are no official and long-term policies or programmes that support the connection of the spheres of education and employment in Slovakia. As a result, the content of education does not meet the demands of employers, and a lot of young people who are leaving the school end up unemployed, or underemployed. Underemployment is a phenomenon that describes the situation when people are employed at jobs inadequate to their education and training, or when they involuntarily hold part-time instead of full-

time working arrangements. Even though it is very difficult to measure it, the Institute for Financial Policy, a body established under the supervision of the Ministry of Finance of the Slovak Republic, estimated that approximately one third of young people of Slovakia were underemployed in 2015. (Trend, 2016) In Slovakia, higher education means better education. However, we believe there is a need for a shift in this respect. Every Member State of the EU should set up a connection not only between schools and employers, as we argued previously, but also between employers and government to find out what are the requirements of the labour market and consequently adjust particular educational systems and make them produce graduates who will fit in the market and use the knowledge and skills they obtained in schools.

The private sector should exercise its role in generating new employment and decent work for all. The public sector should play an important role in developing an environment that enables the effective generation of employment and decent work for all. To achieve these ends, and to eliminate both unemployment and underemployment, we hold the position that the Member States and the EU as a whole should adopt an active economic stance and develop, or streamline their labour market intervention policies and programmes: both passive and active.

The former, such as income support, may not be designed to improve the employability of young people directly, and may have the opposite effect once they are not set up properly, but they are important, as they alleviate the financial needs of the unemployed young people. On the other hand, active labour market policies (often referred to as ALMPs) are used to reduce the risk of youth unemployment directly. They have two basic objectives: a) economic: to increase the ability of the unemployed to find jobs, and to increase their productivity once they do find them, and b) social: to improve the inclusivity of employment. They are targeted to particular groups, mostly disadvantaged ones, and there is a wide consensus that these policies should be based on the principle of mutual obligation, designed to ensure that unemployed young people are actively looking for work and are participating in activities that help them improve their employability. In this respect, the connection between jobseekers and employers

in the labour market is usually mediated by public employment services (PES) that help match supply and demand on the labour market through information, placement and active support services at both national and regional level.

Following a Decision by the Council of the EU and the European Parliament, the European network of PES and the Partnership between Employment Services (PARES) were established to maximise the efficiency of national public employment services and to improve the cooperation between and among them. Even though this network comprises all 28 countries of the EU, alongside with Norway, Iceland and the European Commission, its targets, which have been set out within the framework of the Youth Guarantee and European Employment Strategy, have been met just partially. We are convinced that the rationalization of these services is a major challenge for both Member States and the EU on the supply side of the labour market if they aim to create a link between education and employment, and to address the mismatch between what young people know and can, and what employers demand, by promoting cooperation among public authorities, private sector, educational institutions and civic society which has been influential in shaping current policy framework in this area.

In addition, just a few months ago, the Office for Investments and Informatization of the Slovak Republic committed to the idea to pay more attention to linking education to entrepreneurship: to help students imagine starting their own business, and encourage them to do so by improving their access to capital. By focusing on the role of national coordination, and ensuring that youth entrepreneurship initiatives are complementary and effective, and that there is an enabling environment that supports youth entrepreneurship, the Member States, in cooperation with the EU that has been particularly active in this area throughout the last decades, may combat the youth unemployment very effectively, as the example of Germany, which has been a strong advocate of improving access of young people to capital, and one of the most successful EU countries in terms of employing young people, suggests. In spite of the fact that the European Commission has already introduced several mechanisms for helping young people in this area, most notably

to support their education and mobility, their effect has not been reflected in a significant decrease of the number of unemployed young people.

In sum, although the efforts to support young people, either directly or indirectly, in their access to education, access to the labour market, and, last but not least, access to capital, are clearly present, a lot of them appear to be either completely ineffective, or not maximally effective. While the supply-side of the labour market has been addressed by the Member States and the EU as a whole by multiple policies and programmes, there is still a long way to go to make the ideas - and ideals - which were proposed by the Community once, a long-term reality.

Demand-side of the labour market

Several international organizations, including ILO (2016) and WB (2016), have repeatedly emphasized the fact that supply-side measures (measures targeted at young people) tend to outweigh demand-side measures (measures targeted at employers) in policy-making and programming of the Member States of the EU. We believe this may be the reason behind the high rates of youth unemployment in the EU as well. Good policy design needs to rectify the existing bias, and develop an integrated approach that considers both sides of the labour market equally and effectively. A stable macroeconomic environment which boosts investments – both private and public – and thus economic growth, is fundamental to the creation of new formal jobs for all groups of workers, but is of particular benefit to young people, who suffer most from economic downturns because of their short job tenure and lack of experience. Demand-side policies and programmes are designed and implemented to increase the volume of labour demand: to create an environment that enables the effective generation of employment, and that creates a win-win situation, from which both employees and employers profit.

If the Member States, and the EU, focus only on supply-side of labour market, they produce educated and skilled people, who, nevertheless, end up having no platform for application of their knowledge and skills. This often leads to underemployment, a phenomenon we already discussed in the previous chapter. Higher education and skills do not necessarily translate to

higher employability in a downturn. It is very important to make sure there is a demand for these skills. As the ILO suggests, macroeconomic demand-side factors have the most potent influence in shaping employment outcomes for young people both in the short run - through business cycle effects, and long run - through the nature and pattern of growth.

The EU has defined promoting entrepreneurship, which creates new companies, opens up new markets, and nurtures new skills, as one of its core priorities within tackling youth unemployment. It has recognised that it was “badly regulated financial markets, indebted member states, segmented labour markets, and a lack of investment, new jobs and aggregate demand in the labour market that caused increased levels of youth and long-term unemployment”.

(Euro Health Net, 2016) If the Member States are serious about tackling youth unemployment, we hold the position that the most significant benefits are likely to come from stimulating labour market demand, particularly in countries that have already developed, implemented and followed-up effective policies on the supply-side of the labour market. The complementary measures at the demand-side of this market should include primarily employment incentives and subsidies, or tax concessions for hiring and training of young people to grow the number of full-time, quality job opportunities, in order to avert low road competitive strategies based on cost minimisation and treating their workforce as disposable.

This suggests there is a need to pay a portion of special attention to the private sector, whose role in creating working opportunities for young people has been always important. Some businesses already do play an active role in trying to help young people get employed, but without the right legal frameworks and incentives in place they are likely to remain the exception rather than the rule. (Euro Health Net, 2017) As the economic crisis that broke out almost a decade ago appears to be over now, the Member States, in an intensive cooperation with the EU, hold the responsibility to boost their national-level environments and make their labour markets great again. We argue that increasing the focus on employers, and the demand-side of the labour market in general, will benefit young people, and society as a whole.

Conclusion

Youth unemployment is one of the most significant issues the EU currently faces. The Union has been particularly active in developing measures targeted to minimize, or completely eliminate its causes and consequences. This paper argued that it has achieved some progress in tackling the unemployment of young people, the overall approach had not been as effective, and as rational as possible, because of the bias towards supply-side, and a lack of attention towards the demand-side of the labour market.

To rationalize the way the Community tackles youth unemployment, which still remains high in almost all Member States of the EU even after the economic crisis that broke out back in 2008, a policy design that rectifies the bias towards supply-side measures needs to be introduced. The EU needs to adjust its policies and programmes to the fact that an equal attention shall be paid not only to employers and employees, but also to microeconomic and macroeconomic factors in order to achieve a goal declared several times in its agenda: to boost the employability of young people. The future of our continent is at stake. The Union has to dedicate special efforts to consider the structural roots of youth unemployment, and prepare a new, more complex and region-sensitive framework of policies and programmes. Unless immediate action is taken, it confronts the legacy of a lost generation.

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