

Responding to Youth Unemployment in Europe

No. 4, 2013

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Editorial

Although not a new policy problem for many European countries, youth unemployment rates have risen considerably since the onset of the economic crisis, invoking fears of a 'lost generation' and the imposition of 'scarring' effects on later employment outcomes.

In Ireland, in response to high youth unemployment rates, Budget 2014 introduced changes to social welfare payments for newly unemployed young people. These changes are proposed as part of a larger suite of initiatives focussed on enhancing employment, education and training opportunities for young people. However, while some European countries, like Ireland, work to reduce high youth unemployment rates, others are focussed on maintaining relatively low rates.

This *Spotlight* reviews the issue of youth unemployment in Europe. It sets out the extent of youth unemployment across Europe and its effects. It also outlines and assesses the evidence regarding policy responses across Europe, before highlighting the key messages from the research regarding the path forward.

December 2013
Library & Research Service
Central Enquiry Desk: 618 4701

Executive summary

Across Europe, unemployment amongst those between the ages of 15 and 24 has risen steadily, from approximately 16% in 2007 to 23.5% in September 2013. Ireland has witnessed a sharper increase over this period, rising from approximately 9% in 2007 to 28% in September 2013.¹ This accounts for approximately 60,000 young people.

Young people tend to be more exposed to the risk of unemployment than older adults for a number of reasons. Late adolescence and early adulthood is often characterised as a period of transition for young people as they move from formal education and training to the world of work, which can thus result in periods of employment instability. Additionally, the cost of investing in young people is often too much of a long-term focus for companies and organisations concerned with pressures of the here and now.

Youth unemployment can have a detrimental impact on individuals, economies and societies. It can impact on the future employability (scarring) and potential future earnings of young people. It can also cause poor health in, and the social exclusion of, some young people.

The economic cost of young people not in employment, education or training (NEET) in Ireland for 2011 was estimated to be €4.3 billion, or 2.8% of GDP. At a societal level, it can lead to greater pressure on public services, a less politically engaged youth population and a more fragmented society.

Governments across Europe have implemented a range of measures in their attempts to combat youth unemployment. Such measures include: reduced social security payments for under 25s; enhanced active labour market programmes; and the introduction of measures to create employment.

Research evidence is mixed regarding how effective various measures are. However a number of key learning points are identifiable,

¹ Eurostat *monthly* unemployment figures, 15-24 year olds. The CSO reported that the youth unemployment rate was 26.5% for the *third quarter* of 2013 (July-September 2013), CSO. (2013) *Quarterly National Household Survey Results: Quarter 3*. Dublin: Central Statistics Office.

including responses taking account of the heterogeneous nature of the unemployed youth population, highly skilled personnel building positive relationships with unemployed youth and employers, and the importance of rigorous evaluation of programmes.

Introduction

In 2009, the Irish government reduced benefit payments for certain unemployed young people which, it was argued, would incentivise education and training, and improve young people's readiness for work.² Alongside this change was the on-going implementation of a number of initiatives targeted at unemployed people, such as VTOS, Back to Education allowances and, for young people, Youthreach.³

Despite these initiatives, additional ones such as JobBridge, and the increase in overall job creation recorded in 2012,⁴ youth unemployment in Ireland has remained stubbornly high. In Budget 2014, the Government announced its intention to further reduce welfare payments for unemployed youth so as to place greater emphasis on work, training and education, along with a range of other measures.⁵

In this context, this issue of *Spotlight* examines the topic of youth unemployment in Europe. It examines, among other things, the extent of youth unemployment, its effects at an individual, economic and societal level, and how a number of European countries have responded to it.

² See Minister for Social and Family Affairs (2009) Second stage debate on Social Welfare Bill. <http://debates.oireachtas.ie/dail/2009/04/22/00019.asp> (April 2009); Minister for Social and Family Affairs (2009) Second stage debate on Social Welfare and Pensions (no.2) Bill. <http://debates.oireachtas.ie/dail/2009/12/10/00007.asp> (December 2009); OECD. (2013) *Job Creation. How Employment and Training Agencies Can Help: Ireland*. Paris: OECD, p. 17.

³ Written answer to a parliamentary question (43360/13) by Minister for Social Protection. Located at <http://www.kildarestreet.com/wrans/?id=2013-10-17a.110>. Last accessed 15th November 2013.

⁴ Forfás. (2013) *Annual Employment Survey 2012*. Dublin: Forfás.

⁵ Minister for Social Protection. (2013) *Budget 2014 Statement* [press release]. Located at <http://www.welfare.ie/en/pressoffice/Pages/sp151013.aspx>. Last accessed 15th November 2013.

Defining youth unemployment: what is it and how does it arise?

Who are 'the youth' in youth unemployment?

The age categories used to define 'youth' are often fluid or elastic, with different countries adopting various ranges when developing policies for young people.⁶ For employment statistics purposes however, youth are classified as individuals between the age of 15 and 24 years, a classification formally adopted in 1999 by the International Labour Organisation.⁷

Text Box 1: Definitions of terms used in this Spotlight

Youth unemployment rate: the number of unemployed people aged 15-24 as a proportion of the labour force of that age category (i.e. those employed and unemployed).

Youth unemployment ratio: the number of unemployed people aged 15-24 as a proportion of the entire population of that age category.

There is significant debate about whether the youth unemployment rate or ratio should be used to provide a more accurate picture of the extent of youth unemployment. Both the CSO and Eurostat give primacy to the youth unemployment rate in their publications.

NEET: a young person aged 15-24 who is not in employment, education or training.

Are young people more exposed to risk of unemployment?

In the main, youth unemployment rates tend to be higher than the general rate of unemployment in the population. There are a number of reasons for this:

- Ages 15-24 comprise a period of transition young people experience when they move from formal education and training to the world of work, which can thus result in periods of instability;⁸

⁶ See Tyyskä, V. (2005) "Conceptualising and Theorizing Youth: Global Perspectives", in Helve, H. and Holm, G (eds) *Contemporary Youth Research: Local Expressions and Global Connections*. Aldershot: Ashgate, 3-14.

⁷ International Labour Organisation. (2011) "Youth Unemployment" in ILO (ed) *Key Indicators of the Labour Market 10*. Geneva: International Labour Market.

⁸ Hawley, J., Hall, A.M. and Weber, T. (2012) *Effectiveness of Policy Measures to Increase the Employment Participation of Young People*. Dublin: Eurofound.

- Young people will often have fewer contacts, little general experience in job hunting (making them less efficient in doing so), and will have less 'human capital' to offer potential employers;⁹
- The cost of investing in young people is often too much of a long-term focus for companies and organisations concerned with pressures of the here and now;¹⁰
- Young people tend to be over represented in jobs which are sensitive to economic cycles (such as construction and related sectors);¹¹
- Young people may not have as many financial commitments as older people, and may have parents who are willing to support them financially when unemployed. Such factors can act as incentives for young people to "restrict their job search activity, leading to higher rates of unemployment,"¹² and
- An absence of formal educational attainment amongst some young people.¹³

Furthermore, unemployment among young people tends to rise disproportionately during economic decline. Job opportunities are fewer, and those who are in work can be susceptible to unemployment as organisations consider it cheaper to let young people (with fewer redundancy entitlements) go.

The impact of youth unemployment

The impact of youth unemployment can be identified at three levels: personal, societal and economic. These are summarised in figure 1:

⁹ Bell, D.N.F. and Blanchflower, D.G. (2011) Young People and the Great Recession. *Oxford Review of Economic Policy*, 27 (2), 241-67.

¹⁰ International Labour Organisation. (2011) "Youth Unemployment" in ILO (ed) *Key Indicators of the Labour Market 10*. Geneva: ILO.

¹¹ *ibid.*

¹² Bell, D.N.F. and Blanchflower, D.G. (2011) Young People and the Great Recession. *Oxford Review of Economic Policy*, 27 (2), 241-67.

¹³ Scarpetta, S., Sonnet, A. and Manfredi, T. (2010) Rising Youth Unemployment During the Crisis: how to Prevent Negative Long-Term Consequences on a Generation. OECD Social, Employment and Migration working paper, no. 106. Paris: OECD.

Figure 1: Personal, economic and societal consequences of youth unemployment

Level	Impact
Individual	<ul style="list-style-type: none"> • Increased chances of being unemployed later in life • Lower wages in later life if employed • Deskilling • Exclusion from society along a number of dimensions (e.g. economic, cultural, social isolation) • Reduced levels of happiness
Economic	<ul style="list-style-type: none"> • Lower tax revenues • Higher welfare payment and associated costs • Reduced productivity • Less innovation • Reduced GDP
Societal	<ul style="list-style-type: none"> • Greater pressure on public services (e.g. health) due to personal level costs • More fragmented society • Less political engagement

At an **individual** level, much has been written about the *scarring* effects of unemployment on young people. Young unemployed people take relatively longer than their older counterparts to overcome unemployment, largely due to their lack of overall exposure to the labour market. Moreover, being unemployed when young increases the chances of being unemployed in later life, as well as impacting negatively on the amount of money earned later in life if employment is secured.¹⁴ Young unemployed people are also more likely to experience deskilling,¹⁵ social exclusion along a number of dimensions (including labour market, cultural,

¹⁴ Bell, D.N.F. and Blanchflower, D.G. (2011) Young People and the Great Recession. *Oxford Review of Economic Policy*, vol. 27 (2), 241-67.

¹⁵ OECD. (2013) "Getting Youth on the Job Track". *Economic Survey: Ireland 2013*. Paris: OECD, 51-83.

social isolation and financial),¹⁶ poor health and lower job satisfaction in later life,¹⁷ lower happiness,¹⁸ and self-report lower levels of well-being.¹⁹

At an **economic** level, high youth unemployment can result in less productivity as there is less chance of young workers introducing new skills and innovation into production processes. There is also the economic cost to the state of large numbers of unemployed people, in lost tax income, welfare payments and the costs of related schemes. A recent study conducted for Eurofound revealed that the economic costs of young people not being in employment, education or training (NEET) was in the region of €153 billion in 2011. For Ireland, the cost in 2011 was expected to be approximately €4.3 billion, or 2.8% of GDP.²⁰ It is important to note that this estimation specifically relates to NEETs, and for those aged 15-29 years.

The individual and economic impact of youth unemployment can have obvious knock-on effects for **society** as a whole. For example, poor mental health and wellbeing, and lower rates of happiness, can potentially result in increased demand for public health services.²¹ Additionally, there is a greater risk of a fragmented society resulting from the various forms of social exclusion which young unemployed people can experience.²² The Eurofound work revealed that NEETs were less trusting of social and political institutions than

¹⁶ Kieselbach, T. (2003) Long-Term Unemployment Among Young People: The Risk of Social Exclusion. *American Journal of Community Psychology*, 32 (1/2), 69-76.

¹⁷ Helgesson, M., Johansson, B., Nordqvist, T., Lundberg, I. and Vingard, E. (2012) Unemployment at a young age and later sickness absence, disability pension and death in native Swedes and immigrants. *European Journal of Public Health*, 23 (4), 606-610.

¹⁸ Bell, D.N.F. and Blanchflower, D.G. (2011) Young People and the Great Recession. *Oxford Review of Economic Policy*, 27 (2), 241-67.

¹⁹ Blanchflower, D.B. (2010) The Wellbeing of the Young. Dartmouth College working paper. September.

²⁰ Mascherine, M., Salvatore, L., Meierkord, A. and Jungblut, J.M. (2012) *NEETs: Young people not in employment, education or training. Characteristics, costs and policy responses*. Dublin: Eurofound.

²¹ European Youth Forum (2011) *Youth Unemployment in Europe: A Call for Change*. Brussels: European Youth Forum.

²² Kieselbach, T. (2003) Long-Term Unemployment Among Young People: The Risk of Social Exclusion. *American Journal of Community Psychology*, 32 (1/2), 69-76.

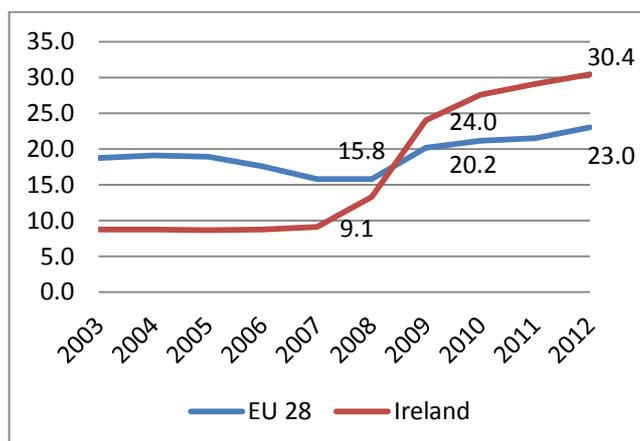
non-NEETs, less politically engaged and less likely to participate in political organisations.²³

Youth unemployment in Ireland

Youth unemployment rates

Figure 2 below outlines the annual trend in Irish youth unemployment rates from 2003 to 2012, along with the annual trend across all 28 EU countries for the same period.

Figure 2: Youth unemployment % rates in Ireland and EU 28 Countries 2003-2012

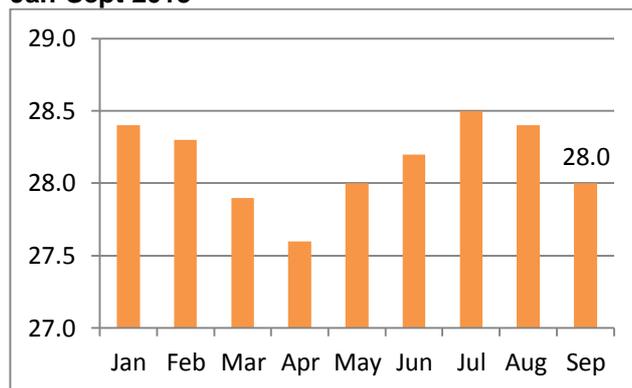


Source: Eurostat

The youth unemployment rate in Ireland began to rise sharply in 2007, from 9.1%, to 24% in 2009. It continued to increase steadily to 30.4% in 2012. The youth unemployment rate in the EU 28 also rose during this period, but at a far slower rate and from a higher base, from 15.8% in 2007, to 20.2% in 2009, to 23% in 2012.

Throughout 2013, the youth unemployment rate in Ireland has remained high, at between 27.6% and 28.5%, with the latest figure for September 2013 being 28% (figure 3 below). This represents approximately 60,000 young people. The EU rate for September 2013 was 23.5%, representing approximately 5.6 million people.

Figure 3: Youth unemployment % rates in Ireland Jan-Sept 2013



Source: Eurostat

To put the approximately 60,000 Irish unemployed young people in context, data from the latest Quarterly National Household Survey classifies persons aged 15-24 by principal economic status. As can be seen in table 1,²⁴ the vast majority of all 15-24 year olds (63%) are classified as students.

Table 1: Principal Economic Status of 15-24 year olds (Q3 2013)

Persons aged 15-24 years of age classified by Principal Economic Status	Q3 2013 ('000)	Q3 2013 %
Student	338.1	63
Employed	117.9	22
Unemployed	57.9	11
Home duties	10.5	2
Others	10.5	2
TOTAL	534.7	100

Long term youth unemployment

Long-term unemployment is less prevalent among young people than the general population. In the fourth quarter of 2012, of those young people who were unemployed, over two-fifths of them were out of work for a year or more (long-term unemployed). By the second quarter of 2013 however, this figure had fallen to just over one-in-three. In comparison, of those aged 25 and over in the second quarter of 2013,

²³ Mascherine, M., Salvatore, L., Meierkord, A. and Jungblut, J.M. (2012) *NEETs: Young people not in employment, education or training. Characteristics, costs and policy responses*. Dublin: Eurofound.

²⁴ Note, this principal economic status (PES) data are derived from a single question "in which respondents are asked what is their usual situation with regard to employment". The data are not, however, used by the CSO to calculate the labour force (employed and unemployed). This is instead done by calculating data from a number of questions in the QNHS. See CSO. (2013) *Quarterly National Household Survey Results: Quarter 3*. Dublin: Central Statistics Office, pp. 33-34, and personal communication with the CSO. Also, note that due to rounding, figures don't accurately total in this table.

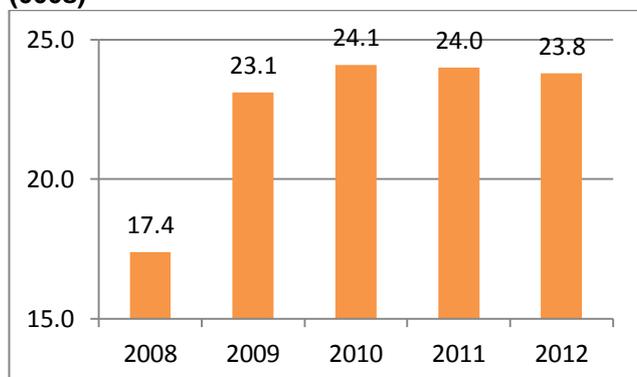
almost two in three were classified as long-term unemployed.²⁵

Recent Irish research has indicated that the risk factors for young unemployed becoming long-term unemployed include: previous experience of being unemployed for over 12 months; literacy and numeracy problems; no formal education; and living in an urban area.²⁶

Young people not in employment, education and training (NEET)

The numbers of young people aged 18-24 not in employment, education or training (NEET), increased from 17.4% in 2008 to 24% in 2011, before falling back to 23.8% in 2012 (see figure 4).

Figure 4: NEETs (18-24) in Ireland 2008-2012 (000s)



Source: Eurostat

Youth employment and the labour force

While the 'Great Recession' has had a drastic effect on the Irish labour market since 2009, the impact on the youth labour market has been particularly severe.

Up to 2013, the cumulative decline in youth employment in Ireland was almost 60%. This represented a drop from over 357,000 employed youth in the summer 2007 to 148,000 at the beginning of 2013.²⁷ While there has been a modest increase in overall employment figures recently, these increases have not materialised

²⁵ Calculations made via CSO database on QNQ31 available <http://www.cso.ie/px/pxeirestat/statire/SelectVarVal/Define.asp?MainTable=QNQ31&PLanguage=0&PXSlid=0>

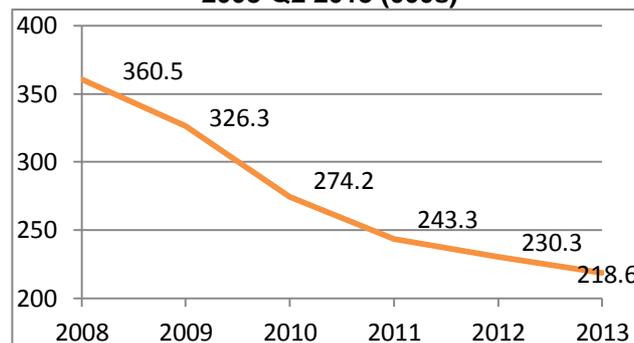
²⁶ Kelly, E., McGuinness, S. and O'Connell, P. (2012) Transitions to long-term unemployment risk among young people: evidence from Ireland. *Journal of Youth Studies*, 15 (6), 780-801.

²⁷ Kelly, E., McGuinness, S., O'Connell, P., Haugh, D. and Pandiella, A.G. (2013) Transitions In and Out of Unemployment Among Young People in the Irish Recession. ESRI working paper, no. 466, September.

in the youth category, with many young people continuing to exit the labour force,²⁸ either by going into/returning to education and training, or emigrating.²⁹

There has been a sharp decline in the 15-24 year old labour force, falling from 360,500 in the second quarter of 2008 to 218,600 in the second quarter of 2013 (figure 5 below).

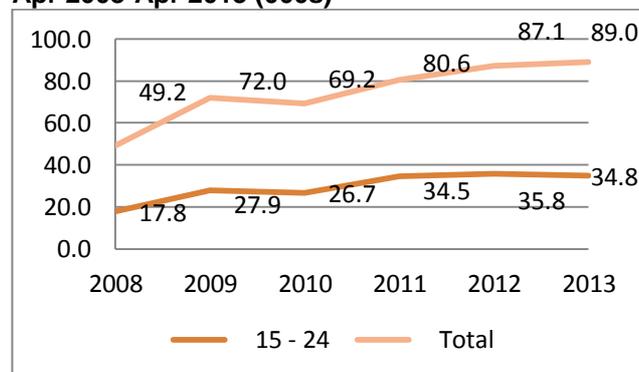
Figure 5: 15-24 year old labour force figures Q2 2008-Q2 2013 (000s)



Source: CSO

Emigration figures have steadily increased since 2008 amongst the 15-24 year age group, doubling by 2012 to 35,800 individuals (see figure 6 below).³⁰

Figure 6: Emigration figures for 15-24 year olds Apr 2008-Apr 2013 (000s)



Source: CSO

²⁸ *ibid.*

²⁹ Another factor to be considered here is the impact of a declining birth rate on replacement levels in the labour force. Current 15-24 year olds were born between 1989 and 1998, a period when birth rates in Ireland declined. See

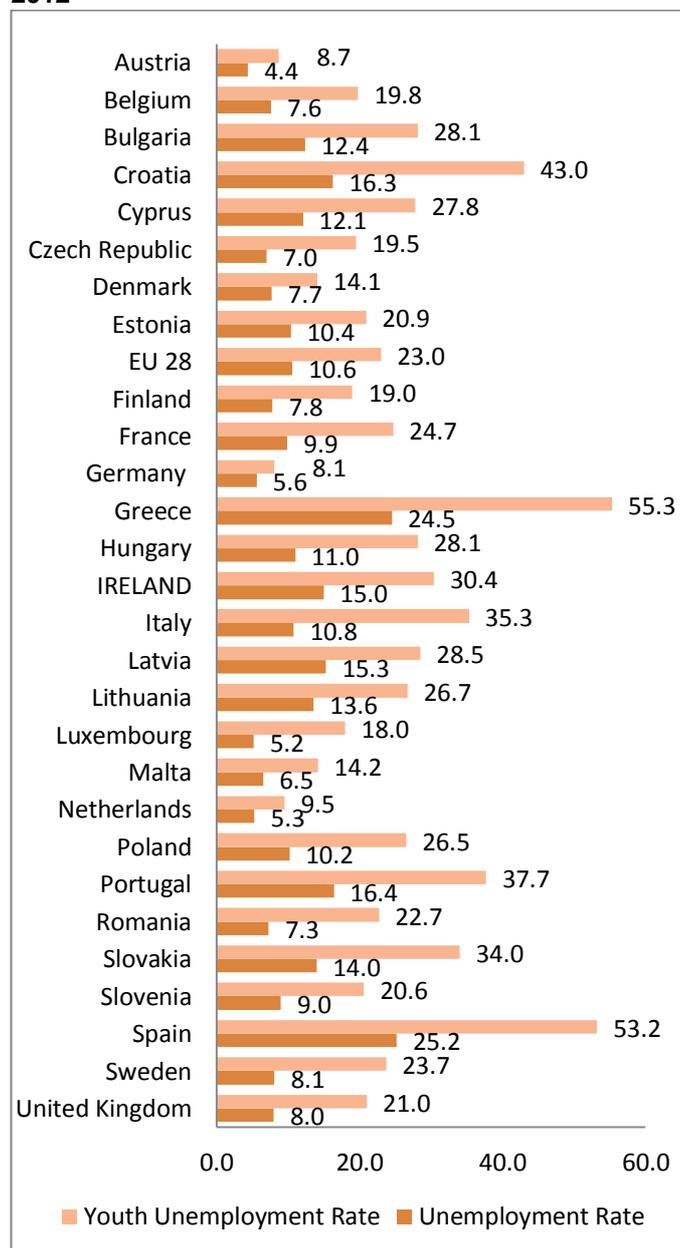
<http://www.cso.ie/en/statistics/birthsdeathsandmarriages/numberofbirthsdeathsandmarriages/>

³⁰ CSO. (2013) Population and Migration Estimates 2013. CSO Statistical Release, August. Available at <http://www.cso.ie/en/releasesandpublications/er/pme/populationandmigrationestimatesapril2013/>. Last accessed 15th November 2013.

Youth unemployment in Europe

Figure 7 below outlines the total youth unemployment rate for each EU country in 2012, alongside the overall unemployment rate.

Figure 7: Youth unemployment (15-24) and overall unemployment (15-64) % rates in Europe, 2012



Source: Eurostat

A number of things are noticeable in this figure:

- Only three countries (Germany, the Netherlands and Austria) had a youth unemployment rate below 10% for 2012;
- Ireland was one of seven countries (including Spain and Greece) which had

a youth unemployment rate of over 30% for 2012.

The great variation in youth unemployment rates between countries depicted in figure 7 may be explained by factors such as: trends in education participation; patterns of migration, emigration and immigration; or changes in non-standardised employment (e.g. part-time and/or temporary contracts). However, they may also be partly accounted for by some countries being better equipped to counteract the policy challenge of unemployment generally, either through robust economies, particular policy measures and their implementation, or more likely a combination of both.

The next section examines EU and individual country policy responses to youth unemployment.

Responding to youth unemployment: the European context

The European Union has been concerned with youth unemployment since the late 1990s, with its emergence as a specific issue in the European Employment Strategy. Most recently, the European Commission communication 'Working Together for Europe's Young People – A Call to Action on Youth Unemployment',³¹ outlined specific measures, including:

- Using the European Social, and European Structural and Investment Funds, to support specific youth employment measures;
- Fast-tracking the Youth Employment Initiative, with a renewed focus and a budget of €6 billion for 2014-2015;
- Re-launching the joint Youth Employment Action Teams with Member States experiencing high rates of youth unemployment;³²
- Creating jobs; and

³¹

<http://ec.europa.eu/social/BlobServlet?docId=10298&langId=en>

³² Youth Employment Action Teams were established in January 2012 in 8 EU countries, including Ireland. They were comprised of Commission and national officials and focused on accessing EU funding to support youth job creation and help SMEs access finance.

- Requiring countries with a youth unemployment rate of over 25% to develop and submit a youth guarantee implementation action plan by December 2013. All other states are required to submit a plan in 2014.

Text Box 2: What is the Youth Guarantee?

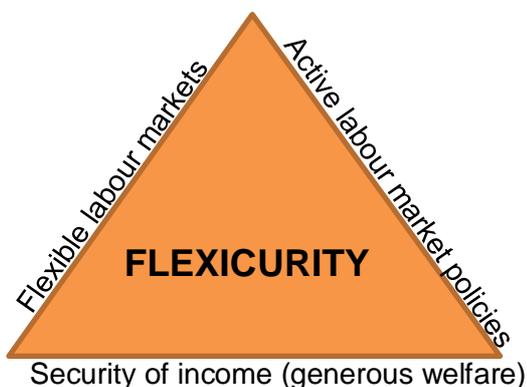
The Youth Guarantee is an EU-wide initiative which aims to give all those under 25, whether registered with public employment services or not, an offer of employment, training or education within four months of becoming unemployed or finishing education.

Flexicurity model

The EU's approach to employment is underpinned by the concept of 'flexicurity'.³³ At its simplest, flexicurity³⁴ combines the terms *flexibility* (of labour markets) and *security* (of social transfers) and "attempts to reconcile employers' need for a flexible workforce with workers' need for security".³⁵ It involves three pillars:

- Flexible labour markets;
- Income security or adequacy; and
- The implementation of active labour market policies (activation).

Figure 5: Flexicurity



³³ Murphy, M. (2007) "Working-aged people and welfare policy" in Cousins, M. (ed) *Welfare Policy and Poverty*. Dublin: Combat Poverty Agency, 101-37.

³⁴ See previous L&RS article on flexicurity in *Social and Economic Indicators*, no.3, 2007.

³⁵ The European Commission (n.d.) *Flexicurity*. Available at <http://ec.europa.eu/social/main.jsp?catId=102&langId=en>. Last accessed 22nd November 2013; see also the European Commission website on youth unemployment <http://ec.europa.eu/social/main.jsp?catId=1036>. Last accessed 18th November 2013.

Security of income

Social security and activation policies are core aspects of many governments' responses to those in receipt of certain welfare payments, especially unemployment assistance, and who are deemed able to work.

According to the flexicurity model, security means the safety of knowing that an unemployed person will not be out of work for too long, and that when out of work will receive high or generous social security payments.

Activation policies

At their broadest, activation policies emphasise:³⁶

- Participation in training and/or job searching schemes, especially to facilitate job mobility;
- The introduction of a range of sticks and carrots, often characterised as incentives, aimed at making welfare income less attractive compared to income from employment. These include measures such as reduced or enhanced welfare payments, in-work tax credits, and changes to other financial or welfare benefits (e.g. changes in disregards for participating in particular schemes) mainly designed to 'incentivise' work;
- Changes to the cover offered by welfare payments, such as reducing periods, and/or making payments 'conditional' on participation in schemes or work programmes (often termed conditionality); and
- A focus on particular cohorts within the welfare system (e.g. those parenting alone).

Removing demand-side barriers

In addition to addressing these (what are often termed) supply-side barriers to employment, governments have also sought to remove demand-side obstacles. Such obstacles are often perceived as rigidities of the labour market to be resolved through increasing flexibility and incentivising demand for employees amongst potential employers. This is particularly the case with the youth labour market. Measures in this area focus on creating jobs, and include addressing the costs to employers of employing young people, such as lump-sum incentives for

³⁶ McCashin, A. (2004) *Social Security in Ireland*. Dublin: Gill and Macmillan; Considine, M. and Dukelow, F. (2009) *Irish Social Policy: A Critical Introduction*. Dublin: Gill and Macmillan.

taking on low-skilled youth, and helping young people learn new skills which meet the defined needs of local employers.³⁷

Examining responses to youth unemployment in selected European countries

The next sections examine responses to youth unemployment under the three categories of the flexicurity triangle outlined above.

Four countries are selected for examination:

- Germany is selected as it has the lowest rate of youth unemployment in Europe (although not a country *explicitly* implementing all aspects of a flexicurity approach).³⁸ It should be noted that Germany has an education system which is arguably more orientated to the needs of industry and employment than any other European country;
- The Netherlands is examined for similar reasons, as well as being a significantly smaller country than Germany;
- Sweden is selected for examination as it is much vaunted as an 'ideal-type' in social policy provision; and
- Denmark, which is also often vaunted as an ideal-type, is a similar size to Ireland, and is similarly often classified as a small open economy.

Text Box 3: Policy transfer and lesson drawing

Caution should be exercised in presuming that policies and measures can be transferred easily, directly and completely from one country to another with the same effect. Governments' policy responses to social issues are often shaped by countries' particular histories and experiences, previous policies, political requirements of the day and economic conditions.

Responding to youth unemployment: the role of social welfare payments

Many European countries do not apply any age distinctions when providing unemployment benefit or insurance payments. However, young

³⁷ OECD. (2010) *Off to a Good Start? Jobs for Youth*. Paris: OECD.

³⁸ ICF GHK. (2012) *Evaluation of Flexicurity 2007-2010: Final Report*. A report by ICF GHK to European Commission, Directorate-General Employment, Social Affairs and Equal Opportunities (VC/2011/0682).

people often have not made the required minimum insurance contributions or been scheme members for the minimum amount of time to avail of them. As a result, they tend to avail of other forms of support from the state, such as unemployment assistance or, where that does not exist, social assistance. Table 2 below outlines age-related distinctions for unemployment and income support in selected EU countries.

Table 2: Age-related distinction of selected countries' unemployment and social assistance schemes³⁹

Scheme/ Country	Unemployment Assistance	Social Assistance
Germany ⁴⁰	Means tested; Age distinction for U- 25s, and for those aged 15-18 years	N/A
Sweden ⁴¹	Not available to U-20s	Means tested; No age distinction
The Netherlands ⁴²	N/A	Means-tested; 18-20 year olds receive a reduced payment (of approximately 33%).
Denmark ⁴³	N/A	Means-tested; Reduced payments for U-25

³⁹ See the Mutual Information System on Social Protection (MISSOC) comparative tables database. See <http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTableSearch.jsp>

⁴⁰ OECD. (2011) *Germany: Country-Specific Papers on Benefits and Wages*. Available at <http://www.oecd.org/els/soc/benefitsandwagescountriespecificinformation.htm>. Last accessed 5th November 2013.

⁴¹ OECD. (2011) *Sweden: Country-Specific Papers on Benefits and Wages*. Available at <http://www.oecd.org/els/soc/benefitsandwagescountriespecificinformation.htm>. Last accessed 5th November 2013.

⁴² OECD. (2011) *Netherlands: Country-Specific Papers on Benefits and Wages*. Available at <http://www.oecd.org/els/soc/benefitsandwagescountriespecificinformation.htm>. Last accessed 5th November 2013.

Additional data from Government of the Netherlands (2013) 'State of Affairs of Social Security 2013'. Available at <http://www.government.nl/documents-and-publications/leaflets/2013/01/30/state-of-affairs-of-social-security-jan-2013.html>. Last accessed 5th November 2013.

⁴³ OECD. (2011) *Denmark: Country-Specific Papers on Benefits and Wages*. Available at <http://www.oecd.org/els/soc/benefitsandwagescountriespecificinformation.htm>. Last accessed 5th November 2013.

A number of countries have responded to youth unemployment by reducing provision of unemployment/social assistance and introducing certain criteria dependent on the status of the young person (e.g. whether they live with their parents or have children).⁴⁴ This is a strategy which, although appearing to contradict a key aspect of the flexicurity triangle (security of income), is being pursued extensively by EU countries.

Do reduced welfare payments incentivise employment?

The extensive economic literature on the role of reduced payments in incentivising behaviour is mixed regarding employment outcomes, both internationally and in Ireland.

On the one hand for example, recent analysis of 18-21 year olds in Ireland highlights that welfare payments for this age cohort amount to a replacement rate of approximately 37% of average income, meaning that young people who secured employment would be almost three times better off in employment.⁴⁵ This suggests that there is an incentive to work. However, the research does not provide any conclusions as to whether reduced welfare payments encourage young people to respond more aggressively to employment, training or education opportunities.

On the other hand, work undertaken for the trade union-funded Nevin Economic Research Institute (NERI) queries the emphasis on moving people into work at all costs considering the current absence of opportunities in the Irish labour market. It also highlights that, far from being work shy or needing incentives, 85% of unemployed young people on the live register have already worked. It argues that reductions in payments will negatively impact on young people's ability to relocate for work, for example to Dublin or other places where new jobs tend to be concentrated.⁴⁶

Other work⁴⁷ highlights that debates regarding incentives need to take account of the wider

⁴⁴ OECD. (2010) *Off to a Good Start? Jobs for Youth*. Paris: OECD, p. 139.

⁴⁵ Callan, T., Keane, C. Savage, M., Walsh, J.R. and Timoney, A. (2013) "Work Incentives: New Evidence from Ireland" in Callan, T. (ed) *Budget Perspectives 2013*. Dublin: ESRI, 49-83.

⁴⁶ O'Farrell, R. (2013) Do the Young Unemployed Need the Incentive of Reduced Social Welfare? *NERI Research in Brief*, no.8. November.

⁴⁷ See for example McCashin, A. (2004) *Social Security in*

aspects and effects of unemployment than simply income (such as costs to health and wellbeing). As such, assessing any evidence on incentives may require a broader understanding of unemployment than that adopted in some analysis.

Responding to youth unemployment: the role active labour market policies

Accompanying welfare payments in recent times has been 'conditionality' – linking of welfare payments to particular conditions or requirements. These conditions can range from requiring recipients to meet with employment service / welfare agency staff more frequently than before, to obliging recipients to participate in some form of education, training or employment scheme.

All European countries have implemented such activation policies to varying degrees, with many doing so for young people since the early 1990s.⁴⁸ Such activation policies extend beyond simply requiring a minimum form of behaviour in exchange for a welfare payment. Two types of activation policies for young people are common.⁴⁹

- Those that promote waged employment, through work placement, education and/or training; and
- Those that encourage self-employment, through training and education, as well as financial support.

Assessing whether activation measures across countries actually achieved improved employment outcomes for young people is difficult due to the lack of rigorous evaluation data. Notwithstanding this, there are some indicative data on the activation policies generally in each country. Outlined in table 3 across is a selection of activation measures for young people, organised by country, along with some indicative evidence on their effectiveness.

Ireland. Dublin: Gill and Macmillan, pp. 211-16.

⁴⁸ Eichhorst, W. and Konle-Seidl, R. (2008) *Contingent Convergence: A Comparative Analysis of Activation Policies*. Discussion paper 3905, December. Bonn: Institute for the Study of Labour.

⁴⁹ O'Higgins, N. (2001) *Youth unemployment and employment policy: a global perspective*. Geneva: ILO.

Table 3: Activation measure examples by country, and general evidence for activation policies

Country	Activation measure examples	Evidence
Germany ⁵⁰	A National Training Pact for NEETs; Modularisation of education for low-skilled; Measures to support faster transition from school to work.	<p>Evidence highlighted that:⁵¹</p> <ul style="list-style-type: none"> • Over 1.4 million young people had availed of these measures between 2001 and 2010, with significant improvements in employment probabilities for the sample of participating youths selected for analysis; • Furthermore, the population of NEETS fell to 11%, below the OECD average of 16% for 2011; • However, while transitions to education from unemployment through active labour market policies were positive, follow-on transitions to employment were not as positive; and • Public sector job creation was found to be ineffective in the long run compared to other measures, such as wage subsidies, short and longer-term training and apprenticeship measures, and job search supports. <p>The decline in, and low levels of, youth unemployment in Germany must be seen within the context of the very specific set of institutional arrangements and a generally well-performing economy.</p>
Denmark ⁵²	Supported job search; Vocational training and education schemes; Target job centre activities at 15-17 year old NEETs; Immediate activation of 18-19 year olds in receipt of payments; Range of education/training courses based on assessed need (e.g. literacy and numeracy training).	<p>There was strong evidence that:⁵³</p> <ul style="list-style-type: none"> • Frequent consultation or job counselling generally supported moving unemployed young people into employment; • On-the-job training in private companies was the most effective tool in helping unemployed people into work. They also tend to result in higher earnings and lower welfare payments; • There were indications that very precisely targeted training helped move unemployed individuals into employment; • The overall effect of regular training is less clear; • Classroom skills training, linked to the needs of employers was effective; • Supported job search appeared to be the most cost effective measure to activate young unemployed people; and • Subsidised public sector employment programmes were less successful than other activation programmes.

⁵⁰ European Commission. (2012) Commission Staff Working Document accompanying the document 'Proposal for a Council Recommendation on Establishing a Youth Guarantee'. Document no. SWD (2012) 409 Final. Brussels: European Commission; Eichhorst, W., Hinte, H. and Rinne, U. (2013) Youth Unemployment in Europe: What to do about it? IZA Policy Paper no. 65. Bonn: Institute for the Study of Labour.

⁵¹ Caliendo, M., Kunn, S. and Schmidl, R. (2011) Fighting Youth Unemployment: The Effects of Active Labour Market Policies. IZA Discussion Paper. no. 6222. Bonn: Institute for the Study of Labour; OECD. (2013) *Germany: Education at a Glance*. Available at <http://www.oecd-ilibrary.org/docserver/download/9613031ec049.pdf?expires=1383665878&id=id&accname=oid006516&checksum=4BFC7D2563C3943DE28116B4DC521E70>. Last accessed 5th November 2013.

⁵² Nordic Social Statistical Committee. (2011) *Youth Unemployment in Nordic Countries: A Study on the Rights of and Measures for Young Job Seekers*. Albertslund: Schulz Information; OECD. (2010) *Jobs for Youth: Denmark*. Paris: OECD.

⁵³ Crowley, L., Jones, K., Cominetti, N. and Guilford, J. (2013) *International Lessons: Youth Unemployment in the Global Context*. London: The Work Foundation.

Country	Activation measure examples	Evidence
Sweden ⁵⁴	Individualised support in development of employment/education/training plans; Job Guarantee for Youth; A New Start Jobs Initiative; Development of Navigator Centres (local one-stop shops) aimed at providing an integrated response to supporting school-to-work transitions; Additional financial support for unemployed young people to participate in education.	Results of activation policies appeared mixed: ⁵⁵ <ul style="list-style-type: none"> Evidence on the Job Guarantee for Youth revealed that increasing numbers of young people were integrated into work or education after participating in the scheme. However, the impact of the measure was short-lived, with participating young people being as likely as non-participating young people to be unemployed after one year; Navigator Centres were more effective in achieving successful outcomes for participants than previous local arrangements; and More generally, activation programmes for young people appeared to be less effective than those aimed at the unemployed adult population. Any positive effects which did accrue for young people seemed to be down to other elements of policies (such as assistance payment reductions and job search) received before being put on a specific programme (such as the youth guarantee).
The Netherlands ⁵⁶	Emphasis on mutual obligation of receiving benefits and participating in schemes; Strong emphasis on prevention of early school leaving; Obligatory education for those with low skills; A broader emphasis on education/training <i>and</i> work together, not just 'work first'.	Evidence indicated that: ⁵⁷ <ul style="list-style-type: none"> Measures resulted in a higher than expected transition of young people from temporary and part-time contracts to permanent employment. Intensive employment support provided to young people was perceived to contribute to this transition; Preventative measures aimed at early school leaving were successful – 10,000 potential early school leavers remained in school for at least an additional year, and the total number of early school leavers declined year on year; More generally, job support measures resulted in 40% of unemployed youth finding a job within three months, and 65% within six months; However, other programmes targeting youth were not found to have achieved overly positive outcomes.

⁵⁴ Harbo Hansen, N. (2011) Limiting Long-Term Unemployment and Non-Participation in Sweden. OECD Economics Department working paper, no. 842. Paris: OECD; Nordic Social Statistical Committee. (2011) *Youth Unemployment in Nordic Countries: A Study on the Rights of and Measures for Young Job Seekers*. Albertslund: Schulz Information; PES Group. (2013) *Youth Employment: Making it Happen*. Luxembourg: European Union; Hawley, J., Hall, A.M. and Weber, T. (2012) *Effectiveness of Policy Measures to Increase the Employment Participation of Young People*. Dublin: Eurofound.

⁵⁵ *ibid*; see also Joint Committee on Jobs, Enterprise and Innovation. (2013) *Creating Policies that Work: Actions to Address Youth and Long Term Unemployment*. Dublin: Houses of the Oireachtas; Forslund, A. and Nordström Skans, O. (2006) Swedish Youth Labour Market Policies Revisited. Institute for Labour Market Policy Evaluation working paper, no. 6. Stockholm: Institute for Labour Market Policy Evaluation.

⁵⁶ European Commission. (2012) Commission Staff Working Document accompanying the document 'Proposal for a Council Recommendation on Establishing a Youth Guarantee'. Document no. SWD (2012) 409 Final. Brussels: European Commission; OECD. (2008) *Jobs for Youth: The Netherlands*. Paris: OECD.

⁵⁷ Crowley, L., Jones, K., Cominetti, N. and Guilford, J. (2013) *International Lessons: Youth Unemployment in the Global Context*. London: The Work Foundation; Bekker, S. (2010) *EEO Review: Youth Employment Measures, 2010. The Netherlands*. Brussels: European Employment Observatory; Youth Employment Inventory (n.d.) Youth Unemployment Action Plan 2009-2011 webpage. Located at <http://www.youth-employment-inventory.org/inventory/view/566/>. Last accessed 23rd October 2013; OECD. (2008) *Jobs for Youth: The Netherlands*. Paris: OECD.

Responding to youth unemployment: creating employment opportunities

Government policies have also focused on addressing the needs and capacities of employers to create stable employment opportunities for young people, in short, increasing the *demand* amongst employers for young employees. This can be done in a number of ways, including:

- State supplement of wages of young people;
- Reducing employer costs associated with employing young people;
- Dedicating particular funds for programmes which support youth unemployment (e.g. matching local training programmes to local employer demands);
- Making employment protection legislation more flexible; and
- In some cases emphasising self-employment and entrepreneurship amongst young people.

It is important to recognise that many countries' policies are or have been somewhat shaped by employer or business organisations as well as unions. This is particularly well established in the case of Germany, where there is a strong history of corporatism, but also in other countries such as Sweden and the Netherlands.

Notwithstanding these characteristics, the four countries featured in this *Spotlight* have all attempted to overcome demand-side barriers to youth unemployment, through the introduction of new measures. Examples of these are presented table 4 below:

Table 4: Measures to create employment opportunities for young people

Country	Employment creation measure examples
Denmark ⁵⁸	<ul style="list-style-type: none"> • Series of agreements (five in total) on creation of internships and training placements in companies, with financial subsidies being provided to participating companies; • Creation of graduate-company partnerships; and • Emphasis on entrepreneurship education in schools.
Germany ⁵⁹	<ul style="list-style-type: none"> • A system of company-based pre-training courses for young people, with financial support provided to the company for each trainee accepted; • Provision of wage subsidies to companies who employ difficult-to-place applicants for a minimum period; and • Intensive subsidising of out-of-employment start-ups.
Sweden ⁶⁰	<ul style="list-style-type: none"> • Reduction of employer tax; • Government subsidy to companies to offset employment costs for those participating in the New Jobs Initiative; • Involvement of employers in employment services, such as Navigation Centres; • Specific funding for youth entrepreneurship activities; • State support to business for provision of apprenticeship positions in companies.

⁵⁸ Nordic Social Statistical Committee. (2011) *Youth Unemployment in Nordic Countries: A Study on the Rights of and Measures for Young Job Seekers*. Albertslund: Schulz Information; OECD. (2010) *Jobs for Youth: Denmark*. Paris: OECD; OECD. (2012) *Entrepreneurship for Youth: policy Brief*. Paris: OECD.

⁵⁹ European Commission. (2012) Commission Staff Working Document accompanying the document 'Proposal for a Council Recommendation on Establishing a Youth Guarantee'. Document no. SWD (2012) 409 Final. Brussels: European Commission; Eichhorst, W., Hinte, H. and Rinne, U. (2013) *Youth Unemployment in Europe: What to do about it?* IZA Policy Paper, no. 65. Bonn: Institute for the Study of Labour.

⁶⁰ Harbo Hansen, N. (2011) *Limiting Long-Term Unemployment and Non-Participation in Sweden*. OECD Economics Department working paper, no. 842. Paris:

Country	Employment creation measure examples
The Netherlands ⁶¹	<ul style="list-style-type: none"> • Introduction of tax reductions, subsidies and premium exemptions for employers offering opportunities to young people; • Establishing a foundation for cooperation on vocational education involving business bodies; • Establishing an action programme for young entrepreneurs, including investment in regional and sector networks to stimulate entrepreneurship; and • Provision of mentoring, loans and advice for youth entrepreneurial activity at a local level.

Do employer-directed measures serve to reduce youth unemployment?

Compared to other aspects of policy aimed at addressing youth unemployment, there is a relatively narrow evidence base regarding the impact of employer-directed measures, with much of it coming from the OECD.

The limited evaluation data available on reducing premiums or supplementing employers' social security contributions reveal that there was an increase in the employment of less skilled youth. However, it was found that a large amount of the recruitment by employers as a result of such schemes would have occurred anyway (deadweight effect), leading the OECD to question the cost-effectiveness of such measures.⁶²

OECD; Nordic Social Statistical Committee. (2011) *Youth Unemployment in Nordic Countries: A Study on the Rights of and Measures for Young Job Seekers*. Alberslund: Schulz Information; Hawley, J., Hall, A.M. and Weber, T. (2012) *Effectiveness of Policy Measures to Increase the Employment Participation of Young People*. Dublin: Eurofound; PES Group. (2013) *Youth Employment: Making it Happen*. Luxembourg: European Union.

⁶¹ European Commission. (2012) Commission Staff Working Document accompanying the document 'Proposal for a Council Recommendation on Establishing a Youth Guarantee'. Document no. SWD (2012) 409 Final.

Brussels: European Commission; OECD. (2008) *Jobs for Youth: The Netherlands*. Paris: OECD; PES Group. (2013) *Youth Employment: Making it Happen*. Luxembourg: European Union.

⁶² OECD. (2010) *Off to a Good Start? Jobs for Youth*.

The Eurofound⁶³ study revealed similarly mixed results. While some countries' employer-oriented programmes were relatively successful from a target or throughput perspective, outcomes were not universally positive across all programmes examined. In assessing the evidence overall, the authors do, however, highlight the 'stepping stone' nature of many of the initiatives, particularly when targeted at those with a low level of skills, as well as the need to take a longer term view on assessing outcomes from such schemes.⁶⁴

Other employer-related mechanisms – such as traineeships and internships – have also been recently subject to evaluation. Data on the role of employers in making these mechanisms successful point to a number of important factors.⁶⁵ Of particular importance were the following:

- Traineeships which are secured in close co-operation with employers and thus promote a two-way interaction and exchange of knowledge between the educational system and industry, especially in relation to employer skills requirements.
- Close and on-going dialogue between employers and educational institutions generates study curricula which are more relevant for and responsive to the skills and knowledge requirements of employers.

Thus, it would appear that a role for employers in the vocational training and education system has the potential to result in enhanced training and employment opportunities for young people.

Paris: OECD.

⁶³ Hawley, J., Hall, A.M. and Weber, T. (2012) *Effectiveness of Policy Measures to Increase the Employment Participation of Young People*. Dublin: Eurofound.

⁶⁴ Ibid, p. 40.

⁶⁵ Hadjivassiliou, K.P., Carta, E., Higgins, T., Rickard, C., Ter-Minassian, S., Pesce, F., Samek, M., Barbieri, D., Broglio, D., Naaf, S., Grollmann, P., Weigel, T., Wolfgarten, T., and Hensen, K. (2012) *Study on a comprehensive overview on traineeship arrangements in Member States: Final Synthesis Report*. Luxembourg: European Union.

Conclusion: responding to youth unemployment in Ireland

Responses in Ireland

There have been a number of developments in Irish policy regarding youth unemployment over the course of 2013. In May, the Tánaiste met with the OECD and agreed that a specific action plan for Irish youth unemployment would be developed.⁶⁶ In July, the Irish government agreed in principle to sign a Memorandum of Understanding with the German government on sharing experiences and best practices in combating youth unemployment.⁶⁷ In addition, Ireland is required to develop an implementation plan for the EU Youth Guarantee initiative and submit it to the European Commission by December 2013, although there have been questions about the finance available to implement such a plan.⁶⁸

While specific elements of these strategic initiatives have yet to fully emerge, other developments would appear to converge with an EU-orientated flexicurity approach (activation policies, the Job Plus scheme for all long-term unemployed), as well as diverge from it (e.g. the further reduction of welfare payments for unemployed youth introduced in Budget 2014).

Key learning from the evidence

The study of policy responses to youth unemployment commissioned by Eurofound⁶⁹ identified initiatives which achieved positive outcomes, as well as those where results were more mixed. In summarising its analysis, the study (and others⁷⁰) highlighted a number of

⁶⁶ Department of Foreign Affairs. (2013) 'Tánaiste agrees joint action on youth unemployment with OECD'. Press Release, 29th May 2013. Available at <http://www.dfa.ie/home/index.aspx?id=89617>. Last accessed 23rd October 2013.

⁶⁷ Department of Social Protection. (2013) *Minister Burton welcomes agreement in principle on Memorandum of Understanding between Ireland and Germany on youth employment*. (Press Release), 3rd July. Available at <http://www.welfare.ie/en/pressoffice/Pages/pr030713.aspx>. Last accessed 5th November 2013.

⁶⁸ O'Brien, C. (2013) Funding concern over 'youth guarantee' scheme. *Irish Times*, 12th November.

⁶⁹ Hawley, J., Hall, A.M. and Weber, T. (2012) *Effectiveness of Policy Measures to Increase the Employment Participation of Young People*. Dublin: Eurofound, pp. 55-62.

⁷⁰ For example, it is worth noting that a synthesis of U.S.

general learning points to be applied when developing policies to combat youth unemployment. These are outlined in table 5 below:

Table 5: Key learning from effectiveness study of youth employment measures

Theme	Learning
Engagement	Successful policy measures specify their target group and find innovative ways to reach them, for example by establishing a good reputation or creating a positive 'brand' for the measure or working with relevant community groups for hard-to-reach groups
Heterogeneous group	It is important to note that young people vary in their level of labour market readiness and policies have to cater for a range of minor to complex needs.
Skilled professionals	Policy delivery relies on appropriate personnel, who need to be trained and supported.
Long-term solutions	Young people should be set up on a long-term sustainable pathway, for example by providing them with necessary skills and stable employment, rather than low-quality quick fixes.
Holistic approach	Successful policies offer good quality career advice and comprehensive holistic guidance
Tailored provision	Youth employment measures should focus on the client, not the provider, for example by setting up one-stop-shops for young people or by offering tailored, personalised advice by mentors.
Organisational collaboration and clarity of roles	Inter-agency collaboration and involvement of all stakeholders can be a cost-effective way to implement policies, especially when the specific roles and responsibilities of different actors are specified.

evaluation literature on 'what works' in youth employment programmes identifies many of the same points, while also emphasising the principles and processes of a positive youth development approach. See Collura, J. (2010) *Best Practices for Youth Employment Programs: A Synthesis of Current Research. What Works, Wisconsin Research to Practice Series No 9*, August. Madison: University of Wisconsin-Madison.

Theme	Learning
Involve employers and business organisations	Measures that aim to increase the employability of young people should focus on labour market needs and ensure a buy-in of employers and their representatives.
Broad understanding of social inclusion	Youth unemployment requires flexible responses adapted to economic cycles. Social exclusion is a structural issue and has to be addressed consistently.
Monitoring and Evaluation	Robust monitoring and evaluation should be used to inform policymaking and implementation.

Source: Hawley, Hall and Weber (2012).

This last point is particularly salient and is reinforced by the OECD's observations about quality of evidence. It has suggested the Irish government undertakes outcome evaluations of some of its more recent unemployment programmes, including Momentum and Springboard.⁷¹ More generally, it is felt that rigorous evaluation is essential to gaining a greater understanding of what works to combat youth unemployment, and in what contexts.

Notwithstanding debates regarding particular models which may influence the Irish response to youth unemployment, this *Spotlight* has highlighted evidence that some responses are more effective than others in addressing this policy issue across different European countries.

Key learning derived from the evidence has emphasised, among other things, the need to take account of the heterogeneous nature of the unemployed youth population, the role for highly skilled personnel in building positive relationships with unemployed youth and employers, and the importance of working towards finding long-term solutions rather than quick fixes.

⁷¹ OECD. (2013) *Economic Surveys: Ireland*. Paris: OECD, p. 75.