

# No work in sight?

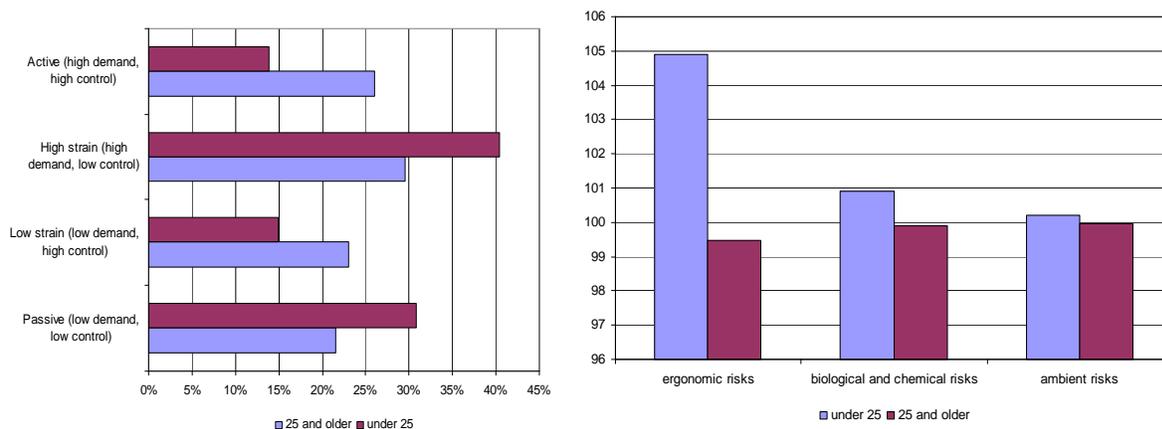
## The role of governments and social partners in fostering labour market inclusion of young people

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### 1. Young workers in Europe

Young people in Europe have been hit particularly hard by the recession with regards to their employment prospects. Although the labour market participation of young people varies highly at the Member State level, according to the latest Eurostat figures, in 2010 in Europe the youth employment rate dropped to 34.1%, the lowest value ever recorded in the history of the European Union. This value corresponds to an absolute decrease of 3.3% compared to 2007, which indicates that more than 2 million of young people are not in employment anymore. Beside this general low participation of young people in the labour market, the results of the 2010 European Working Condition Survey (EWCS)<sup>1</sup>, (Eurofound, 2011a), show that not only it is harder for young people to find a job than for older workers, but in most European countries the jobs held by young people are characterised by being less secure, simpler, physically more demanding. In fact, according to the EWCS, in the EU27, 21% of workers under 25 are afraid they might lose their jobs in the next 6 months, compared to 16% of workers aged 25 or over.

**Figure 1a) Type of work organisation: exposure to psychosocial risk; b) Indices for exposure to physical risks (EU27 average = 100)**



Source: 5th European Working Conditions Survey

Moreover, young workers are also much less likely to work in occupations requiring higher skill levels and for this reason they end up in jobs that are technologically less advanced as well as physically more demanding (figure 1).

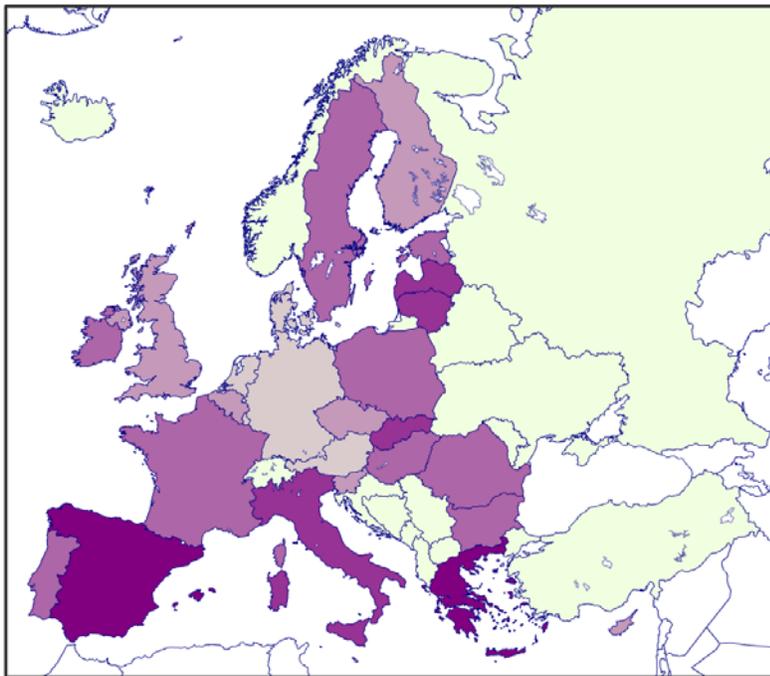
<sup>1</sup> The European Working Conditions Survey (EWCS) is the longest Eurofound running survey, and, since 1990 it has become an established source of information about working conditions and the quality of work and employment.

In addition, they are also much more likely to be in jobs with a high strain or a passive type of work organisation (figure 1). This pattern is found consistently across all types of occupation. The fact that many young people enter the labour market with a relatively low level of education and lack of experience account for some of the differences between young workers and older workers with regard to the type of occupation and the physical and psychosocial demands that these jobs bring along. However, even when statistically controlling for these characteristics, young workers are found to be much more likely to be in low quality jobs than older workers.

## The problem of youth unemployment

In 2010 the youth unemployment rate in Europe reached a high of 20.8%, equal to approximately 5 million of young unemployed, with an absolute increase of 5.5% compared to 2007. At the Member State level the situation is highly differentiated. Figure 2 shows the distribution of the youth unemployment rate in 2010 in Europe. In the figure, lighter and darker purple indicates a lower and a higher unemployment level respectively.

**Figure 2: 2010 youth unemployment rate**



Source: Eurostat, Labour Force Survey 2010

In some countries the youth unemployment rates have doubled or in some cases tripled since the onset of the recession.

Finally, unemployment has hit all young persons, regardless of their educational level. In fact, while in general having completed tertiary education is an advantage on the labour market, in many countries it no longer lowers the risk of unemployment compared to having no qualification. Whereas in most EU countries the low-skilled face a higher risk of becoming unemployed than high-skilled youth, this is not the case of some Mediterranean and Eastern Member States.

## 2. Young People Not in Employment Education and Training

The acronym NEETs stands for Not in Employment, Education or Training and describes young people who are disengaged from both work and education and are at a higher risk of labour market and social exclusion. The interest in the NEET phenomenon has increased because the traditional indicators for youth labour market participation are often criticised for their limited relevance.

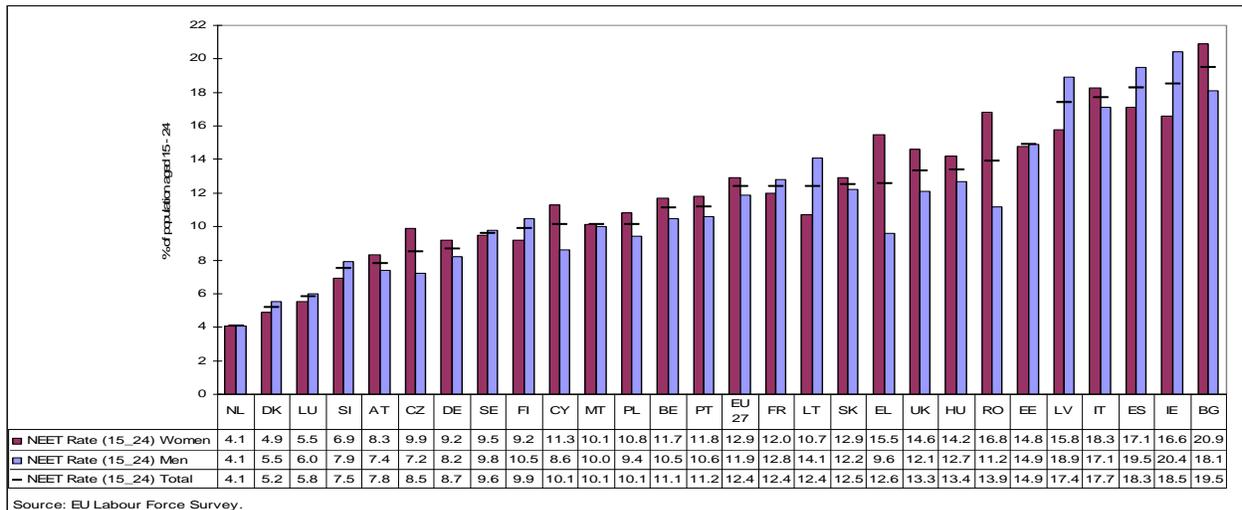
NEET is a heterogeneous category that includes young people who are actively seeking employment as well as those who are not available or not seeking work, such as disabled or those with responsibilities for the care of children. The sub-groups contained within the NEET category have very different characteristics and needs and require distinct forms of policy interventions. The size of the problem speaks

for itself: in 2009 the share of young people Not in Employment, Education or Training reached 12.5% of the population of those aged 15 to 24 in the EU27, corresponding to 7.5 million of young people (Fig. 3).

The effects that the NEET status may have on the future career of young people and the social and economic costs the NEETs may bring to our societies fully justified the call for new policy action in order to re-engage young people in labour market or education as indicated in the new set of integrated guidelines for economic and employment policies proposed by the European Commission on 27 April 2010. Serious concerns have been raised by policy makers about the potential impacts of negative experiences of labour market on young people's engagement with civil society more widely. The results of the Eurofound research reveals (Eurofound 2011b) NEETs are far less civic and politically engaged compared to non-NEET.

Computing the cost of NEETs for all of Europe is a very complex exercise. In literature, the current economic cost of the NEETs have been categorised under two main headings: resources cost and public finance costs. Under the first heading, the general loss for the economy and the individual, due to lack of participation in the labour market is identified. Under the second heading, the additional cost of public finances, such as loss in tax, revenues, transfer benefits, cost for health and criminality are considered.

**Figure 3: NEET rates in Europe<sup>2</sup>**



In the Eurofound project just two sub-dimensions are looked at: the loss for the economy due to the lack of participation in the labour market, i.e. what if they worked, and the transfer benefits that they receive from the public finances. Costs for health and criminality are not considered in the analysis so the estimates provided here must be read as an absolute underestimate of the total economic costs that our societies are currently facing for the NEET group. Moreover the estimates refer to the current costs of the NEETs based on the 2009 EU-SILC data set. The preliminary results shows that just considering these two sub-dimensions at the EU-level, the economic cost of NEETs is more than 100,000,000,000 euro (100 billion euro).

### **A special NEET subgroup: Young people with disabilities not in education or employment**

The results of Eurofound research (Eurofound, 2010), show that in the last decade a number of Member States have seen a significant increase in the number of young people on incapacity benefits, The reason for the increase up has been predominantly due to various mental health problems. This new trend is quite

<sup>2</sup> European Commission – 'Youth neither in employment nor education and training (NEET) Presentation of data for the 27 Member States' - EMCO Contribution (2011)

worrying: traditionally, disability benefits were predominantly taken up by older males doing manual jobs and often treated as an early retirement scheme. In order to support those furthest from the labour market, the European Commission<sup>3</sup> promoted Active Inclusion, a strategy that aims to promote the social inclusion and social protection of those furthest from the labour market by addressing issue within three pillars: inclusive labour markets, access to quality services and an adequate income support.

However, at the Member State level, overall governments and social partners have implemented a range of laws and legislation that aim at inclusion of young people with disabilities in the labour market. The types of measures and the implementation vary from country to country. In general, the main concern for most social partners are people in employment; nevertheless, several good practices exist aimed at young people with disabilities (employment, retention and re-integration), such as in Netherlands and UK.

### **3. Governments and Social partners actions**

Eurofound's comparative analytical report on 'Helping young workers during the crisis' (Eurofound, 2011c), examined how, in the EU Member States, social partners and governments addressed the labour market challenges that affect young people. It shows that governments have, in general, been responsible for most initiatives put in place to help young workers during the last few years, and particularly since the start of the economic crisis. Although social partners recognise generally the problems facing young workers, collective bargaining has not proved to be a widespread means to tackle those problems during the crisis.

#### **Government initiatives**

Most government initiatives for youth have been embedded in wider Active Labour Market Policies (ALMPs). Nevertheless, some particular mechanisms have been used as well. The promotion of apprenticeships, training and work experience programmes have been reported in the Czech Republic, Denmark, Germany, Greece, Ireland and Romania. In countries with a long tradition of strong technical and vocational training (apprenticeships) such as Germany and Austria, the focus has been on deepening the schemes already in place and addressing some existing concerns such as the increasing number of young people who do not even achieve the minimum educational levels required to access apprenticeships, the quality of jobs after apprenticeships or vocational training, and the consequences in terms of gender equality of apprenticeships favouring skilled work traditionally undertaken by men.

The option for incentives to employ and train young people through direct subsidies and/or tax reductions has been also reported across several Member States. Opportunities for employers to reduce their tax bills and/or social security contributions if they recruit young workers have been reported in Greece, Lithuania, the Netherlands, Spain and Sweden. Fewer countries reformed the education system (reported in Portugal and Hungary) or changed labour legislation (Spain, The Netherlands, and Hungary).

#### **Social partner initiatives**

Although collective bargaining has not been an instrument widely used to address and overcome young people's difficulties during the economic crisis there are some interesting examples of social dialogue dealing with this issue at different levels. Tripartite initiatives took place in Austria, Bulgaria and Malta where social partners and government set up schemes in order to mitigate the negative effects of the crisis on this particular group. Bipartite agreements featured in Hungary and in France, where social partners recently agreed to make youth employment the top priority for the 2011 Social Dialogue agenda. There are also limited but interesting recent company level agreements targeted at improving employment

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<sup>3</sup> Commission Recommendation 2008/867/EC of 3 October 2008 on the active inclusion of people excluded from the labour market [Official Journal L 307 of 18.11.2008].

opportunities for young people, such PSA Peugeot Citroën and Bayard in France and Deutsche Telekom and Volkswagen in Germany.

In general terms, trade unions and employer organisations recognise the particular difficulties facing young workers, mostly agreeing on measures such as further promotion of apprenticeships and traineeships for young people or reform of the education systems. However, conflicting views emerge concerning labour law and working conditions. Employer organisations in several Member States are seeking to reduce employment protection and wages for young workers as a means to remove barriers to hiring them, while trade unions question the quality of jobs offered to young people after initial education or apprenticeships and traineeships. Although there is evidence that the crisis amplified the many labour market challenges young people face, there are examples of good practice and innovation in helping them make the transition into work, and secure work in particular. These initiatives can be highly effective when appropriately targeted and supported. Support and commitment from social partners and governments is an essential for the success of those initiatives.

## 4. Conclusions

Young people have been hit by the recession harder than other age groups and unemployment hit young people regardless of their educational level. Besides a low participation of young people in the labour market, in most European countries the jobs held by young workers are also less secure, simpler and physically more demanding.

Due to the crisis, the number of young people not in employment, education and training increased over the last years. The effects that the NEET status may have on the future career of young people and the social and economic costs the NEETs may bring to our societies requires new policy action in order to re-engage young people in labour market or education. However, as the population of NEETs is highly heterogeneous in terms of characteristics and needs, each sub-group contained within the NEET category will need distinct forms of policy interventions. In particular, young people with disabilities will require the implementation of targeted policy measures in order to effectively re-engage with the labour market or education.

Governments have generally been responsible for the majority of the initiatives to help young people during the crisis. However, assessing the effectiveness of such initiatives is crucial, especially in times of austerity when an efficient use of resources is essential. Social partners have recognised the particular difficulties faced by young workers and they even mostly agree on some policy measures, such as developing apprenticeship and reforming education systems. For this reasons, integrated approaches and coordinated actions between governments and social partners might be beneficial to all and might constitute one of the cornerstones towards a sustainable social and economic development for Europe.

## 5. Bibliography

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