

The “Youth Guarantee” in Europe: a Comparative Analysis

1. The “Youth Guarantee” and the European Union.

The “youth guarantee” concept refers to a particular set of active labour market policies implying, for a defined group of young people, an entitlement to a job, training or education, to be granted by the Public Employment Service within a given period of time. Distinctive feature of the Guarantee is this “entitlement” feature: a targeted group of young unemployed has the right (and, sometimes, the duty) to follow activation programmes offered by the labour market services, and to receive either a work or a study place offer in a short period of time.

The term “concept” is used here instead of “measure” because it is fulfilled through a number of different policies, usually tailored to the needs of the single jobseeker.

Among the activation measures that Employment Services can offer to the youths involved, we can distinguish five typologies:

- 1) guidance, career-planning, various kind of support to job-seeking activities;
- 2) training spells;
- 3) internships;
- 4) a “quality” job offer;
- 5) incentives to self-employment.

As a distinct policy, the youth guarantee was first developed in the Nordic countries in late 1970s. Implemented for the first time in Sweden in 1984, the concept underwent a process of slow transformation across the decades. Originally conceived as a measure of direct job creation in the public sector for early school leavers, it turned into a subtler concept, often more concerned with counselling, education and training than direct job-searching activities. Its main goal became to improve the employability of the young people, and not just to place them in short-term employment solutions, which proved to be expensive and rather ineffective.

With the burst of the so-called “Great Recession”, and the consequent fast rise in youth unemployment all around the European Union, EU institution began to be interested in youth guarantee systems, and during the last years repeatedly encouraged its Member States to introduce a “standard version” of a youth guarantee.

The process sped up in early 2013. By a Recommendation of the Council of the European Union, governments were urged 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 becoming unemployed or leaving formal education”.

In the intentions of the EU Commission, the European Youth Guarantee should contribute to meet three of the “Europe 2020” Strategy targets: employment rate at 75%, early school leaving rate under 10%, the number of people below poverty line reduced by 20 million. The recession seriously undermined the Strategy: a 2010 initiative called “Youth on the move”, which included a form of youth guarantee, had very little effect.

One of the reasons why the EU felt necessary to act immediately against youth unemployment has been the increasing perception that youth inactivity is harmful not just for the individuals, but for the economy and the society as a whole. A landmark research by Eurofound estimated the “hidden cost” connected to every young person stuck in the so-called NEET status – not in employment, education or training. For many countries, such as Italy, the toll is so high that approaches 2% of GDP, and even beyond. Most important, such costs are heavier than any active labour market policy.

2. A benchmarking analysis: Implementation of the “Youth Guarantee in Europe”.

The youth guarantee concept is rooted in some cultural elements of the Scandinavian society. An universalistic, state-led, labour-oriented measure, in line with the distinctive features of the Nordic (social-democratic) welfare state model, finds its main ground in a concept called “labour line” (*arbetslinje*): labour market integration is considered the most valuable element of societal integration, and this results in a strong government preference for “activation” measures upon merely passive subsidies.

As mentioned above, the first country to implement a proper “youth guarantee” was Sweden. The programme was called “Youth Team”: it was a last-resort offer of a part-time job, usually in the public sector, for unemployed between 18 and 19 years old. Participants were also supposed to follow training activities in that period.

The Youth Team program showed to be very effective in keeping youth unemployment very low in the age group involved, but its evaluations are rather mixed. According to statistical evidences, the unemployment issue seemed to be simply transferred to higher age groups, in a so-called displacement effect. Furthermore, those public sector menial jobs were widely seen as a surrogate of a real job.

Youth guarantee systems in place today are very different from the Youth Team programme. According to most sources, four EU countries issued a proper “guarantee” for their youth: Finland, Sweden, Denmark and Austria. The first three systems are closely related, with Denmark deviating in some elements; the Austrian one, instead, is mostly focused on the apprenticeship system, a crucial element in labour relations of the German-speaking countries – and Denmark, as well.

The Finnish guarantee, last amended in 2013, served as the model for the European Youth Guarantee. Both are comprehensive programmes, including both educational and occupational

elements. Finland had a turbulent history with youth unemployment, which peaked at 35% in 1994 and which still is fairly high for European standards. The government counteracted it with massive investments in the Public Employment Service, the best-performing in Europe today.

The Swedish guarantee is similar to the Finnish one, although more concerned with job searching activities than educational ones. Sweden suffered and still suffers from sustained youth unemployment, which makes up a very large part of the total unemployment share: this is often attributed to the Swedish educational system, too academic and detached from the real needs of the labour market. However, even if the outcomes of the guarantee are less impressive than the Finnish ones, its achievements are considered a moderate success.

Denmark boasts the lowest youth unemployment rate among all the Nordic EU Member States. This is mainly an effect of the widespread dual apprenticeship system, which proved to be very effective in reducing unemployment where it is in place. However, Denmark is interesting also because of its peculiar interaction between unemployment benefits and activation measures, such as the youth guarantee. They are grounded on a “right and duty” basis: young people on subsidies can enjoy a large set of active measures, but their participation is often required to keep receiving their benefits.

The Austrian system deviates from the other three. The form of guarantee in act here is a sort of “market correction” for aspiring apprentices who couldn’t find a place in a firm. This programme is called *ÜBA*: it is basically a regular apprenticeship course taking place outside of a company, in dedicated public or private institutions. The plan is intended for people under 18 years old, but older drop-out students are increasingly accepted to courses.

There are relatively few scientific evaluations on active labour market programmes, and almost none on youth guarantees in particular. However, the findings can be summed up in “not terribly encouraging”. This kind of policies seems to suffer heavily by the up and downs of the business cycle: they are moderately effective during economic growth spells and generally ineffective during recessions.

This apparently counterintuitive finding is actually quite obvious and depends on two factors: the overload of the Employment Services during periods of high unemployment, and low labour demand during recession. PES just can't work properly when they lack time and jobs to offer.

So, when it comes to evaluate specific youth guarantee systems, we must take in account how they react under pressure. In this case, the Finnish PES seems to perform exceptionally good, showing a high degree of budget flexibility in economic downturns, which allows the centres to recruit new staff to overcome the increased demand, and a well-structured municipal cooperation between the social partners, aimed at maximising the opportunities emerging in the labour market and reducing the informational asymmetry between job-seekers and job creators.

One of the best analyses on country-specific youth guarantees programmes was carried out in 2012 by Eurofound researcher Massimiliano Mascherini, on the Finnish and Swedish cases. Mascherini highlights some common strengths and weaknesses of the models. Among the strengths, the guarantee "forces" PES to focus on the needs of young people, leading them to overperform in order to reach the extremely ambitious (and unrealistic) target set by the guarantee. It's also shown that the measures seem to be particularly effective when applied early: this is probably a proxy that shows us the programme is more effective with "work-ready" young people. The system seems indeed to be much less effective with "hard-to-reach" youngsters, a primary target of the Guarantee, showing that the collaboration between Employment, Social and Sanitary Services should be deepened.

Both system, all considered, are regarded as quite successful: the Finnish PES collocates 83.5% of young participants, while the Swedish counterpart stops at 46% (2011 data)

Denmark and Austria cannot be compared directly to Sweden and Finland because of peculiar labour market conditions, but we can still discuss some specific elements of their guarantees.

About Denmark, the "right-and-duty" approach. There are very few studies on the issue, but they all seem to highlight some adverse effects. Young people tend to dodge social services

duties through the use of sickness benefits, or even renounce completely to unemployment subsidies in order to avoid unpopular measures.

In Austria, the *ÜBA* programme shows good results in future employment for its participants, but suffers from high costs and high dropout rates. It also arguably causes displacement effects on employers, weakening their social commitment in hiring apprentices.

3. The “Youth Guarantee” in Italy, and the obstacles to its implementation.

Italy has been defined by its very Ministry of Labour and Social Policies “no country for young people”. Judging from unemployment data, such a statement appears fully justified: 46% in the 15-24 age group, and among the same group only 14.5% are actually employed. Italy shows as well very high NEET rates as well, especially in the south of the country. Youth employment is the lowest in the EU even among graduates.

The country, stuck in a substantial recession since late 1990s, suffers from a huge productivity deficit. Before the crisis, youth employment was mainly concentrated in low productivity jobs, such as construction works and retail, which were badly hit by the crisis. Young workers lack experience and instruction, due to high dropout rates, low percentage of graduates and scarce formation on-the-job.

The Italian version of the Youth Guarantee (*Garanzia Giovani*) took off May 1st, 2014. Offered to everyone between 15 and 29 years old, the process starts with the registration on a government website. The Employment Service should contact the registrant within 60 days and offer him, within 4 additional months, one of the following opportunities:

- 1) a job offer;
- 2) an apprenticeship place;
- 3) training opportunities;
- 4) enrolment in *Servizio Civile* (relief work)
- 5) a study place offer;

6) incentives to self-employment.

The Plan enjoys 1,513 million euros, two thirds of which come directly from EU funds. The vast majority of these funds is allocated to regional governments.

To fully understand how the system works, observers need to know that labour policy in Italy is a “devoluted” matter, shared between the State and the Regions, and it often arises conflicts between the parties. The employment centres, in turn, are actually managed by a third local administration, Provinces.

Since 1997, employment services are no more a State monopoly: registered private agencies can operate almost freely.

Therefore, in the Italian Youth Guarantee Implementation Plan, the State provides no more than a framework, and the details of the measures to be taken are defined by the Regions. The absence of a proper National Public Employment Service contributes in making the labour market policy system highly fragmented.

The Youth Guarantee will be implemented mostly through a wide set of incentives and subsidies to employers and young employees. The amount of the subsidies will be tailored to the specific needs of the young recipient: in other words, his or her “work-readiness”. This system, called “profiling”, is typical of the Anglo-Saxon and Nordic employment services, and it appears to be a positive innovation in the Italian context.

Employment services play a crucial role even in the Italian version of the Youth Guarantee. However, as many observers point out, the PES and even the private agencies appear to be completely unfit to the role they are sworn in. In other words, they face an “impossible challenge”.

In a European context, the Italian PES lacks funds – severely cut during the crisis – and personnel. Moreover, most of the operators possess basic administrative competencies, and

there is a striking need for qualified employees. However, due to a confused institutional reform project concerning Provinces, employment centres are forbidden to hire any new personnel.

Both public and private services share a common problem: low demand for their services. In Italy, most of the labour demand is not mediated through formal channels: an overwhelming majority of people looks for a job through “informal networks”. A minority of the population contacts the employment services, and placement results are not good: barely 3.1% of the people who found a job in 2011 did it through the PES, and 0.6% through private agencies. Finland tops the ranking with 15.4%.

Some Regions, like Lombardia, are going to rely heavily on the private sector in implementing the Youth Guarantee. As data show, in our context they did not prove to be particularly effective in the past, and their for-profit management may result in adverse effects.

As seen in Chapter 2, the European countries enjoying the lowest youth unemployment rates all have a common feature: the so-called dual system of apprenticeship. Most other European countries tried somehow to introduce similar models in their labour relations, but they were never particularly effective. Italy is no exception.

In Italy, three different kinds of apprenticeship are in place: the first substitutes a high school *diploma*, the second gives a professional qualification, while the third is mainly for researchers. The second one is by far the most common. The first one, which matches the model widespread in Central Europe, is almost non-existent in most of the country, due to botched regulations and lack of interest from employers.

As rightly observed, establishing such a system requires a very long time, “an apprenticeship in the apprenticeship”. Moreover, the economic crisis and the small business environment typical of Italy are both gigantic obstacles to long-term projects. The path towards an effective apprenticeship system is surely difficult, if not impossible.