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A European Fund for Youth Employment Proposal for an initiative

The dramatic rate of youth unemployment in Europe is an undisputed fact. The risk of a lost generation, notably in Southern Europe, is now a plausible scenario. The current situation is also hazardous at a political level, as it runs the risk of delegitimising the public authorities, including the EU institutions, in the eyes of young people.

While the increasing qualifications of young people impacts competitiveness, unemployment is affecting them as a whole, including the most highly qualified. Moreover, because the persistence of unemployment at the end of initial training devalues qualifications, this could also lead to an increase in long-term structural unemployment, thus penalising the future growth of Europe and potentially weakening the viability of the Eurozone.

Since the beginning of the crisis, governments have taken action at both national and EU level to mitigate its effects on young people. Given the deterioration of the situation, new initiatives have

been proposed to accelerate the implementation of these actions. At the European level, two proposals have attracted much interest: Firstly, the Youth Employment Initiative proposed by the Commission and validated by the European Council on 7 and 8 February 2013. Secondly, the Franco-German initiative for the employment of young people known as "New Deal for Europe", launched on 28 May 2013.

In financial terms, these initiatives involve the rapid deployment of funds, notably from the European Social Fund (ESF). Although these funds supplement the efforts already undertaken at national level, they are nevertheless subject to two limits:

- their effectiveness would be undermined if they relied on the same mechanisms of allocation and management as those of the ESF;
- the inherent solidarity of the ESF would be insufficient in view of the difficult situation of the most affected countries. ■

PROPOSAL

In this context, a European Fund for Youth Employment (EFE) would meet two needs:

- an increased efficiency in channelling the funds, through the introduction of conditions and contracts between the European Commission and the Member States; access to such funding should be conditional on the commitment of Member States to implement the "Youth Guarantee" recommendation;
- a greater European solidarity through conditional transfers to the countries that are most affected by the crisis.

YOUTH UNEMPLOYMENT IN EUROPE: A SOCIALLY DRAMATIC, ECONOMICALLY PUNITIVE AND POLITICALLY DANGEROUS SITUATION

In hitting young people hardest, the 2008-2009 crisis confirmed the particular sensitivity of youth employment to cyclical downturns. Their unemployment rate increased by more than 6 points in the OECD countries, i.e. 2.5 times higher than the total workforce, wiping out the improvement of the previous ten years.

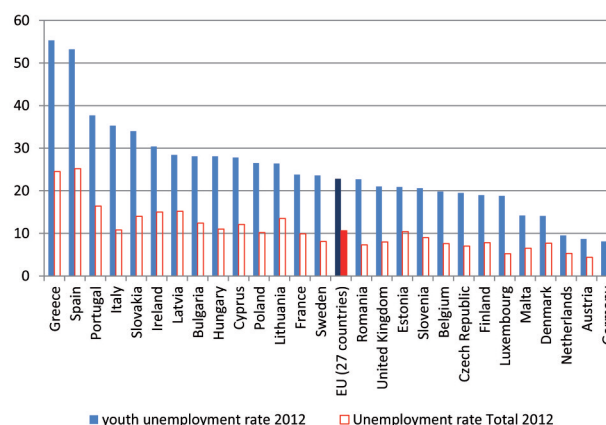
This deterioration has been most pronounced in the European Union, with an increase of more than 7 percentage points over the period 2007-2012. The crisis has also confirmed the over-exposure of young people in Europe, whose unemployment rate represents more than double that of adults (22.8 percent against 10.6 percent in 2012). In February 2013, unemployment affected more than 5.7 million young people under 25 years old and unemployed in the EU 27, i.e. an increase of 196,000 unemployed young people in one year. In addition, 7.4 million 15 to 24 year olds¹ were not in employment, education or training (NEET).

**TABLE 1. YOUTH UNEMPLOYMENT FOR UNDER 25s
IN EUROPE (2007-2012), UE 27**

	2007	2012	Change 2012-2007
Youth unemployment (unit: 1,000)	4,134.3	5,523.1	1,388.8
Youth unemployment of more than 5 months (unit: 1,000)	1,816.2	2,847.8	1,031.6
Youth unemployment of more than 5 months	43.9%	51.6%	74.3%
Youth unemployment rate	15.5%	22.8%	7.3%
Overall unemployment rate	7.2%	10.6%	3.4%

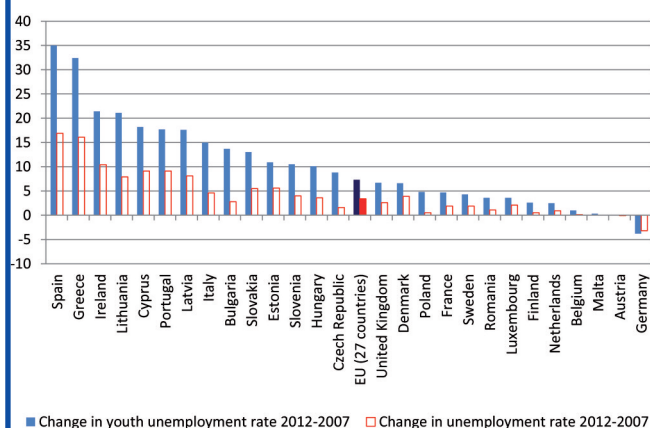
Source: Eurostat.

YOUNG PEOPLE (UNDER 25) SUBSTANTIALLY AFFECTED BY UNEMPLOYMENT IN 2012



Source: Eurostat, LFS.

A SHARP INCREASE IN THE YOUTH UNEMPLOYMENT RATE SINCE THE CRISIS (CHANGE IN PERCENTAGE POINTS, 2007-2012)



Source: Eurostat, LFS.

Beyond the effects of the crisis, youth unemployment can be explained, in a not mutually exclusive manner, by the following three main factors:

- the labour market is too rigid (excessive labour cost given trends of productivity growth and too strict protection of stable employment) and concentrates the impact of its adjustments on the youngest and the most recent recruits;
- the mismatch between the qualifications of new entrants and the expectations of employers;

1. 13.9 million young people if we consider 15 to 29 years old, i.e. 12.9 percent of this age group.

- in labour markets where there is an excess supply of labour, young people are structurally placed in a poor position in the employment “queue”².

The youth employment policy thus involves actions relating both to the labour market and to the education system. At the intersection, how to manage the transition between training and employment is also central.

JOINT INITIATIVES, BUT A WIDE RANGE OF INSTRUMENTS FOR HETEROGENEOUS EUROPEAN LABOUR MARKETS

Public authorities, at both national and EU level, have been active since the beginning of the crisis in seeking to provide responses to this historic rise in youth unemployment. The deepening of the labour market crisis has led to the development of new initiatives, particularly at the European level, in order to accelerate the implementation of actions focused on young people. In financial terms, **these initiatives are intended to rapidly deploy part of the financial resources allocated to Member States under the European Social Fund (ESF)**. Although these funds supplement the funding already committed at national level, they are nevertheless subject to two limits:

Their efficiency would be undermined if they used the same mechanisms of allocation and management as those of the ESF

They would be subject to the repeated criticisms addressed to the Fund: a low utilisation rate; the lack of decentralised administrative facilities combined with a low level of interregional coordination; slow and rigid central governance in the Member States; overlapping of the programming periods; limited administrative capacity in certain Member States; evaluation based on too few quantitative indicators and on a wide range of domestic methods; and above all, low consistency between the allocation of the funds at national level and the guidelines at European level³.

The inherent solidarity of the ESF would be insufficient to cope with the strong national differences

The main objective of the European initiatives must be to provide further support to the Member States most affected by youth unemployment. To achieve this goal, three approaches regarding the allocation of the new funding are compared (see box):

- **Approach 1 “ESF”**: matching the allocation funding either proportionally with the current ESF funding breakdown, or with the amounts remaining to be committed by each Member State (criteria 1 and 2);
- **Approach 2 “impact of the crisis in the Member States”** on youth unemployment (criteria 3 to 6);
- **Approach 3 “impact of the crisis at the regional level”** on youth unemployment (criteria 7 and 8).

THREE APPROACHES FOR THE ALLOCATION OF NEW FUNDING TO PROMOTE YOUTH EMPLOYMENT IN EUROPE

Each of these three approaches identifies criteria to analyse the redistributive effect of the funding:

a) Approach 1 “ESF” :

- criterion 1: weight of national contributions to the 2007-2013 ESF resources.
- criterion 2: financial amounts still to be committed by the Member States in the framework of the 2007-2013 ESF Programme.

b) Approach 2 “impact of the crisis in the Member States” on youth unemployment:

- criterion 3: number of unemployed young people (aged 15-24) in the Member States in 2012.
- criterion 4: change in the number of young unemployed people (15-24) in the Member States between 2007 and 2012.
- criterion 5: number of young people (15-24) who have been unemployed for more than 5 months in 2012.
- criterion 6: change in the number of young people (15-24) who have been unemployed for more than 5 months between 2007 and 2012.

c) Approach 3 “impact of the crisis at the regional level” on youth unemployment:

- criterion 7: rate of youth unemployment at the regional level (NUTS 2) higher than the 2012 average for the EU 27 (22.8 percent).
- criterion 8: rate of youth unemployment at the regional level (NUTS 2) in 2012 that exceeds 25 percent.

Tables 2 and 3 compare, according to the three approaches, the distribution of this new financing under the European initiatives for youth employment.

Overall redistributive effects differentiated according to Member States

The distribution on the basis of **Approach 1**, i.e. the current national budgets allocated to the ESF (criterion 1) or on that of the amounts remaining to be committed (crite-

2. Dayan J.-L. and Harfi M. (2011), “Employment and unemployment of young people: a comparative and retrospective study”, *La Note d'Analyse*, No. 224, May.

3. See in particular: Future EU cohesion policy European Parliament resolution of 27 September 2011 on absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU [2010/2305(INI)]; Report 24 february 2009, on best practices in the field of regional policy and obstacles to the use of the structural funds [2008/2061(INI)], Committee on Regional Development, [Rapporteur: Constanze Angela Krehl].

tion 2) does not trigger an additional transfer to the countries that are most affected by youth unemployment, in particular those with a youth unemployment rate above the EU average.

Approach 2 “impact of the crisis in the Member States” results in bigger transfers to these countries. However, only two (4 and 6) of the four criteria (3 to 6) of this approach target the situation of the most vulnerable Member States in terms of youth employment. These are, respectively, the change in number of young people unemployed and the change in the number of young people unemployed for more than five months. With criteria 3 and 5, respectively the number of young people unemployed in 2012 and the number of young people unemployed for more than five months, the demographic weight of the Member States is much more important in the allocation.

Approach 3 “impact of the crisis at the regional level” results in more significant transfers to the most affected countries. However, 9 of the 27 EU Member States would not benefit from the new funding.

The situation by Member State is in turn a contrasted one

Table 2 highlights the wide range of situations in the Member States according to approaches 1 “ESF” and 2 “impact of the crisis in the Member States”. Various groups of countries can be distinguished:

- **Countries for which the allocation based on the “impact of the crisis in the Member States” (Approach 2), would attract transfers significantly higher than the allocation based on the “ESF” criteria (Approach 1) (Spain, Italy and Ireland).** Spain and Italy alone represent almost half of the growth in European youth unemployment (45 percent). It should be noted that Sweden would also receive significant transfers even though the effect of the crisis on this country has been lower compared with the EU average (increase of 4.3 percentage points in the youth unemployment rate compared to the EU average of 7.3 percentage points). Greece is another case that should be highlighted, since it would not receive additional transfers even though the effect of the crisis on youth unemployment (rates and variation) is very significant. This *demographic effect*, which also applies to other Member States, should be taken into account.

- **A group made up of relatively new members of the EU and Portugal, which would receive lower transfers based on the “impact of the crisis in the Member States” approach (2) compared to the “ESF” approach (1).** Indeed, even though these countries have an unemployment rate higher than the EU average, their weight in the total number of unemployed young people in the EU is relatively low (demographic effect), with the exception of Poland. Moreover, these Member States have already been allocated significant budgets under the ESF.
- **Countries (Belgium, Luxembourg, Malta, Austria and Finland) which would receive almost equivalent transfers with both approaches.**
- **The United Kingdom, which would receive major transfers with the “impact of the crisis in the Member States approach” (2),** although the impact of the crisis on UK youth unemployment is below the EU average.
- **Germany, which is experiencing good youth employment prospects, would contribute more to transfers to the most affected countries.**

In order to address the broad diversity of the EU 27’s regions as regards youth unemployment, Approach 3 “impact of the crisis at the regional level” has been explored⁴ (see Table 3). Four lessons can be drawn from the results of these two breakdowns:

- **this approach limits the beneficiaries to only 18 Member States;**
- **within this group of beneficiary Member States, 135 (criterion 7) or 113 (criterion 8) of the regions most affected by youth unemployment will receive transfers;**
- **this concerns respectively 3.7 million (criterion 7) and 3.1 million (criterion 8) unemployed young people (in 2012) and 1.4 million (criterion 7) and 1.3 million (criterion 8) more unemployed than in 2007;**
- **compared to the two previous approaches (see Table 2), taking into account the regional dimension of unemployment would result in more concentrated redistributive effects.** The main Member State beneficiaries are Italy (7 points), Spain (4 points), Greece (1.5 percentage points) and Portugal (0.9 to 1.5 points). The Member States for which the redistributive effect would be unfavourable include the United Kingdom (6 to 14 percentage points), while France and other Member States would lose less than one point.

4. The calculations related to these two allocation criteria are based on the common classification of territorial units for statistics [NUTS 2] for all regions, except 15 regions i.e. 3 from Austria, 7 from Germany, 3 from France, 1 Italian region and 1 from United Kingdom, whose recent statistics were not available in the Eurostat database. However, in those regions, according to other statistics, Limousin and Guyane are the only two regions with a youth unemployment rate higher than 25 percent, so it does not affect the results.

TABLE 2: THE EUROPEAN FUND FOR YOUTH EMPLOYMENT: ASSUMPTIONS UNDERPINNING THE ALLOCATION CRITERIA OF "CONDITIONAL TRANSFERS"

	Approach 1 "ESF"		Approach 2 "impact of the crisis in the Member States"			
	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6
Countries	ESF 2007-2013 allocated resources	ESF 2007-2013, remain to be committed	Numbe of young people unemployed in 2012	Change in number of young people unemployed in 2007-2012	Number of young people unemployed + 5 months in 2012	Change in number of young people unemployed + 5 months in 2012-2007
Belgium	1.4	1.6	1.5	0.02	1.3	0.0
Bulgaria	1.6	2.1	1.3	1.6	1.7	1.5
Czech Republic	5.0	5.6	1.3	1.7	1.4	1.2
Denmark	0.3	0.3	1.1	1.9	0.5	0.9
Germany	12.3	12.6	6.7	0.0	5.2	0.0
Estonia	0.5	1.0	0.3	0.4	0.2	0.3
Ireland	0.5	0.3	1.2	2.3	1.6	2.7
Greece	5.8	5.7	3.1	5.6	4.0	5.2
Spain	10.5	9.1	17.1	31.1	18.6	35.5
France	7.1	7.4	12.1	7.2	11.5	6.1
Italy	9.1	9.3	11.1	14.3	14.0	15.6
Cyprus	0.4	1.5	0.2	0.5	0.2	0.3
Latvia	0.8	1.0	0.5	0.8	0.5	0.9
Lithuania	1.3	1.3	0.6	1.2	0.7	0.6
Luxembourg	0.0	0.0	0.1	0.1	0.1	0.0
Hungary	4.9	5.5	1.5	1.7	1.7	1.2
Malta	0.1	0.2	0.1	0.0	0.1	0.0
Netherlands	1.1	1.3	2.4	3.1	1.5	1.1
Austria	0.7	0.7	0.9	0.0	0.6	0.0
Poland	13.1	13.5	7.5	0.8	7.7	0.0
Portugal	8.5	6.3	2.9	4.7	3.0	3.8
Romania	4.9	6.5	3.4	0.0	4.0	0.0
Slovenia	1.1	1.2	0.3	0.3	0.3	0.2
Slovakia	1.4	-1.7	1.4	1.0	2.0	1.1
Finland	0.8	0.5	1.1	0.4	0.3	0.0
Sweden	0.9	1.0	2.8	2.2	1.4	1.5
United Kingdom	5.9	5.9	17.4	17.4	15.9	20.0
Total UE 27	100%	100%	100%	100%	100%	100%

Source: Assumptions and calculations of CGSP, data from French DG Treasury, European Commission and Eurostat

TABLE 3: THE “CONDITIONAL TRANSFERS” COMPONENT OF THE EUROPEAN FUND FOR YOUTH EMPLOYMENT, IN RELATION TO THE LEVEL OF YOUTH UNEMPLOYMENT AMONG THE EU REGIONS

Countries	Approach 3 “impact of the crisis at the regional level”			
	Criterion 7 Breakdown between regions with a youth unemployment rate > 22.8%, according to:		Criterion 8 Breakdown between regions with youth unemployment > 25%, according to:	
	Youth unemployment in 2012	Change in youth unemployment 2007-2012	Youth unemployment in 2012	Change in youth unemployment 2007-2012
Belgium	1.30%	0.07%	1.36%	0.01%
Bulgaria	1.49%	1.22%	1.77%	1.39%
Cyprus	0.31%	0.52%	0.37%	0.60%
Czech Republic	0.37%	0.22%	0.43%	0.25%
Greece	4.63%	6.63%	5.47%	7.60%
Spain	25.49%	34.86%	30.15%	39.91%
France	10.62%	6.27%	9.74%	5.15%
Hungary	2.09%	1.69%	1.59%	0.74%
Ireland	1.84%	2.51%	2.18%	2.88%
Italy	16.27%	22.05%	18.10%	22.42%
Latvia	0.86%	1.37%	1.01%	1.56%
Lithuania	0,79 %	0.87%	0.93%	1.00%
Poland	8.71%	1.70%	8.07%	1.56%
Portugal	4.34 %	5.72%	5.14%	6.55%
Romania	2.87%	0.02%	3.39%	0.02%
Sweden	2.99%	1.68%	1.41%	0.70%
Slovakia	1.95%	1.03%	2.31%	1.18%
United Kingdom	13.07%	11.56%	6.59%	6.49%
Total	100%	100%	100%	100%
Number of young people unemployed (unit: 1 000)	3,706.4	1,448.4	3,134.5	1,265.2

Source: Assumptions and calculations of CGSP.

Two conclusions can be drawn from this analysis:

a) With regard to the objective of solidarity with the Member States most impacted by youth unemployment, the three approaches can be classified as follows:

- Approach 3 “impact of the crisis at the regional level” is the one that best achieves this goal. However, by focusing on a limited number of Member States, this approach excludes nine countries.
- Approach 2 “impact of the crisis in the Member States” achieves this goal while reaching all the member States (with the exception of Germany and

Austria). However, the negative effect of the demographic impact on Greece and Portugal must be corrected.

- Approach 1 “ESF” has limited redistributive effects as the funding remains proportional to the current ESF breakdown. In addition, this approach does not take into account the seriousness of the youth unemployment issue in many Member States.

b) In addition to the issue of solidarity, the funding efficiency must also be addressed.

In this context, the creation of a European Fund for Youth Employment (EFE) is necessary.

TOWARDS THE URGENT CREATION OF A EUROPEAN FUND FOR YOUTH EMPLOYMENT

The creation of a European Fund for Youth Employment (EFE) must meet two needs:

- to improve the effectiveness of the funding through conditionality and contracts signed between the European Commission and the Member States: access to such funding should be conditional on the commitment of Member States to implement the “Youth Guarantee” recommendation, defined at European level.
- to increase European solidarity in response to the crisis through conditional transfers: indeed, as the analysis shows, the mobilisation of the residual ESF balances on the basis of the current budget distribution alone will fail to help further the Member States most affected by the crisis.

The principles

A targeted and adapted instrument which breaks with the paradigm of drawing rights...

Youth unemployment cannot be addressed by indirect means only. In this regard, actions aimed at encouraging firms to recruit more young people, in particular through access to loans on favourable terms, are certainly helpful. However, they are subject to three main limitations: the difficulty of targeting them at the most vulnerable youth populations, the significant risk of deadweight effects, and the absence of short term effects on a situation requiring urgent action.

Moreover, as is well known, the European labour markets are heterogeneous. They require both **diversified instruments and the definition at European level of common strategic priorities**. Indeed, in view of the magnitude of the crisis, the EU framework is relevant, both on the one hand, to ensure consistency among the actions of the various public and private stakeholders, and, on the other hand, to bring out and disseminate best practices for youth employment.

In addition, the current governance of the structural funds is inappropriate for the level of youth unemploy-

ment in the EU. Indeed, the structural funds, notably the ESF, have been subject to repeated criticism as to their efficiency and their administration⁵. In this context, the European Fund for Youth Employment will focus on the paradigm of calls for projects over that of drawing rights, which does not preclude transfers between Member States. In fact, it is macro-economically justified for a European action on youth employment to be mirrored by a transfer from countries with low unemployment to countries with high unemployment. However, specific and detailed conditions defined at European level should increase the effectiveness of these transfers.

... also involving the European social partners

The European social partners should be involved in this initiative as it could also provide an opportunity to renew the European social dialogue. Youth employment has been included among the priorities in their work programme for 2012-2014, following joint findings as to the scale of youth unemployment and the urgent need for rapid action, in particular at the EU level. Various procedures could be proposed, in addition to those provided for by the statutes⁶ (consulting the social partners on the priorities of the fund in particular in the framework of a strategic committee of the fund, association with the administration of the fund in the same way as for the ESF or association of the social partners in the evaluation process⁷).

... and whose actions are better evaluated

The fund's requirement of efficiency goes hand in hand with the strengthening of evaluation. In this regard, it must be external in order to be impartial and present at all stages: an *ex ante* evaluation of projects by operators and a review of youth employment policies by the services of the European Commission, an *ex post* evaluation, among others, to monitor the completion and transparent analysis of the impact of projects and national actions and, finally, an assessment of the fund itself under the European Strategic objectives, possibly in the form of a report submitted to the European Parliament.

5. See in particular: Future EU cohesion policy European Parliament resolution of 27 September 2011 on absorption of Structural and Cohesion Funds: lessons learnt for the future cohesion policy of the EU (2010/2305(INI)); Report 24 february 2009, on best practices in the field of regional policy and obstacles to the use of the structural funds (2008/2061(INI)), Committee on Regional Development, (Rapporteur: Constanze Angela Krehl).

6. In the consultation process, cf. Art. 154 of the TFEU and in the negotiation of agreements, cf. Art. 155 of the TFEU.

7. Article 163 of the TFEU stipulates that the social partners must be represented in the Committee assisting the Commission in its task of administration of the ESF.

■ The structure of the fund

The fund, whose strategic guidelines will be defined at EU level, is made up of two components:

- financing on the basis of “calls for projects”;
- and “conditional transfers”.

A funding component on the basis of calls for projects

On the basis of “calls for projects”, this component is intended to finance actions proposed by various types of players (public or possibly private), particularly employment agencies, vocational training bodies, educational institutions, professional branches, regional and local authorities, companies, etc. Consistency of the selected projects with the strategic guidelines of the fund will be a necessary condition for their eligibility.

The overall direction should be entrusted to the services of the European Commission - Employment, Social Affairs and Inclusion DG (EMPL) together with Education and Culture DG (EAC). To accelerate the launch of “calls for projects”, the Commission could sign contracts with public or private operators (public employment services, investment agencies, specialist consultants). These operators, selected by the EU through a tendering process, would be responsible for identifying the projects.

A “conditional transfers” component

The urgency of the situation, coupled with the Member States’ lack of budgetary margins to ensure co-financing, calls for a greater degree of European solidarity. This is the objective of the “conditional transfers” component for the Member States which should particularly benefit the countries most affected by youth unemployment. In addition, the funding should be conditional on three main criteria:

- the choice of existing national actions consistent with the strategic objectives of the fund;
- the signature of contracts between the Member States and the Commission which incorporate conditionalities. The implementation of the “Youth Guarantee” by the signatory States could be the main condition, but these contracts would also stipulate a review of youth employment policies by the Commission services.

- “additionality” which involves the follow-up of national expenditure for youth employment policies to prevent the substitution effects. This condition would require, in due course, the definition of a legal framework for statistical data on employment policies.

■ Priorities

The current situation of young people in the European employment market justifies the targeting of the fund at two main lines of action.

Firstly, the transition from training to employment for young people needs to be improved while also ensuring long-term inclusion in the labour market through the promotion of all forms of school and work-based training provisions, in particular apprenticeships, and through the development of internships. These systems enable young people to acquire both skills and know-how through an employment contract with a company, while also developing their knowledge through training courses in educational establishments. However, preliminary training is necessary to ensure that the school and work-based training programmes are accessible to certain categories of early education leavers, in particular those who have not reached diploma level or secondary qualification.

Secondly, improving the situation of youth employment does not simply involve access to paid jobs, but also promoting the creation of jobs by young people themselves by encouraging entrepreneurship among young people. Although young Europeans certainly have a taste for entrepreneurship (according to the 2012 Eurobarometer, 43 percent of young Europeans wanted to set up their own firm), the Commission estimated that only 4 percent of 15 to 24 year olds were “self-employed” - taken to mean all forms of entrepreneurship - in 2009, i.e. around 3.4 million young people.

The fund’s actions would nevertheless benefit from mixing the profiles of young people (apprentices, NEETs, unemployed, entrepreneurs), types of action (mobility, training, internships) and level of intervention (EU, State and regional level, and interregional cooperation within the States or between EU regions, as well as other public and private players).

In this context, the European Fund for Youth Employment could be structured around three intervention programs:

PROGRAMME 1 – Mobility to improve the transition from education to employment

The major disparities in unemployment levels between the Member States justify the strengthening cross-border, transnational and inter-regional mobility initiatives within the States. **In order to accelerate the implementation of this programme, European mobility actions could rely on existing mobility programs, Erasmus for apprentices and “Your first EURES Job”.** This can be broken down into three sub-programmes:

- European mobility for apprentices (particularly cross-border);
- European mobility for young workers (access to a first job);
- Inter-regional mobility (within the Member States) with two components: apprentices and young workers (access to a first job).

PROGRAMME 2 – Developing school and work-based training programmes in the context of the “Youth Guarantee”

The basic principle of the “Youth Guarantee” is to ensure that all young people receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed. The “Youth Guarantee”, long supported by the European Parliament, was discussed in the European Council Conclusions of June 2012. The European Commission presented a proposal for a Council Recommendation on its implementation by the Member States. **The institutional framework for the implementation of the “Youth Guarantee” is left to the initiative of the Member States.** One of the six components proposed by the Commission as the basis of this measure is the use of EU structural funds⁸. **The “conditional transfers” component of the European Fund for Youth Employment should be activated within this framework.** It effectively involves transferring the remaining ESF balances to

Member States, conditional on the implementation of the “Youth Guarantee”. Three priorities could be favoured:

- prior training to recruitment and access to school and work-based training programmes;
- return to studies for early education leavers (with an emphasis on training giving formal competence);
- support for school and work-based training programmes at the national level.

PROGRAMME 3 – Encouraging entrepreneurship among young people

The promotion of entrepreneurship among young people relates to all stages, from training up to the creation and development of businesses. It therefore involves training programmes which cultivate a taste for and the spirit of entrepreneurship, but also implies favourable conditions for the creation of enterprises. Beyond national actions, the fund’s intervention should focus on two types of actions: **strengthening support systems for establishing enterprises** (including business incubators) and young people’s access to credit, in particular those looking to create or further develop a micro-enterprise. In keeping with the aim to **accelerate the implementation of this programme for the financial support component, the fund should notably build on and develop the European Progress Facility.** In fact, the resources of this instrument, aimed to facilitate access to micro-finance, remain below the overall short term potential demand for micro-credits in the European Union, which has been estimated at more than 700,000 loans, at an approximate value of 6.3 billion euros⁹. A special emphasis could be placed on two types of action:

- Support systems for establishing enterprises (at national and EU level: business incubators and hatcheries, entrepreneurship training, etc.);
- Financial support for establishing enterprises (notably microcredit).

8. COM (2012) 727 of 5 December 2012.

9. Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, “Implementation of the European Progress Microfinance Facility/2010”.

Duration and financing

The fund should be provided for a period of three years, with the possibility after evaluation of an extension of a further three years.

This fund would be endowed by three major sources:

- the allocation of 6 billion euros set out in the “youth package” (frontloading);
- additional contribution through the reallocation of unused budgetary resources from the European budget. This source offers the advantage of not affecting national deficits. Out of the overall ESF budget of 76 billion euros for the period 2007-2013, it was estimated in December 2012 that more than 11 billion euros of the budgetary amounts were still to be committed.
- additional resources according to potential needs.

Overall assessment of the needs of the fund

The principal objective of the European Fund for Youth Employment should be to cancel out the impact of the crisis on youth employment, i.e. an increase of 1.4 million under 25 year olds over the period 2007-2012 (Cf. Table 1). Based on an average allocation of 1,800 euros per young person per year¹⁰, the estimated needs of the European Fund for Youth Employment would amount to around 8 billion euros (Cf. Table 4)¹¹.

In this framework, if the transfers to the Member states need to target the implementation of the “Youth Guarantee”¹² at the national level, then the portion of the funds allocated to the “conditional transfer” component would be proportional to the number of youth unemployed for more than four months (target population of the “Youth Guarantee”), or approximately 1 million youth, for financing totalling 6 billion euros. The financing dedicated to the “calls for projects” phase would thus be at a level of 2 billion Euros.

TABLE 4. ESTIMATED NEEDS OF THE FUND AT 3 YEARS
(EUR billion)

	Amounts in EUR billion
Global arrangement	8
“Conditional transfers”	6
“Calls for projects”	2

Source: .CGSP calculations.

Timetable

The process would be coordinated by the Commission - Employment, Social Affairs and Inclusion DG (EMPL) jointly with Education and Culture DG (EAC).

June-September 2013:

- for the “calls for projects” and “conditional transfers” components: **definition of common strategic guidelines** of the fund and the implementation into programmes,
- for the “conditional transfers” component: **identification of targeted national actions**;

September-October 2013:

- for the “calls for projects” component: **drafting of specifications** for the selection of operators and projects,
- for the “conditional transfers” component: **drafting of contracts between the Commission and each of the Member States** (including the conditionalities);

October-December 2013:

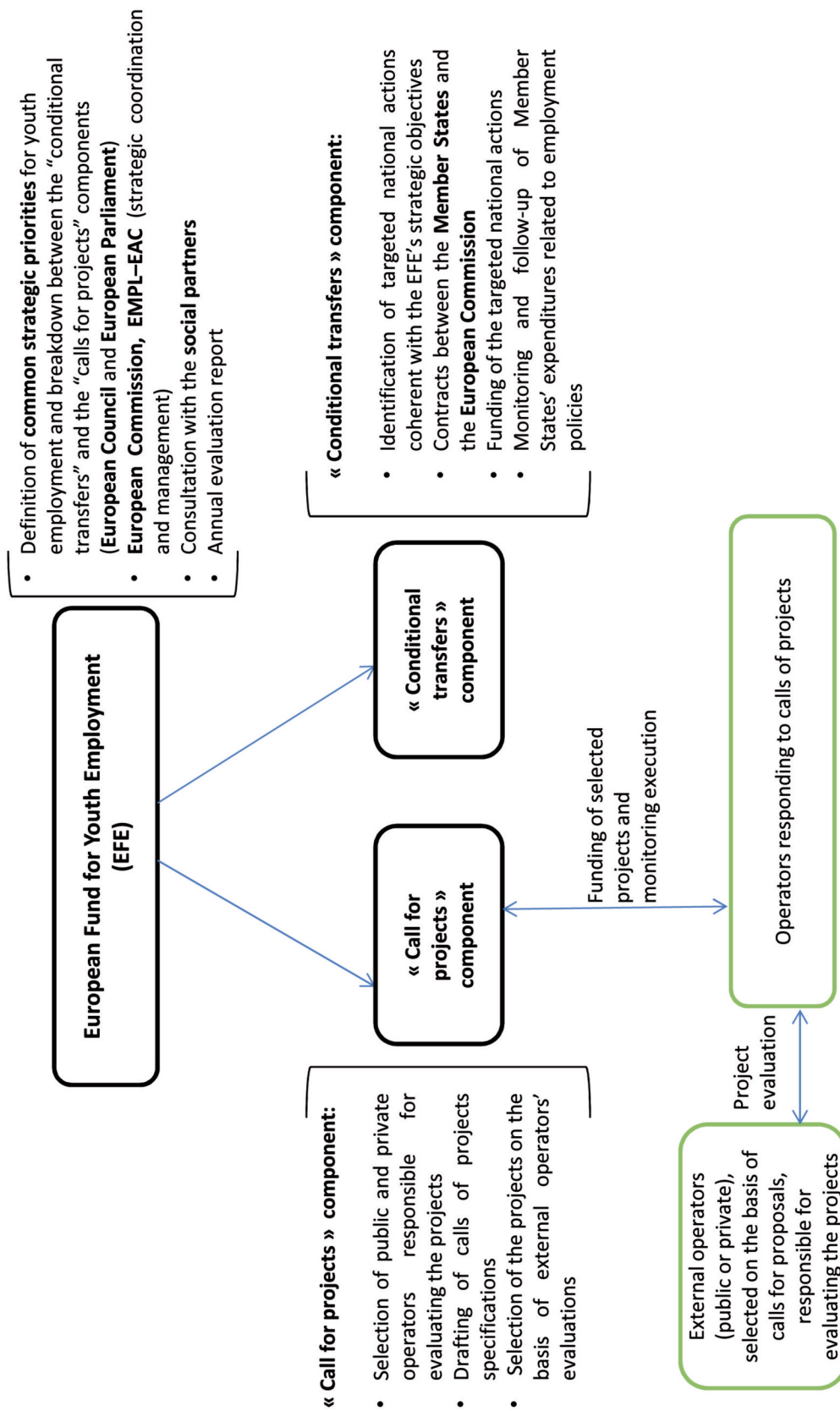
- for the “calls for projects” component: **selection of operators** (public or private organisations present in a minimum of Member States, or a consortium of public or private bodies present in different Member States) responsible for assessing the projects submitted by interested parties (and not by the Member States),
- for the “conditional transfers” component: **signature of contracts and release of funds**.

10. I.e. approximately equivalent to the amount of financing for an Erasmus Student in 2013 for a period of six months, which could be the duration of an apprenticeship for the part of employment in companies or an internship of six months. It is also the equivalent of an average amount of the “displacement” premium for young employment applicants to which is added the average amount of the premium paid to SMEs [EURES base funding].

11. Including 5 percent of management costs.

12. The “Youth Guarantee” concerns young people who lose their job for at least four months, while the Eurostat database only provides data on youth unemployment for an over five months period.

DIAGRAM OF THE ORGANIZATION OF THE EUROPEAN FUND FOR YOUTH EMPLOYMENT (EFE)



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