The “Youth Guarantee” for tackling youth unemployment in Europe: old wine in new wineskins

Category: Stay inspired (sharing ideas)
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The “Youth Guarantee” for tackling youth unemployment in Europe

As a result of the prolonged economic recession and fiscal austerity, unemployment in Europe is still rising.

Young people are the social group mainly hit by unemployment. In July 2013 the youth unemployment rate was 24% in the Euro area and 23.4% in the EU28. The highest rates were observed in Greece, Spain, Italy and Portugal (source: Eurostat, 30th August 2013).

Against this bleak background, the European Commission proposed a Youth Employment Package in December 2012. One of the most relevant actions of this package is the “Youth Guarantee”.

The “Youth Guarantee” is aimed at ensuring that all young people up to age 25 receive a quality job offer, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education (see the Youth Employment Package).

The “Youth Guarantee” was passed by the European Council of 7-8 February and afterward by the EU’s Council of Ministers on 22 April 2013.

Moreover, the European Council of 7-8 February proposed a “Youth Employment Initiative” (YEI) with a view to tackling youth unemployment in all European regions in which the level of youth unemployment is above 25%.

As agreed in the European Council of 27-28 June the “Youth Employment Initiative” will be financed by the European Social Fund (ESF) with a budget of € 6 billion over 2014 and 2015.

The “Youth Guarantee” will be front and center within the same “Youth Employment Initiative”.

This note lends support to the view that the effectiveness of such an instrument is arguable.

First of all, I would like to underline that permanent education, apprenticeship and traineeship have been part of instruments used to tackle unemployment for ages. That means we are talking about old wine in new wineskins and not about new instruments.

In addition, I would argue against this conservative idea – part of the so-called “European policy consensus” (see **S. Collignon**, *Macroeconomic Imbalances and Comparative Advantages in the Euro Area*; ETUI, 2012) – that more flexibility of the European labour market would bring about an increase in employment.

The old narrative in which nominal downward wage rigidity is the most important cause of unemployment is absolutely inadequate in explaining the current unemployment in Europe. That is particularly true of peripheral countries.

In my opinion, currently, structural reforms and specific reforms of the European labour market could be very effective only if accompanied by an agreed-upon fiscal stimulus aimed at boosting economic growth. In other terms, the time has come to leave fiscal austerity in Europe behind (see **A. Bonetti**, *La lotta alla disoccupazione giovanile in Europa: le iniziative* *recenti dell'UE e il contributo del Fondo Sociale Europeo post 2013*; Centro Studi POLITEIA Working Paper n. 2, June 2013).

Finally, this increasing tendency for the EU to generalise each specific public policy that is effective in a country to all EU members is disputable. My personal view is that "one size, fits all" policies are always a matter of opinion.

As a rule, public policy results are influenced by different national institutions and structural features of domestic economies. So, are we sure that the fact that the "Youth Guarantee" has been effective in Austria and Finland means that it will be also effective in the whole EU 28?

The Italian commitment to the "Youth Guarantee"

Since the beginning of his term in office, the Italian Prime Minister Letta has indicated the youth unemployment as a central concern of his Government.

Moreover, he has adopted the "Youth Guarantee" as a prominent tool for tackling this issue.

Apart from the aforementioned shortcomings of the logic behind the use of this instrument, in Italy there are at least two other setbacks of which to take account.

First of all, the implementation of the "Youth Guarantee" calls for efficient and effective Public Employment Services (PES). Unfortunately, Italy is still lacking in effective PES.

In addition, EU public finance allocated to the "Youth Guarantee" must be spent over two years.

The issue is that Italy risks of losing a share of allocated funds, because of the well known delays in the spending of EU funds. Over twenty years Structural Funds have been a powerful generator of change in the Italian Public Administration. Unfortunately, these administrative reforms have not been able to significantly improve efficiency and efficacy of public procedures.

As a result, it seems to me that Ministries and Regions would not be able to use EU funds for the “Youth Guarantee” in only two years.

All things considered, I can conclude that Italy is going to tackle the dramatic youth unemployment with old public actions. Moreover, these actions should be put into practice over only two years, but Italy is lacking both in efficient Public Employment Services and efficient administrative procedures.