

## Youth guarantees: a response to the youth employment crisis?

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### What is a youth guarantee?

The concept of youth guarantee implies an entitlement to a job, training or education of a defined group of young people and an obligation for the Public Employment Service (PES) or another public authority to provide the services and/or implement the programmes within a given period of time. In contrast to typical active labour market policies, youth guarantees provide the entitlement to certain measures for all young people who fulfil pre-established criteria.

The Nordic European countries were the first to implement youth guarantees in the 1980s and 1990s. These include Sweden (1984), Norway (1993), Denmark (1996) and Finland (1996). More recently, other countries have embarked on similar youth employment programmes. These include Austria, Germany, the Netherlands and Poland.<sup>1</sup>

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<sup>1</sup> For further information on youth guarantees in Europe see European Commission: *Peer country papers on youth guarantees*, Brussels, 2011, <http://ec.europa.eu/social/main.jsp?catId=964> [accessed 11 March 2013]; M. Mascherini: *Youth guarantee: Experiences from Finland and Sweden*, European Foundation for the Improvement of Living and Working Conditions, Dublin, 2012; and Schultz Information: *Youth unemployment in Nordic Countries*:

Not all the programmes that are currently in place establish an entitlement for the target group to employment, education or training. In Germany, for example, the government and social partners have committed to ensuring sufficient positions in the dual apprenticeship system, although young people are not entitled to participate in an active measure by law. Likewise, the obligation of the PES in the Netherlands and Poland to provide placement services and access to activation measures for a defined group of young people does not entail a claim for the participants to a job, training or enrolment in education. It is also noteworthy that some guarantees, such as in Denmark, not only grant an entitlement but, at the same time, imply an obligation on the part of the registered young unemployed to participate in the measures.<sup>2</sup>

In this policy brief, programmes that entail an entitlement to participation for the target group are referred to as guarantees and programmes that are not based on such entitlement are referred to as similar youth employment programmes.

### Main features

While the primary objectives of ensuring a smooth transition from school to work and of preventing long-term unemployment are broadly similar across countries, fundamental

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*A study on rights of and measures for young jobseekers*, Albertslund, 2011.

<sup>2</sup> European Commission, *Peer country papers on youth guarantees*, *op. cit.*

differences exist with respect to the design of national guarantee programmes. These differences mostly concern the types of measures, eligibility criteria, duration and compensation.

**Types of measures.** The measures provided within the scope of the guarantees and similar youth employment programmes can be clustered as follows: **i) education and training**, including general education, vocational education and training (VET) and labour market training; **ii) employment services and programmes**, including employment planning, job-search assistance and employment subsidies; and **iii) other active labour market measures**, including public works, community services and business start-up programmes. Some countries, such as Denmark, Finland, Germany and Sweden, provide a wide range of measures, covering all three categories. Other countries offer a more restricted number of measures.<sup>3</sup>

Youth guarantees and similar youth employment programmes are commonly managed through employment offices at the municipal level. Consequently, implementation strategies differ according to the local context. In Austria and the Netherlands, for instance, the design of programmes is aligned with local requirements, such as special support to young people with a migration background.<sup>4</sup>

**Eligibility criteria.** Although differences exist across countries with respect to the criteria that define eligibility for participation in the measures, the following criteria are usually part of most youth guarantees.

- **Age:** All guarantees and similar youth employment programmes define eligibility according to age. In general, age of

<sup>3</sup> European Commission, Peer country papers on youth guarantees, *op. cit.*; Finnish Ministry of Employment and the Economy: *Youth guarantee 2013: Proposal for the realization of the youth guarantee*, Helsinki, 2012; and Y. Guidoum: *Case study of cities' response to the crisis: Rotterdam*, Saint Denis, URBACT, 2012.

<sup>4</sup> *Ibid.*

participants ranges between 15 and 29. In Norway, for example, only people aged less than 20 are entitled to receive an offer for education, training or participation in labour market measures. Other young people are eligible for a so-called 'follow-up' initiative, which motivates young people to engage in active job search. Participation in active labour market measures might be offered but cannot be claimed by young people above the age of 20. Similarly, in Austria, different measures are provided to participants younger than 18 years of age and to those aged 19-24.<sup>5</sup>

- **Duration of unemployment spell:** Young people's eligibility may also depend on the duration of the unemployment spell. The typical interventions mostly start between one to six months from registration with the PES. This criterion might apply in conjunction with other eligibility criteria. In Denmark, for example, young people aged 18 to 19 are entitled to participate in the guarantee within one month upon registration with the PES, as opposed to three months for older youth.<sup>6</sup>
- **Educational attainment:** Additional criteria that are relevant to define the target group mostly relate to educational attainment. Finland and Poland, for instance, have extended the eligibility to young people who have completed tertiary education.<sup>7</sup> In Germany, 6 to 12 months apprenticeship training is provided to young people who have finished compulsory education and have not yet completed a dual apprenticeship.<sup>8</sup>

<sup>5</sup> Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection: *Youth and work in Austria*, Vienna, 2011; European Commission, Peer country papers on youth guarantees, *op. cit.*, p.1.; and Schultz Information, *Youth unemployment in Nordic Countries: A study on rights of and measures for young jobseekers*, *op. cit.*

<sup>6</sup> European Commission, Peer country papers on youth guarantees, *op. cit.*

<sup>7</sup> *Ibid.*

<sup>8</sup> German Federal Employment Agency: *Betriebliche Einstiegsqualifizierung* [Entry-level vocational qualification], Nürnberg, 2010.

**Duration of the intervention.** The duration of the measures varies substantially across programmes. In Sweden, participation in the youth guarantee is restricted to a maximum duration of 15 months. The Danish guarantee entitles eligible unemployed youth to participate in activation measures up to six months. The activation period can, however, be renewed if the person is still unemployed after participation in the first programmes.<sup>9</sup> In Poland, training courses can last up to 12 months. Apprenticeships can last from 3 to 18 months, while work practice can last up to one year. The maximum period for participation in on-the-job training within the Finnish youth guarantee is 12 months. Similarly, participation in vocational training measures in Germany can last from 6 to 12 months.<sup>10</sup>

**Compensation.** The amount of compensation during participation in the guarantee varies across countries and programmes. In some cases, compensation is conditional to work experience, age and educational attainment.

In Sweden, people who are entitled to unemployment benefits receive an additional amount of Swedish crowns equivalent to EUR 27 per day if they participate in labour market measures. Young people under the age of 25 who are not granted unemployment benefits receive 'development benefits' as well as an amount of Swedish crowns equivalent to EUR 16 per day if they have completed further education and an additional amount of Swedish crowns equivalent to approximately EUR 6 per day if they have not completed further education and are aged less than 20.<sup>11</sup>

Young people participating in the supra-company apprenticeship in Austria receive EUR 240 per month during the first two years and EUR 555 per month during the third

year.<sup>12</sup> In Poland, participants in active labour market measures receive a scholarship of up to 120 per cent of the unemployment benefit if they take part in work practice, apprenticeship or other training programmes. Young unemployed who pursue further education beyond the compulsory level are granted a scholarship equal to 100 per cent of the unemployment benefit.<sup>13</sup>

## What is the impact?

Evidence on the impact and effectiveness of youth guarantees is rather limited. According to an evaluation of the Swedish youth guarantee conducted in 2011, unemployed young people aged 24 who participated in the programme in 2008 were able to find a job faster than a control group of participants in other PES measures. However, participants in the guarantee were as likely to be unemployed as their peers belonging to the control group within one year upon completion of the intervention. Also, the positive effect on the job search period tended to diminish in 2009, indicating that the policy might be less effective during economic crisis. Nonetheless, the Swedish youth guarantee managed to support over 53,000 people in 2010, thereby providing school-to-work transition measures to a large number of young people during the recent economic downturn.<sup>14</sup>

Finland reported that in 2011 its PES provided support to more than 83 per cent of young jobseekers within three months of registration as unemployed, compared to 79

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<sup>9</sup> European Commission, Peer country papers on youth guarantees, *op. cit.*

<sup>10</sup> Polish Ministry of Labour and Social Policy, *Active Labour Market Programmes*, Warsaw, 2012; and German Federal Employment Agency: Betriebliche Einstiegsqualifizierung, *op. cit.*, p.3.

<sup>11</sup> Schultz Information, *op. cit.*, p.1.

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<sup>12</sup> Supra-company apprenticeship is training provided by training institutions belonging to the Federal government to young people who were not able to secure an apprenticeship position in a company. This apprenticeship training is treated as equivalent to in-company apprenticeship. For further information, see Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, *Youth and work in Austria, op. cit.*, p.2.

<sup>13</sup> Polish Ministry of Labour and Social Policy, *Active Labour Market Programmes, op. cit.*, p.3.

<sup>14</sup> Swedish Public Employment Service, *The youth job programme: An evaluation of whether the programme increased the participants' chances of becoming employed*, Stockholm, 2011.

per cent in 2010. Statistical evidence has shown that the Finnish youth guarantee resulted in a reduction in unemployment through either direct employment assistance or further training leading to a job. In Austria, despite the high dropout rates experienced by young participants in the guarantee, about 58 and 63 per cent of young people who participated in the apprenticeship in 2010 were integrated into the labour market after 3 and 12 months, respectively.<sup>15</sup>

These findings suggest that youth guarantees can be effective in achieving the primary objective of ensuring a smooth transition of young people into the labour market. They can play an important role in keeping young people connected to the labour market or in education, thereby preventing the scarring effects arising from long-term unemployment, including those related to negative wage effects.

Further research, including tracer and impact evaluation studies, is needed to gain a deeper understanding of the impact of youth guarantees on the employment prospects of young people in the short and medium terms. This would help ascertain whether the benefits of the guarantee extend beyond the initial period following participation and ensure job stability in the long term. For instance, it has been noted that the Swedish youth guarantee does not address structural factors, including lack of qualifications and skills, and therefore does not offer long-term solutions. Another aspect that influences the effectiveness of youth guarantees relates to the labour market distortions they can generate. These distortions occur when young people would have found a job without participating in the guarantee (deadweight loss) or when participants substitute non-subsidized employees (substitution effect). Moreover, evidence suggests that the success

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<sup>15</sup> M. Mascherini, L. Salvatore, A. Meierkord and J. Jungblut: *NEETs - Young people not in employment, education or training: Characteristics, costs and policy responses in Europe*, European Foundation for the Improvement of Living and Working Conditions, Dublin, 2012; and M. Mascherini, *Youth guarantee: Experiences from Finland and Sweden*, *op.cit.*

rate of interventions is higher for new labour market entrants than for long-term unemployed.<sup>16</sup> This is of particular relevance to addressing the needs of disadvantaged groups of young people who, as already mentioned, may also face structural problems. Finally, current youth guarantees are available only to young people who register with the PES. They do not provide support to jobless youth who are not in the record of labour offices. Given the significant share of young people who fall out of the reach of employment services in many countries, it would be important to extend participation of these young people, including through flexible design and outreach strategies.

The prerequisites for well-functioning youth guarantee schemes can be summarized as follows:

**1. Timely interventions for a well-defined target group:** Eligibility criteria should be designed to allow early activation, with measures implemented in a timely manner and targeting those groups of young people who are most in need of support. An accurate definition of the target group is an important prerequisite to implement a guarantee. It is also crucial to enhance the labour market prospects of disadvantaged youth who face multiple barriers to labour market integration.

**2. Well-established administrative capacity and budget flexibility:** The effectiveness of youth guarantees is linked to the capacity of the PES to administer labour market measures. The successful implementation requires a well-established infrastructure and adequate funding to meet the obligation to deliver the measures envisaged by the guarantee. The capacity to establish cooperative arrangements with employers' organisations, trade unions, schools and training institutions, and non-

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<sup>16</sup> N. Duell and K. Vogler-Ludwig: *The role of Public Employment Services in youth integration: A Review of European good practice*, Munich, Economix and Brussels, European Commission, 2011; and Mascherini, *Youth guarantee: Experiences from Finland and Sweden*, *op.cit.*

government organizations is another success factor. Also, evidence from Finland suggests that budget flexibility is important. High demand for measures providing support to the young unemployed in the wake of the recent economic and financial crisis proved a challenge for the Finnish PES. A budget increase was necessary to support higher numbers of young applicants who – on the basis of the guarantee – were entitled to participate in the labour market measures. Increased funding was used to recruit additional staff and expand active labour market measures.<sup>17</sup>

**3. Strong education and training systems:** Schooling is an important determinant of youth labour market outcomes. Evidence from Austria suggests that formal qualifications are key to obtain a stable job for young people. Education and training policies should enable the PES to resort to a variety of measures, including second-chance education, VET and apprenticeship programmes. The Austrian and German dual apprenticeship systems, for instance, have proven extremely successful in reducing unemployment among young people.

## What are the costs?

The latest ILO cost estimates suggest that youth guarantees can be implemented at an annual cost of approximately 0.5 to 1.5 per cent of GDP, including administrative and compensation costs. The costs differ depending on the availability of the administrative infrastructure for the implementation of guarantees on a larger scale and the size of the eligible population. Considering the high short-and long-term costs of youth unemployment and inactivity for individuals and the society, the benefits of youth guarantees can potentially outweigh the costs. It is important to note that successful youth guarantees require well-functioning infrastructure for delivery such as

<sup>17</sup> M. Mascherini, *Youth guarantee: Experiences from Finland and Sweden, op.cit.*

in the Nordic European countries. Long-established youth guarantees have evolved over the past three decades. They have been frequently redesigned to integrate lessons from implementation and good practice. The possible transfer of experience of these guarantees to other countries that have a less-developed infrastructure and less experience, as well as their extension to a larger group of eligible young people, should take into account the additional resource requirements associated with country-specific characteristics.

## The way forward

Youth guarantees are gaining prominence in the fight against the current youth employment crisis. Most of the countries mentioned in this brief have recorded positive experience with the youth guarantees. Yet, limited evidence on their long-term impact suggests that performance monitoring and impact evaluation systems need to be enhanced substantially. Expanded efforts on data collection, monitoring of implementation and research on impact using multiple criteria are required for a better design and implementation of cost-effective measures in the present context of budgetary constraints.

While youth guarantees can play a significant role in reducing the scars of long-term unemployment and of disconnection from labour markets amongst young women and men, long-term and structural solutions to the youth employment crisis require a combination of interventions at both the macroeconomic and microeconomic levels as advocated for in the 2012 ILO's Call for Action on the youth employment crisis.<sup>18</sup>

*For further information contact the ILO's Employment Policy Department ([employment\\_policy@ilo.org](mailto:employment_policy@ilo.org)) and the Youth Employment Programme ([youth@ilo.org](mailto:youth@ilo.org)).*

<sup>18</sup> The full text of the 2012 Resolution of the International Labour Conference 'The youth employment crisis: A call for action' can be found on the ILO website at [www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS\\_185950/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm).