

# **Actions to foster youth employment in the Member States**

*Declaration of the EU Ministers of Labour and the Commissioner for Employment, Social Affairs and Inclusion agreed at the Conference on Youth Employment.*

*Berlin, 3<sup>rd</sup> July 2013*

## **Preface**

### ***Determined action against youth unemployment***

*The widespread problem of youth unemployment in Europe requires urgent and determined action at European and national level. The European Council has just agreed that combating youth unemployment is a particular and immediate objective.,*

*Finding ways out of the jobs crisis requires us to identify innovative initiatives. Action that pursues rapid and sizable effects on hiring the young, while the more permanent effects of the stability-oriented macroeconomic policies and structural reforms in which many countries are embarked show fully their effects. This should be pursued together with reforms that promote and sustain growth, particularly restoring normal lending to the economy, and supporting SME financing, since they are critical to create jobs in many countries.*

*Tackling this problem of European scale requires both national action and common action at European level. We have to decide on all the necessary arrangements to ensure that the Member states can profit, without delay, of an effective utilization of all available resources.*

*On the basis of the preparatory work of the Heads of Public Employment Services (HoPES), the 19<sup>th</sup> of June meeting in Madrid, the orientation debate of the EPSCO Council on 20 June and the Conclusions of the European council of 27-28 of June, the areas in which we should focus are:*

- *How to make the necessary preparations to make the Youth Employment Initiative fully operational by January 2014 and the Youth Guarantee a reality.*
- *To study and exchange our experiences on the measures with greater impact on the short term to reduce youth unemployment.*
- *The ways to promote the mobility of young job-seekers.*
- *Improve the functioning of the Public Employment Services (PES) and the national Systems of Vocational Education and Training.*
- *To decide on how to enhance use of all available financial instruments.*

*This document outlines the key findings of the best experiences regarding employment policies, the functioning of the PES and labour mobility in Europe. Besides, it proposes next steps to implement the Conclusions of the June European Council on setting up the YEI and the Youth Guarantee and making the available financial instruments fully operational.*

## **1. Promotion of integration into the labour market**

To combat the high youth unemployment that is dramatically on the rise in many regions of Europe, labour market policy measures and growth are needed which are able to quickly improve the overall as well as the local and the regional employment situations. Moreover, successfully attacking the problem is not only an economic and social necessity but is also important in order to achieve the Europe 2020 targets for sustainable growth, employment and social cohesion. In particular, the integration of young people into the labour market should significantly improve through consistent implementation of effective measures, in particular those outlined in the Council recommendation on the Youth Guarantee<sup>1</sup>. It is crucial for a good economic and social future of Europe to ensure 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. Particular support is needed for young people whose employability is lowest and who face highest risks of exclusion. Concrete national plans for the implementation of the Youth Guarantee need to be developed by Member States, specifying measures to be put in place, their timeframe and a financing plan, drawing upon resources of the European Social Fund and the Youth Employment Initiative. Thereby, a prevention of longer periods of unemployment or inactivity and the improvement of employability can be expected in all Member States. Depending on the structure of the labour market, this can already contribute to a sustainable reduction of youth unemployment. In the Member States which are especially affected by high unemployment and a weak economic situation, the sustainable reduction of youth unemployment above all depends on the implementation of structural reforms aimed at improving the framework conditions in the labour market and enhancing the overall competitiveness, associated with a sustainable economic recovery and gradual growth in employment. In particular, Member States should consider whether their regulatory regimes are effective in creating opportunities for young people to enter the labour market. Furthermore, the reduction of youth unemployment depends on reforms to improve the effective labour market participation by young people and improved competitiveness generally. Improvements to how we engage with young people, how we encourage them to develop their skills and further their education, and how we support them to access and participate in the labour market will be critical to ensuring that they are not left behind as economies and employment levels recover. Labour market policies have to play its role but it is obvious that the overall labour market situation, in countries with negative growth rates in particular, is key for the prospects of the young generations entering into the labour market. Hence, there is a need for a coordinated policy to support aggregate demand and increase productive investments.

There is no “one-size-fits-all” approach to tackle youth unemployment, also because the challenge varies significantly across Member States. The prime responsibility to foster youth employment is up to the Member States. Policy assessments show however that tailor-made packages of measures are more effective than single measures.

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<sup>1</sup> In the following referred to as the Youth Guarantee

Depending on the conditions and problems prevailing in the respective Member States and taking particular account of the individual situation of the young unemployed, three groups of measures can be considered to promote youth employment and prevent inactivity which should be used in combination, accompanied by employment and job-friendly macroeconomic policies.

They are measures to:

- improve qualifications, skills and experience;
- make it easier to enter the labour market, support young people to access employment and provide adequate advice and guidance;
- support publicly-promoted employment.

The implementation of measures to improve the employment situation of young people depends on every Member State. They can thereby, where applicable, rely on substantial financial support from EU-funds. The funds provided for in the Multi-annual Financial Framework 2014 - 2020 should be fully operational as soon as possible. All preparatory steps to ensure that this aim is achieved should be taken in due course.

The use of these funds can however only be effective if it is embedded in overall national reform strategies. It should be combined with national efforts for structural reforms including the use of national funds. In order to use the money available from EU-funds effectively and efficiently, it is necessary to build on the labour market policy experience of the Member States. Free-riding, displacement and mismanagement should be avoided as far as possible. Efforts should be made to ensure that the funds used enhance the institutions of the labour market and increase the employability of young people. On the basis of the existing labour market policy experience and taking up the “Heads of PES concept on the delivery of the Youth Guarantee”, important examples of possible measures in line with the Youth Guarantee and possible EU-funding instruments as well as possibilities to design the funding criteria are illustrated below. Member States will, with respect to their national competence, national context and organisational framework, make full use of good practices and available funding to further develop their policies in favour of youth employment.

## **1.1 Measures to improve qualifications**

### *1.1.1 Measures aiming to catch up on school-leaving qualifications*

In view of the relatively high rate of school drop-outs in the EU and their impact on the labour market, measures and projects are needed which are suited to take new paths to reach young people who are “tired of school”. In order to motivate the young people in question to catch up on their school-leaving qualification and gain a second chance, close cooperation among regional players is necessary – above all schools, labour market administrations, youth facilities, street workers, as well as parents and parents’ associations are to be involved here.

*Concrete measures for young people may for instance be promoted via the European Social Fund (ESF) within the investment priority of reducing the number of school drop-outs. The*

*European Investment Bank (EIB) is exploring ways of providing technical advice to implement new instruments more quickly.*

### *1.1.2 Measures to acquire vocational qualifications*

The number of young people with no vocational qualification is worryingly high all over the EU, and there is an urgent need for change since low levels of qualification constitute the greatest risk of unemployment. Since many of these young people have restricted performance levels, a variety of measures can be considered, combining elements of school and vocational training. The PES or other institutions such as schools, can develop programmes for this in cooperation with employers and institutions of vocational training to prepare or implement vocational training. In rural areas and in structures with largely small companies, the basic and further training associations can be organised where various elements of training can be completed in different companies. These skill-building associations can be organised by the Public Employment Service or by institutions which it commissions.

*The EIB puts special emphasis on financing investments in education and training as part of its support to strengthening Europe's knowledge economy. This would include the building and equipment of vocational schools and other educational facilities. It is also possible to fund the training of (vocational school) teachers. ESF-funding of vocational training measures is possible in a variety of formats.*

## **1.2 Measures for facilitating career entry and transfers**

### *1.2.1 Temporary wage subsidies*

In order to make it attractive for companies to recruit young people for vocational training, it may make sense to grant employers temporary subsidies towards wage costs. In the current situation of particularly high youth unemployment, many Member States take up this possibility to promote the recruitment of young people.

Wage subsidies have proved to be particularly effective if they are paid directly to the employer. In order to avoid increased free-rider effects, subsidies should be granted especially in regions with high youth unemployment and for young people in particular need of promotion. It is also recommended to make the subsidy contingent on the additional nature of the training post or job.

Their amount and duration should be variable in order to be able to adjust them in line with the respective labour market conditions, as well as with the reduced performance which needs to be individually compensated for (e.g. depending on the lack of professional experience).

A binding period of follow-up employment after the end of the temporary subsidy has proved to be successful in reducing free-rider effects and improving sustainability. Where appropriate, employers who terminate the employment relationship during this period of follow-up employment should repay the subsidy.

*The additional EUR 3 billion provided within the Youth Employment Initiative could also be used in combination with ESF funds for temporary wage subsidies.*

### *1.2.2 Loans with beneficial terms*

A core problem in today's economic phase is the lack of willingness on the part of companies to employ young people who have no work experience. Many Member States therefore have a large number of young people with very good school-leaving qualifications and even graduates who have no chance of gaining practical work experience. Since this entails a danger of a shortage of specialist workers in a few years, in view of the demographic changes in all Member States, there is a need to take supportive action, without neglecting the responsibility of employers to provide training places and jobs for young people entering the labour market. A credit programme offering incentives to employ young people should be structured in such a way that the conditions are attractive in comparison to other types of funding. What is more, the application procedures should be as simple as possible. A public or semi-public body can carry out the important task of acting as an agency by bringing together qualified young people with the right companies. One might also consider setting up Internet exchanges.

*Under its dedicated Growth and Employment Facility, the EIB is stepping up its lending to projects that help tackle youth unemployment. This includes a further increase in the financing of small and medium-sized enterprises with loans and guarantees that are expected to have a high impact on youth employment. Promotion from the ESF would also be possible in the framework of the priority of modernising and strengthening labour market institutions. Furthermore, additional, beneficial interest rates could be granted to the SMEs in terms of revolving funds, financed from structural funds.*

### *1.2.3 In-company internships*

In-company internships financed by the PES have, in some countries, proven to be a successful tool to facilitate career entry. They give young people with good vocational qualifications the possibility to compensate for the lack of interlinking between school and company elements of training and to collect initial vocational experience. This may lead to them being taken on by a company, and frequently results in permanent employment. In regions with a weak economic structure or with largely small and medium-sized enterprises, the organisation of internships networks makes sense. One could also consider publicly-financed Personnel Service Agencies which would employ the young people permanently, organising in-company practical phases in alternating companies.

Depending on the national context, it could be the job of the PES to bring the players together and to network services that are provided by all sides. This can be achieved by various means, the spectrum of tasks ranging from establishing internet-based information exchanges, and recruiting companies by providing funding, through to individual advice.

*Modernising labour market institutions and also establishing institutions in less developed Member States can be promoted from the ESF. EIB supports internships as part of its financing of training activities. Internships can also be supported from ESF money, e.g. in*

*form of supporting living costs of trainees or subsidies for employers to compensate for salaries paid to trainees.*

#### *1.2.4 Assisting self-employment*

Young trained adults with a motivation to set up a company and initial vocational experience should be supported in becoming self-employed and establishing their own companies. In order to promote the sustainability of the start-ups and at the same time to make a contribution towards structural change, the focus can be placed on the promotion of start-ups in sunrise sectors, such as premium services (company-related and personal). In order to achieve this, easily accessible and well-prepared information on promising branches should be made available. An Internet-based information system is practical in this context (e.g. a labour market monitor). The decision on providing assistance should be preceded by a meticulous suitability test carried out by an independent body (e.g. a chamber). In the same way, the set-up phase should be supplemented by coaching activities and counselling, for instance by mentors or senior experts.

*Close cooperation of the PES with regional economic promotion, chambers of industry and commerce and start-up consultancy centres (or a back-up development of these) is practical. The corresponding technical equipment and staffing of the PES can be provided through EIB funds. The EIB group – through its subsidiary, the European Investment Fund (EIF) - focuses on granting microcredits, including for young business persons, by granting loans of up to EUR 25,000. Since there has already been considerable positive experience in this area, microfunding is to be further expanded with the aim in mind of furthering business start-ups. For this, the EIB has in particular also offered technical support for suppliers of microcredits in the Member States. Moreover, advice and coaching for those starting up in business can also be funded from the ESF. The promotion of self-employment, entrepreneurialism and business start-ups will also be a priority of subsidies for the ESF from 2014 onwards.*

#### *1.2.5 Career entry support programmes*

Major problems arise in the case of pupils with a lower performance when transferring from school to vocational training. Considerable significance is therefore attached to preventive measures for this target group in school. Vocational training coaches who accompany young people from the penultimate year of school to the first period of vocational training or – if the transfer is not immediately successful even a longer time – individually and continually in the transition from school to vocational training, can be a major help for this group in the important transitional phase.

*The promotion of life-long learning is planned as an investment priority for the ESF programme period 2014-2020. (Co-)funding of measures for career entry support programmes is in line with this priority. In order to be able to start the measure to facilitate the transfer soon, the EIB and the Commission are exploring possibilities to finance ESF-supported measures with loans from the EIB.*

*The permanent integration into working life of young people who do not have a job and are not in school or vocational training is an investment priority in the new ESF programme period. Consequently, the measures that have been listed can be co-funded from the ESF.*

### **1.3 Time-limited measures of publicly funded employment**

Depending on regional or national circumstances, it may make sense to publicly promote time-limited employment. In regions where unemployment is high whilst the economic and public infrastructure is weak, the recruitment promotion of, in particular, young people whose performance is poor makes sense. By these means, urgently-needed regional infrastructure can be created, which at the same time favours the settlement of private companies. The relevant stakeholders (PES, the social partners, the chambers, regional business development) should be closely involved. The funding must be time-limited for each job and where appropriate restricted to the defined regional project goal because open-ended funding of public employment have considerable consolidation risks, primarily for the group of young people. In this respect, a graduated concept should be pursued and the connection with private enterprises should be made as close as possible. It would be preferable for projects to be primarily carried out by private employers and for the latter to receive wage subsidies. Also granting a training bonus is a tool which can be used, if one examines the circumstances precisely. While facing huge job shortages for young people, one should not undermine the potential that represent the public sector and the social economy in several countries in offering trainings and first working experiences for the most vulnerable young people. In any case, bringing young people into the first labour market must be the first option all measures are aiming for.

*Improving access to employment for job-seekers and non-employed persons can be funded via the ESF.*

### **1.4 Success factors**

The success of a labour market policy activity is measured by whether the impact that it is anticipated to have can be achieved in a reasonable time and with suitable resources. The anticipated impact can above all relate to improving the chances of integration and acquiring measurable and adequate skills. The following criteria should be taken into account when planning measures:

*Simplicity:* The simpler a measure is, the better it is likely to be received.

*Transparency:* Closely connected to this is the need for information to be available on the measures which are in place, and for individuals who have not (yet) registered with a labour market service-provider to also be able to gain access to it.

*Tailored fit:* Activities must be tailored to the individual need for action and fit regional circumstances. There is no one-size-fits-all measure which is effective on a large scale.

*Measurability:* Activities should be designed in such a way that their success can be measured. This also includes being clearly defined from the outset what impact is anticipated.

*Reversibility:* A clear sunset clause should be provided for in order to prevent the creation of parallel structures and limit displacement effects.

*Social dialogue:* Strong support and involvement of social partners and other stakeholders is equally important for the success of labour market policies and contributes to improve ownership and effectiveness of active labour market policy measures. The social dialogue should play a crucial role in promoting training and employment for youth in accordance with national circumstances and traditions, at company and sector level as well as European level.

## **2. Initiating institutional changes and implementing them successfully**

The labour market policy measures aimed at quickly improving the labour market situation of young people should already be selected in such a way that they support structural change in the work of PES and greater duality in the training system or the linking of workplace and classroom based training components in the training system in general. The following principles often stand behind successful institutional arrangements and will be considered in structural reforms of the Member States.

### **2.1 Interlinking classroom and workplace-related training components**

Good interlinking of classroom and workplace-related training components is an effective means of facilitating young people's transition from the education system to the labour market. Many Member States are already pursuing this approach or are introducing it. They will be particularly successful if they manage to create broad acceptance for this concept and persuade large numbers of companies to provide suitable training places.

The introduction of workplace and classroom based training elements or other dual elements must be adapted to the respective circumstances of the region. It can be an advantage in mainly small-company structures to form regional sector-based training networks in which several small companies can each take over a section of the vocational training. Involving the social partners helps to achieve broad societal acceptance.

### **2.2 Developing nationwide vocational counselling structures**

In order for the dual vocational training system to be successful, it is vital that young people leaving general education are informed about the system, and are thus able to make a career decision choice on this basis. This requires the development and expansion of systematic vocational advisory structures that begin at an early stage. Nationwide events on careers information and orientation in the penultimate year of school should ensure that (nearly) all young people are reached.

Close interlocking between advisory services and the services of public employment services, or even institutional integration of vocation guidance in the latter, is helpful to



enable young people to be directly given placement offers following these advisory discussions, wherever needed.

### **2.3 Functions of public employment services**

Public employment services could discharge the following four functions (at least):

*Creation of transparency regarding supply and demand in the labour market, including nationally:* Unemployed young people, vacancies and training posts must be brought together. It is therefore necessary to create the greatest possible transparency of supply and demand for applicants and employers on the labour and training markets.

*Nationwide counselling services (personal or online) on labour market questions for employees and employers:* An uncomplicated nationwide counselling service must be accessible in all places and be built up according to similar standards.

*Effective placement in employment or training:* The core of the activities of the public employment services is placement in employment or training. Placement activities should therefore start at an early stage, where possible before the start of unemployment. Placement is based on systematic, individual profiling that, along with formal qualifications, reveals any non-certified competences and a given need for action. An individual action plan is to be developed from this that is agreed between the young person and the placement officer and contains job-seeking and support activities of both sides.

*Allocation of labour market policy measures:* An tailored fitting, high-quality range of measures has to be offered for those young persons who are unable to transfer directly to employment or training. The selection of the individual fitting measure is based on profiling and on labour market advisory services.

The way in which the *governance* of public employment services should be structured depends heavily on the respective national situation. One question that has to be answered is that of striking the right balance between central and local elements. In general, it has been seen that local scope for action is necessary in order to enable an adjustment of labour market policy action to regional situations. A central structure in addition to this guarantees that uniform quality standards are implemented and regional activities can be coordinated to a national strategy.

Effective *monitoring* of the services and measures offered and their success is necessary in order to enable systematic further development of the range of services and the catalogue of measures. This means that investments must be made in systematic data collection and processing.

In order to allow better access to the labour market and in particular to prevent social exclusion of the most vulnerable young people, a multi professional approach and a broad cooperation between authorities responsible for employment, education, social, health and youth policies are needed. Also the involvement of various stakeholders, such as employers, trade unions, youth and other third sector organizations are needed in the planning and implementation of the Youth Guarantee.

*The expansion of dual training systems or the stronger incorporating of workplace and classroom based elements in vocational training systems can be promoted within the ESF*

*from 2014 onwards in the thematic objective “investing in education, skills and lifelong learning”. Measures aiming to increase the labour market relevance of the systems of general and vocational training can be supported there in an investment priority.*

*The labour market service can in particular be supported from the ESF in those Member States which receive money from the cohesion fund within the thematic objective “enhancing institutional capacity and efficient public administration”. This is contingent on appropriate foci being placed on the Operational Programme for the ESF in the Member States in question. In more highly developed Member States, promotion would be possible as a matter of principle within the priority of modernising and strengthening labour market institutions.*

*EIB loans would be available to co-fund the material investment to expand vocational training facilities and the Public Employment Service.*

### **3. Increasing and using the willingness to be mobile**

Time-limited working stays abroad serve to enhance both specialist and intercultural skills which are a personal gain for EU employees and a major competitive factor for EU enterprises in the global economy, both in the destination country and later in the country of origin. Measures promoting long term labour mobility should take into account the consequence on the labour market, potential growth and social policies in the country of origin.

Erasmus+ should encourage mobility for young people in training and develop cross border work experiences and job opportunities. Specific attention should be paid to the implementation process and to the different obstacles that need to be removed to fully benefit from this program.

Measures within the network of the European Employment Services (EURES) are a vital tool. EURES provides information and advice for employees who would like to take up work in another EU country, as well as for employers who would like to recruit at cross-border level, and supports the placement process. The EURES Internet portal organises the exchange between applicants and job offers. With the new orientation from 2014 onwards, as a real placement platform, EURES will develop into a tool not only for job placements all over Europe, but also as appropriate, for the placement of trainees and apprentices in suitable training posts and internships. Technical matching is then to be possible.

A further instrument is the development of mobility programmes, including on the basis of measures that have already been tried nationally. Young people who are interested in training, and unemployed young adults, could be offered work prospects in other EU States, in particular where there are skills shortages.

Focal points that might be taken into account by Member States and the European Commission in designing mobility programmes are: learning the language of the host country as well as subsidies towards travel expenses, for moving, for subsistence and the grant of social guidance and coaching in aspects of vocational training. The cost of recognising foreign vocational qualifications in regulated occupations can also be met. Mobility programmes should be evaluated in order to learn more about good practices in this field.

*National EURES activities can be funded from the ESF from the coming programme period onwards. At European level, the European Commission is currently working to expand the European mobility programme. It should be explored how the EU's "Your First EURES Job" pilot project can be further developed for this purpose. The EIB is already supporting students' mobility via loans. Leveraging public funds through loan instruments increase the reach of the programme to more people.*

#### **4. Making better use of EU-financial instruments**

In the past two years, the Member States and the European Commission have expanded the instruments and funds for a substantial European contribution towards combating youth unemployment.

Through Reprogramming of Structural Funds, it has thus been possible so far to mobilise an additional EUR 16 billion to promote youth employment. At least 780,000 young people and 55,000 companies will have benefited from the measures by 2015.

Under its Growth and Employment Facility the EIB has committed itself to an additional lending volume of up to EUR 60 billion in total in 2013 to 2015 alone for investments with a high impact on growth and employment.

Further billions are available to all the Member States via the European Structural and Investment Funds. The funds being deployed for research (+24%), education (+18%) and infrastructure (+50 %) have been considerably increased in the new 2014-2020 programme period.

##### **4.1 Youth Employment Initiative**

The Multi-annual Financial Framework for the 2014-2020 period will reserve EUR 6 billion for regions where youth unemployment is higher than 25 percent ("Youth Employment Initiative"). All the necessary preparations will be made for the Youth Employment Initiative (YEI) to be fully operational by January 2014, allowing the first disbursements to beneficiaries in EU regions experiencing youth unemployment rates above 25% to be made.<sup>2</sup> In order for the YEI to play its full role, the disbursement of the EUR 6 billion allocated to it should take place during the first two years of the next Multiannual Financial Framework (MFF).<sup>3</sup> Furthermore, margins left available below the MFF ceilings for the years 2014-2017 will be used to constitute a "global margin for commitments" to fund in particular measures to fight youth unemployment.

In order to speed up the good absorption, the implementation rules must be as simple as possible and the administrative constraints has to be reduced.

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<sup>2</sup> Considering that in Slovenia, youth unemployment has increased by more than 30% in 2012, the region of Eastern Slovenia, where youth unemployment in 2012 is more than 20%, will also benefit from the YEI.

<sup>3</sup> This will be done without negative effect on the goals set by the European Council in May 2013 as regards energy policy.

The Member States therefore have considerable funding from the European level at their disposal in particular to implement the Youth Guarantee. In detail, the use of promotional loans and Structural and Investment Funds, or a combination of the two, facilitates the following funding instruments:

#### **4.2 Making full use of Funding from the European Investment Bank**

Given the urgent need to counteract the fall in investment activity in Europe, the EIB has decided to deploy its full lending capacity now to help restart investment activity in Europe without prejudice to its AAA rating. This year already, the Bank will countercyclically expand its lending volume for investments across Europe. In 2013, total lending will increase by 40% up to EUR 70 bn. Given the sluggish growth and rising unemployment levels, the EIB has shifted the focus of its lending. Priority is given to investments with a particularly strong impact on growth and employment. Under the “Growth and Employment Facility” (GEF), the Bank has already concentrated the additional lending volume made possible by the capital increase to finance investments in four particularly important areas for Europe’s economy: (i) Innovation and skills; (ii) Access to finance for SMEs and Mid-Caps; (iii) Resource efficiency; and (iv) Strategic infrastructure.

##### *4.2.1 EIB sets up a dedicated “Jobs and Skills – Investing for Youth” facility for job creation for youth in SMEs and job-related training - EUR 6 bn planned for this year*

The Bank is setting up a dedicated youth employment facility, labelled “Jobs and Skills – Investing for Youth”. The facility has two components: (i) “Jobs for Youth” - providing SMEs with better access to finance; and (ii) “Investments in Skills” - better training, in particular job-related skills and on-the-job-training. Under the facility the EIB will lend this year up to EUR 6 bn, equally spread across the two components. At the moment, the EIB is exploring ways-together with partner banks - to enhance its support to youth employment through targeted outreach to SMEs that employ young people. The investments targeted under “Investing in Skills” include the EIB’s established financing of investments in schools and universities as well as a broad range of training schemes, notably programmes that scale up and improve the quality of vocational training in Europe. The supported measures also comprise the support to mobility schemes for students and employees across the EU. In addition, the EIB support could be strengthened by EIB group’s advisory services.

##### *4.2.2 EIB adds scale and speed*

The aim of the “Jobs and Skills – Investing for Youth” facility is to increase the scale of investments for young people across Europe, but especially in regions with particularly high youth unemployment. At the same time - and perhaps even more importantly - EIB financing will be used to bring forward and accelerate investments. The Bank will, in particular, be ready to help deploy the Youth Unemployment Initiative – notably its main component, the Youth Guarantee - and national youth unemployment programmes more quickly than would otherwise be possible. The EIB’s contribution will complement funds from the EU and

Member States and multiply their effect through the leveraging of the grants. The start of the initiative is planned for late July.

To give the initiative more weight, the Bank will step up its lending in both areas. It will be implemented within the Bank's Growth and Employment Facility. The EIB is already in discussions with the Commission, Member States and promoters to explore a fast and effective implementation.

#### **4.3 Fully exploit the potential of the Structural and Investment Funds**

The ESF and ERDF structural funds have two basic types of funding: non-reimbursable subsidies and funding instruments where the funds revolve.

*Subsidies from Structural and Cohesion Funds:* Direct appropriations constitute the most important instrument available to the Structural Funds. In the ESF in particular, the lion's share of the funds is spent in the shape of subsidies for labour market policy measures and projects. For Member States which are particularly affected by the crisis, the necessary co-funding share was reduced close to zero. The release nonetheless takes a very long time in some cases. Considerable significance hence attaches to the expansion of the pre-financing possibilities and technical assistance.

*Revolving funds:* As a new instrument already in the current programme period, the possibility is available to also use money from the Structural and Investment Funds in the shape of revolving funds awarded as a loan. This makes it possible to safeguard development capital for specific regions in the long term, to orientate promotional policy in a more sustained manner and, where appropriate, to approach new target groups. However, little use has so far been made of this possibility. Revolving funding instruments are an interesting alternative to promotion via grants in the field of labour market policy, particularly in measures for companies and promotion of training.

Advances can constitute an instrument to accelerate the release of funds. It is planned to disburse a maximum of 3 % of the funds as an advance to the Member States in the first three years of the coming programme period. This amount will be increased to a maximum of 4 % to those Member States receiving financial assistance since 2010.

#### **4.4 Combining different sources and instruments of European and national funding**

In order to achieve leverage, it is possible to combine and add to various funding instruments. The following channels can be particularly considered here:

- Possible pre-financing for measures of the Youth Employment Initiative (6 billion) and of costs of measures of national employment programmes which are fundamentally eligible (until the money from the Structural Fund is actually released) from EIB funds;
- financing (topping up) of national funds or measures financed from structural funds from EIB funds;

- funding of the co-financing share, particularly concentrating on job-creating measures for SMEs from EIB funds;
- support in developing and implementing funding instruments (this also applies to the ESF as a matter of principle) or the funding of technical assistance by the EIB;
- funding of employment-friendly measures through the EIB in regions without access to the YEI (e.g. regions with youth unemployment of 20-25 percent) or which have already spent their ESF funds elsewhere.

## **5. Conclusions/Next steps with a particular focus on employment creation**

The paper shows that Active Labour Market Policies can considerably improve the Situation of Young People on the Labour market. It is within the responsibilities of Member States to setup the right mix of measures to achieve quick results and set up institutional reforms, taking into account the rich experience with successful policies. As a result of a joint effort of all Member States and the European Commission, supported by the European Investment Bank, funding and differentiated funding instruments are available at European level to support the reform measures Member States undertake to improve the labour market situation of young people. The Member States will be quickly taking steps to make even more intensive use of the available funding instruments illustrated above in order to implement the Youth Guarantee. This includes in particular the increased EIB lending and the increased use of revolving funds when deploying money from the Structural and Investment Funds.

In particular proposals for EIB lending to SMEs to promote the employment of young people are of high significance.

Moreover, the stage must be set to accelerate the release and the good absorption of funds in the new programme period 2014-2020.

Member States should continue exchanging information about their actions and experiences so that further conclusions about best practices can be drawn from their experience if necessary. The European Employment Strategy within the European Semester should be fully used to this end.

In particular, Member States benefitting from the YEI should adopt a plan to tackle youth unemployment, including through the implementation of the "Youth Guarantee", before the end of the year. Other Member States are encouraged to adopt similar plans in 2014. The Commission will report in 2016 on the implementation of the "Youth Guarantee" and on the operation of the YEI.