

Speech of Commissioner Andor

Meeting of the Chairpersons of the Committees on Social Affairs and Labour in the Lithuanian Parliament

"Ways to increase employment and youth employment by 2020"

Honourable Members, Ladies and Gentlemen,

A fragile economic recovery may be beginning to take hold in the European Union, but labour market and social conditions remain extremely challenging. The EU is struggling with high unemployment, rising poverty and social exclusion, and declining household incomes.

Young people who were already struggling to find jobs before the crisis are even harder hit now. At present, more than 5.5 million people in Europe under the age of 25 are unemployed and a total of 7.5 million are not in employment, education or training.

Poor labour market and social performance has spill-over effects in the entire EU, even in the better performing countries, posing a threat to the Economic and Monetary Union.

This is why the Commission has proposed ways to address these challenges as a matter of urgency:

- **In general**, we monitor the issue in the **European Semester**. In 2013, our Annual Growth Survey and **Country Specific Recommendations** already called on Member States to modernize employment legislation to tackle segmented labour

markets, urge employment-friendly tax reforms, ensure more effective public employment services and adapt education and training to reflect labour market skills needs. We will now develop further the **social dimension of the Economic and Monetary Union** by an early detection and better monitoring of employment and social imbalances, as recently announced in our Communication on 2 October.

- **Concretely**, we adopted in April 2012 an **Employment Package** with detailed proposals for a job-rich recovery through actions in specific areas, balanced labour market reforms, investment in skills, enhanced labour mobility supported by instruments like EURES, and strengthened governance of employment policies at European level.
- The Commission decided to **focus particularly on youth unemployment**, as this represents a huge untapped resource that Europe cannot afford to squander. Unless current trends are reversed quickly, today's levels of youth unemployment risk damaging the longer-term employment prospects for young people, with serious implications for future growth and social cohesion.

[Focus on youth: Youth Employment Package and Youth Guarantee]

Nearly a year ago, in December 2012, the Commission adopted the **Youth Employment Package**, which included initiatives on the Youth Guarantee, apprenticeships, traineeships and labour mobility.

The **Youth Employment Package** led to the adoption of the Council Recommendation on a **youth guarantee**, which will be supported through the **Youth Employment Initiative** and the **European Social Fund**.

The common agreement on the Youth Guarantee for all Europeans under 25 is a real success that we can be proud of. Our joint determination proves that at a time of urgent need the EU is able to unite and act swiftly.

The **Youth Guarantee** is a guarantee that everyone under 25 **is helped** to get a labour market experience. Within 4 months of leaving school or losing a job, everyone under 25 should receive a quality offer of a job, further education, an apprenticeship or a traineeship.

[Implementation of the YG]

The priority is now to get the Youth Guarantee on track.

Member States with regions experiencing youth unemployment rates above 25% should submit a Youth Guarantee Implementation Plan by the end of the year while other Member States are invited to do so in 2014.

I am very pleased that **Lithuania** already prepared the first draft of the Youth Guarantee Implementation Plan. In your country, the problem of youth unemployment was taken very seriously, including at the top political level. While your youth unemployment rate had reached 32% in 2011, you managed to bring it down to the EU average in a very short

period of time (with 22.4% in Q2 2013). And your National Reform Programme is even more ambitious, as you have set yourself the aim to reduce it to 16% by 2020. Let me congratulate you for your firm commitment to implement the Youth Guarantee in the next programming period.

Let me stress some important points for implementing the Youth Guarantee:

1. The schemes must not be just compilations of existing national measures on youth. They need to be comprehensive schemes ensuring, among others, that young NEETs not currently registered with your public employment service are reached.
2. The Youth Guarantee is a true structural reform, and making it work requires a systemic improvement in the way public institutions, business and trade unions work together.
3. Social partners need to be involved in the design of the Implementation Plan. Not only can they contribute with valuable offers to young people, but also ensure the sustainability of the plans, by aligning planned schemes with local, regional and national skills needs. We are happy that cross-industry social partners at EU level agreed on a framework of action to encourage their national affiliates to develop initiatives aimed at youth employment.
4. Building up partnership-based approaches does not require large budgets, but will significantly contribute to the success of the Youth Guarantee. There is still room for improvement for the coordination

between national authorities in the fields of education, employment and finance, and between delivery organisations. I thus encourage dialogue with relevant committees in your parliament.

5. The Youth Guarantee can only be delivered in the long run if we foresee both relief measures AND preventive measures. Activation measures are as important as reforms of the education and training system, for example early career guidance in schools.

[Quality Framework for Traineeships and European Alliance for Apprenticeships]

To contribute to a successful implementation of the Youth Guarantee, we are flanking it with two initiatives on apprenticeships and traineeships - key tools to support school to work transitions of young people.

The Commission successfully launched, on 2 July 2013, the **European Alliance for Apprenticeships**, jointly with the EU Social Partners and the Lithuanian Presidency.

But the Alliance would remain weak without action at national level. I strongly encourage Member States to undertake additional efforts to increase supply, quality and attractiveness of apprenticeships, and include apprenticeship reform as a key element within the Youth Guarantee Implementation Plans.

With regard to **traineeships**, the Commission will present a **quality framework** by the end of this year to help ensure that traineeships

provide young people with high quality work experience under safe conditions.

Paradoxically, while unemployment remains high, there are also 2 million unfilled vacancies in the EU. These are mostly due to **skills mismatches** between labour supply and demand, and to insufficient **labour mobility** at regional, national and European level.

Investment in skills will play a crucial role not only in addressing these mismatches but also in supporting productivity gains. Indeed, much of the loss of competitiveness in many Member States can be explained by poor productivity growth due to insufficient investment in skills.

Deep structural reform will take time to bear fruit. Essential reforms must therefore be flanked by fast-acting measures to boost growth and help young people find jobs and acquire essential skills.

Encouraging mobility is an essential part of this endeavour. The Commission has launched a reform of EURES to improve access to vacancies, enhance matching, include new players in the delivery of services and mainstream EURES in the offer of the public employment services.

[Funding of YG]

Let me now come to the crucial point: the **funding of the Youth Guarantee** by the **Youth Employment Initiative**, the **European Social Fund and national budgets**.

The Youth Employment Initiative will receive funding from both a dedicated EU budget line for youth employment and from European Social Fund national allocations. It will be active as part of the ESF programming framework during the 2014-20 period.

Following the European Council's call last June to accelerate the Initiative's implementation, the Commission has taken steps to propose various mechanisms, including the frontloading of the Initiative in 2014-15 to help to cover initial costs of launching the Youth Guarantee in the regions that are hardest hit, as well as additional provisions allowing for priority adoption of programmes. There is already political agreement between the EU co-legislators on all provisions related to the Initiative.

I encourage Member States to make full use of these provisions and launch projects as soon as possible. However, we should not forget that the resources of the Initiative will not be sufficient to respond to the challenge: Member States should therefore also allocate significant funding from their European Social Fund envelopes and national budgets to expand the impact of the Initiative and implement the crucial structural reforms necessary to improve the functioning of labour markets and education systems.

In this sense, national budgets should be aligned with the Youth Guarantee Implementation Plans, to ensure that the available money is used for the necessary measures. I would like to call on national

parliaments to prioritise youth in their national budgets to avoid higher costs in the future.

Since the beginning of 2012, Lithuania already re-allocated more than 26 million euros of the European Social Fund to target 32000 young unemployed people. One of the funded projects is the "Entrepreneurship Promotion Fund" that provides loans and training services for start-ups and self-employment, with young people among the targeted groups.

I think Lithuania is on the right path and I encourage you not to step down your efforts. We should also remember efforts are needed from all sides and in this process, it is essential to involve all relevant partners, including the social partners as well as civil society organisations and in particular youth representative organisations, in order to ensure a wide and stable political support at national and regional level.

I'm confident that all together we will succeed in responding to the social challenges ahead of us and secure the economic growth necessary to create jobs.

Thank you for your attention.