

# Designing Employment Policies for Young People in Europe

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## Executive summary

Even though some 8.5 million young people in the EU aged between 15 and 29 are still unemployed, the attention paid to this problem by policymakers has waned recently. Several prominent initiatives such as the European Youth Guarantee have been introduced to provide short-term solutions for unemployed youth today. Considerably fewer efforts have been made to achieve long-term structural reforms which would help young people with their career path into employment. Bearing in mind that the causes and shape of youth unemployment in Europe vary widely across EU member states, and that there can be no one-size-fits-all solutions, the project “Innovative Governance | Impact 4 Jobs” argues for a rethinking of youth employment policies in three key ways.

- Youth employment policies should target prevention and focus on the entire career path from education into employment. This process might begin during the final years of general education and is not complete with the first job. To prepare young people for this process, educational institutions need to offer career services and, more importantly, opportunities to acquire practical experience and build networks with employers. Public employment services should be a continuous source of information and advice for young people – not only when they are unemployed or receive benefits.
- Youth employment policies too often focus on young people between the ages of 15 to 24. However, many young people are older than 25 when they first begin seeking full-time employment. This is particularly true for university graduates. Available services and interventions targeted at people entering the labour market for the first time should therefore be expanded to those between 25 and 29 years old.
- Youth employment policies rely on in-depth knowledge about the target group. Programmes, for example designed to foster youth entrepreneurship or international mobility will only be effective if they take into account the specific needs of the participants. Young people should therefore be surveyed, interviewed or included in other ways prior to the design of such programmes, and their feedback should be gathered regularly.

In order for policies to more effectively address these points, youth unemployment should be measured in a more holistic way. Measures should include underemployment, as well as NEET (not in education, employment or training) status, activity rates and youth poverty, thereby providing a more accurate picture of the difficulties young people face when entering the labour market.

## Introduction

Youth unemployment in Europe rarely makes the headlines anymore. It is also no longer a top agenda item for EU and national policymakers alike. This is a mistake. According to Eurostat, roughly 8.5 million young Europeans aged 15 to 29 were unemployed in 2014. This equals a share of 18% of the population in that age group. Providing young people opportunities for gainful employment which, in turn, ensures their full participation in society should be at the heart of the European social model. If anything, the arrival in Europe of hundreds of thousands of young refugees renders this challenge even more pressing.

Bearing these concerns in mind, a cross-sectoral working-group of young professionals from government agencies, the private sector and civil society in Germany worked over the course of a year to develop recommendations for youth employment policies. The guiding question for our work was how policies need to be designed to effectively support young people in their transition from education to employment. Together, we analysed data for youth unemployment in eight EU countries,<sup>1</sup> consulted experts and examined policy initiatives and individual projects. Our working-group members include:

- **Alexander Abel**, Consultant, German Foreign Office
- **Lars Andresen**, Consultant, German Federal Employment Agency
- **Cathrin Liess**, Senior Manager, DB Mobility Logistics AG
- **Claus Lüdenbach**, Consultant, Goethe-Institut, Rome
- **Eva-Maria Schneider**, Consultant, SOLIDAR, Brussels
- **Astrid Schrader**, Senior Consultant, PricewaterhouseCoopers
- **Lars Thies**, Project Manager, Bertelsmann Stiftung
- **Simon Turschner**, Founder and CEO, VENSENYA
- **Georg Wagner**, Hertie School of Governance
- **Nandita Wegehaupt**, Senior Manager, Foundation of German Economy

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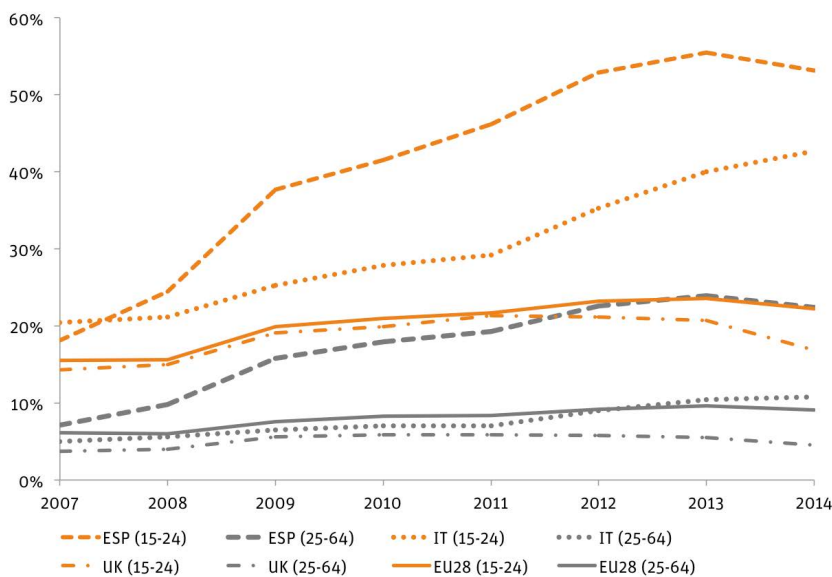
<sup>1</sup> Germany, Greece, Italy, Poland, Portugal, Spain, Sweden and the United Kingdom.

This paper summarises our findings. We argue for a more preventive approach in youth employment policies by placing young people and their transition from education to employment at the centre. Factors such as labour market conditions, the structure of the economy, economic cycles or employment protection legislation have been discussed at length elsewhere.<sup>2</sup> The opinions and recommendations expressed here reflect the views of the individual members of the group and not necessarily those of the institutions they work for.

### 1. Young people and the labour market

Young people have been disproportionately affected by the economic crisis of 2008 and its after-effects, as Figure 1 shows. There are a number of reasons why young jobseekers and employees are at greater risk of unemployment during an economic downturn. Young people are less likely to have permanent contracts and are therefore often the first (and easiest) to lay off, especially when there is a divide in the level of employment protection benefiting older workers over younger ones. Young people also represent the majority of new jobseekers and are thus most affected when employers stop hiring new staff. Finally, young people tend to be overrepresented in sectors particularly affected by economic cycles, such as construction and tourism.<sup>3</sup>

**Figure 1: Unemployment rates for young people (15-24) and adults (25-64) for selected European countries**



Source: Eurostat

<sup>2</sup> See for example: Berlingieri et al. 2014.

<sup>3</sup> See ILO 2015 as well as Oireachtas Library & Research Services 2013.

But even when economic conditions are favourable, youth unemployment is significantly higher than adult unemployment. Young people have a number of disadvantages in the labour market: they have less work experience, poorer job-search and applications skills and smaller personal networks than the older job seekers with whom they are competing for positions. One of the biggest barriers for young people seeking to enter the labour market is the “experience trap”.<sup>4</sup> Employers prefer to hire people with previous work experience, but it is very hard for young people to gain work experience if they are not hired in the first place. Here, employers often overlook the advantages that young people can bring, including IT literacy and their flexibility in the face of new tasks.

For young people, unemployment occurs at a sensitive moment, with the first job often determining career and income opportunities in later life. Consequently, unemployment can leave economic “scars“ in the form of lower wages and a higher risk of further unemployment throughout the working life.<sup>5</sup> The sense of failure and rejection associated with the inability to find work can also severely influence young people’s motivation, their general psychological well-being and even their health.<sup>6</sup> Unemployment affects young people’s ability to live independently or to start families and it can impair their trust in governments, public authorities as well as the European Union, institutions that have failed to provide opportunities for them. The longer a young person is unemployed, the more severe the consequences and the greater the risk of social exclusion.

## **2. A youth-centred approach to employment policies**

Recent years have seen a multitude of policy initiatives and programmes designed to combat youth unemployment, but so far their success has been limited. The flagship initiative for promoting youth employment is the European Youth Guarantee (EYG). Proposed by the European Commission in 2012 and adopted by the European Council in June 2013, the EYG aims to ensure that all unemployed under the age of 25 receive a good quality offer of employment, continued education, apprenticeship or traineeship within four months of becoming unemployed or leaving formal education. However, by its very design, the EYG will fall far short of that goal. The main source of funding for the EYG is the Youth Employment Initiative, valued at €6.4 billion for the period 2014 – 2020. This is roughly €1 billion per year. To put this in perspective,

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<sup>4</sup> Dolado 2015.

<sup>5</sup> McQuaid 2015.

<sup>6</sup> Bell / Blanchflower 2011.

the cost of implementing the EYG in the euro zone alone is estimated at €21 billion – per year.<sup>7</sup>

Initiatives such as the EYG are a welcome and necessary aid in mitigating the negative consequences of youth unemployment in the short term. This should not distract from the need for structural reforms and for a more preventive approach to youth employment policy in the long-term. Both are required if we are to make young people more resilient while avoiding similar spikes in youth unemployment in the future.

A preventive approach to youth unemployment policy should focus on the individual. We have identified a number of factors which are key to young people's success in the labour market and which can be strengthened through labour market interventions. However, none of these factors alone or even in sum can guarantee a successful transition to work.

**Skills** formally acquired in the education system and documented by certificates are the most important factor for young people applying for work.

**Experience**, especially where relevant for the position at hand, is one of the factors most valued by employers. It can be gained not just through previous employment, but also through internships or voluntary work.

**Networks** Most vacancies are filled through personal networks rather than open competition. Some positions are even created through personal contacts. Young people usually lack these networks in the professional world, or may have contacts solely through their parents. Making contacts and establishing networks that include employers are positive outcomes of internships and other work experience.<sup>8</sup>

**Information** on the availability of local jobs, necessary qualifications, employers' expectations and requirements, job-search techniques, or standards for writing applications. Informations regarding these issues are crucial to help young people find their way on the labour market.

**Aspiration and motivation** A clear professional goal and the motivation to achieve it is a powerful driver in finding work and winning over employers. Young people can be encouraged to develop their career aspirations also by career orientation and guidance services.

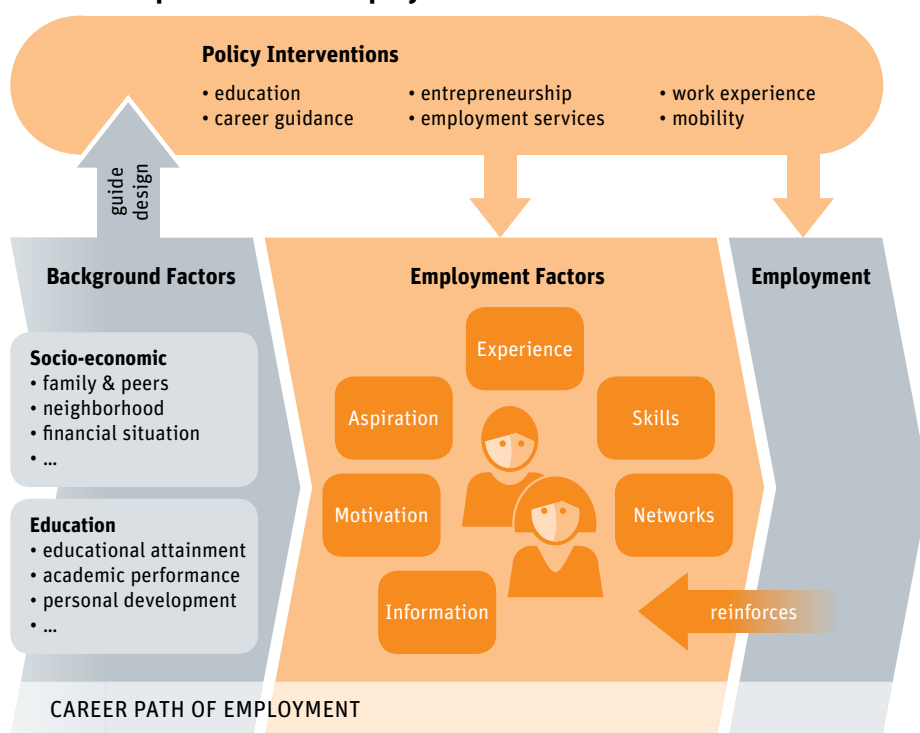
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<sup>7</sup> See: International Labour Organization 2012, p. 49.

<sup>8</sup> On the importance of networks for school-to-work transition, see Kramarz & Nordström Skans 2013.

Labour market interventions aimed at young people directly or indirectly address these factors. For an intervention to be effective it should focus on the individual, taking into account personal, biographical and socio-economic factors. Figure 2 illustrates the framework we used for rethinking youth employment policies and advocating for structural reforms able to address individual needs of young people transitioning from education to employment more effectively.

**Figure 1: Career-path-oriented employment interventions**



Source: stiftung neue verantwortung

Building on this framework as well as our analysis, we propose three broad changes to youth employment policy:

**Focus on sustainable career paths rather than short-term employment**

For young people, the transition from education to stable, full-time employment is increasingly a long-winded process which might include periods of short-term employment, unemployment, internships, part-time employment, voluntary service, or continued education in any number of combinations. Interventions and support for unemployed young people should focus on the longer process of building skills and resources for long-term job security rather than placing them in the first available opening in order to bring unemployment figures down.



### **Include 25-to-29 year-olds in interventions for youth employment**

“Youth unemployment” is generally held to refer to those between 15 and 24. However, those in the 25-to-29 age bracket are just as, if not more affected. Many between the ages of 15 and 24 are still in the education system. Among the EU-28, the unemployment ratio, which indicates the proportion of the population in the respective age group that is unemployed, is even higher for people between 25 and 29 (11.2%) than for those between 15 and 24 (9.2%). In addition, the financial consequences of unemployment are more severe for people aged 25 to 29. They are less likely to live with their parents and more likely to have families of their own to support. For them it is also less feasible to avoid unemployment by prolonging their stay in the education system.<sup>9</sup> Interventions such as youth guarantee schemes should therefore include the age group of 25-29 year olds.

### **Involve young people as experts on youth employment**

The greatest expertise on youth employment and the difficult transition from education to employment is found among young people themselves. The success of many interventions rests on specific assumptions about the target group. That is why it is so important to conduct surveys and focus group interviews among young people and to include youth organisations in the design of interventions in order to get much-needed feedback from those most affected by them.

## **3. Developing a more comprehensive measure of youth unemployment**

The first step to rethinking policies around youth employment is to change the way we measure it. The indicator that is most commonly used to measure youth unemployment – the youth unemployment rate (YUR) – is misleading and tells us very little. Since the denominator of the YUR is the population between the ages of 15 and 24 active in the labour force, it fails to take into account the significant number of these young people still in education. The YUR is also prone to misinterpretation; a YUR of 50% does not indicate that half of all people between 15 and 24 are unemployed, rather it means that half of the young people who are looking for employment are unable to find it.<sup>10</sup> To enhance understanding of the difficulties facing young people in the transition from education to employment we should adopt a more comprehensive measure. This should cover the ages 15 to 29 – since many young people enter the

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<sup>9</sup> Vetter 2014.

<sup>10</sup> A number of commentators have made this criticism of the YUR, see for example: Funk Kirkegaard 2012.

labour market after university in their mid-20s – and could comprise the following set of indicators in addition to the YUR:

1. Unemployment rate: number of unemployed as a proportion of the whole population in that age group.
2. NEET rate: number of people not in employment, education or training as a proportion of the whole population in that age group. NEETs are seen as problematic because they are neither employed nor developing their skills to enhance their opportunities in the labour market. NEETs are often represented as disadvantaged young people disconnected from the labour market. In fact, this group is highly diverse.<sup>11</sup> It can refer to the voluntarily unemployed, unemployed graduates as well as the vulnerable and disengaged.<sup>12</sup>
3. Underemployment: Many people are employed but work less than they would like or need to in order to be financially independent. This can be measured through the rate of involuntary part-time employment as a share of the total employment of young people.
4. Youth poverty: Regardless of their employment status young people should have enough resources to fully participate in society. The share of young people who live in severe material deprivation<sup>13</sup> indicates deficiencies in the labour market – young people not being able to live off their earnings – as well as in the social benefit system supporting the unemployed.
5. Long-term unemployment rate (more than 12 months): Young people affected by long-term unemployment are particularly at risk, with negative consequences for the individual as well as for the society as a whole; they should receive more intensive support in gaining employment.

To compare the situation for young people on the labour market across countries, these indicators could be compiled into an index for school-to-work transition or arranged as country profiles to reflect each indicator. Figure 3 shows the advantage of such a set of indicators over the YUR by comparing Sweden and Poland. Both countries have similar YUR rates for 15-to-29 year olds. However, looking at a wider set

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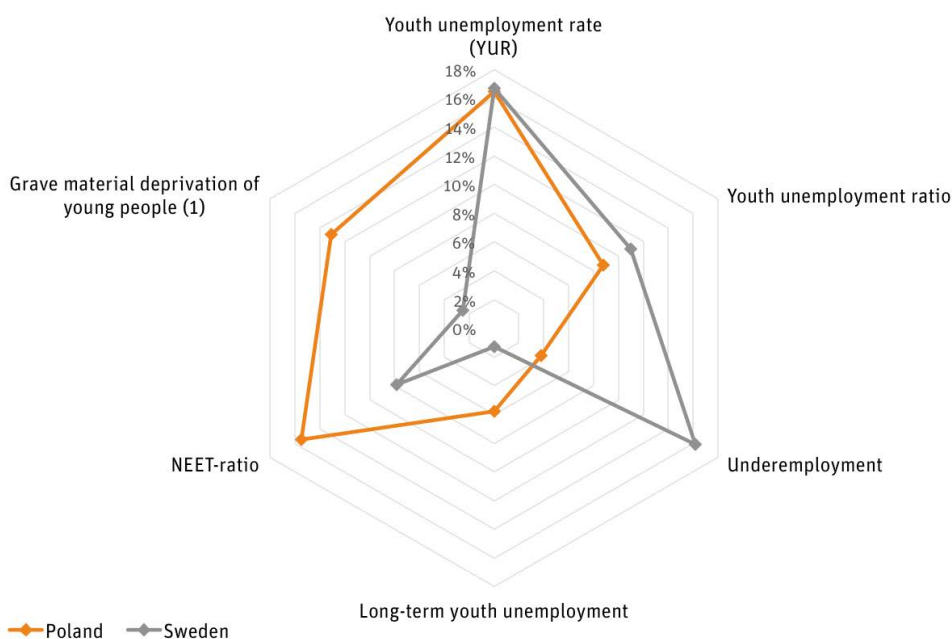
<sup>11</sup> For a critique of the NEET concept see: Cavalca 2016.

<sup>12</sup> See: Eurofound 2012, p. 27.

<sup>13</sup> For a description of the indicator “severe material deprivation” see: [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Severe\\_material\\_deprivation\\_rate](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Severe_material_deprivation_rate).

of indicators shows that the situation for young people seeking employment differs markedly between the two countries. The much higher proportion of long-term unemployed, NEETs and materially deprived young people points to a much greater risk of social exclusion for young people in Poland. Whereas in Sweden, initial difficulties that young people encounter on entering the labour market tend to be resolved quickly or manifest themselves in underemployment rather than unemployment. In other words, the situation for young people on the labour market is much worse in Poland than it is in Sweden.

**Figure 3: Difficulties for young people (15-29) in the transition from education to employment, selected indicators for Poland and Sweden (2014)**



(1) Most recent data available for 2013. Source: Eurostat; own calculations.

#### 4. Build bridges between educational institutions and the labour market

Education system reforms are among the most frequently suggested long-term measures to lower youth unemployment in Europe. Many advocate reform of vocational training along the lines of the dual system practised in Austria, Germany and Switzerland. The close involvement of employers in the design of curricula used in dual vocational training, as well as extensive workplace experience, ensure that graduates have the proven skills that greatly enhance their employment prospects. Nationally agreed vocational profiles and curricula also have a strong signalling effect about

the abilities of graduates for employers. However, attempts to transfer these systems have been largely unsuccessful.<sup>14</sup>

Rather than substituting one education system for another, we should rethink the role of education – especially of institutions of higher education (HEI) and of vocational training (VTI) – for the transition of young people into employment. Employability is not the sole objective of education. Equally important functions are transmitting societal values, fostering personal development and building general knowledge, to name just a few. Nevertheless, a stronger connection between educational institutions and the labour market would benefit young people in their transition to employment. Educational institutions too often address just one of the factors young people need to find employment: skills. They should do more than that. They should help young people to establish networks in the professional world, acquire practical work experience and learn how to present themselves in applications and interviews.

### **Career guidance**

Decisions made by students and teachers as early as in secondary school – choosing certain classes, or school types – can affect an individual’s path to employment. At the same time, young people often know very little about the labour market, or even what their preferred position might be. Career guidance offered in the education system thus plays an important role in connecting education with the labour market. Since career guidance is usually not a core responsibility of schools and other educational institutions, it is often neglected or seen as a “nice-to-have” function. Recognising its importance, many countries in the EU have made efforts to professionalise their career guidance systems. There are several ways in which career guidance can be enhanced to provide the greatest benefit to the individual:

Increase awareness of career guidance: Where career guidance is optional, young people are often insufficiently aware of these services and consequently fail to take advantage of them. Services should be publicised through methods that reach the target group (e.g., social media, peers).

Start early: Career orientation and development is a lifelong process that starts at a very early age. Therefore, guidance must start as early as possible. There should also be continuity among those providing guidance to young people, even after they leave the education system.

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<sup>14</sup> Euler 2013.

Involve personal contacts: Parents, friends, role models – including older siblings – and teachers can influence young people’s decisions about educational and career pathways. Career guidance should therefore be a network process which reflects young people’s social environments.

Focus on disadvantaged youth: Special emphasis should be given to young people with disadvantaged socio-economic backgrounds. This group is more likely to be affected by long-term unemployment and the debilitating effects of youth unemployment. Thorough career guidance focusing on the strengths of the individual rather than on his or her weaknesses can reduce barriers raised by family background and upbringing.

### **Vocational training**

For the skills acquired in vocational training institutions it is especially important that they are aligned with specific employer requirements. Vocational training should follow these principles:

Training according to standards: Training should be consistent with industry or national standards. These standards offer VTI graduates a greater chance of finding employment beyond their own regions.

Involving employers in the design of curricula: Employers should be given an opportunity to participate in the design of vocational curricula, incorporating the skills they expect from graduates. However, governments, trade unions and VTIs themselves need to make sure that curricula are not solely oriented toward short-term demand from employers but are transferable to other sectors laying the foundation for further education at the tertiary level and lifelong learning.

The more work-based learning the better: Work-based learning – dual apprenticeships, extended internships or other forms – assists young people in several ways. It allows them to establish contacts with potential employers, it frees them from the “experience trap” by providing them with work experience during their education and, just as importantly, application of skills and positive feedback from colleagues and superiors can increase their motivation. Conversely, work-based learning can be a timely indicator that a given profession is not the right choice for the individual, allowing for an early change in career path.

Training to find employment: VTIs should develop students' application skills by teaching techniques for job-hunting, applications and interviews. VTIs should also provide information about trends in the labour market, including sought-after specialisations and further education options. Finally, VTIs should assist young people as they look for work, even after graduation, and track placement rates for their graduates.

### **Higher education**

Many higher education programmes continue to prepare students exclusively for an academic career. This should change. Students across Europe have already begun to vote with their feet, choosing academic programmes with a stronger professional orientation. In Germany, Austria and Switzerland, for example, universities of applied sciences (Fachhochschulen) are attracting an increasing number of students. In the Netherlands, already 63% of those enrolled in higher education study at the professionally oriented Hogeschoolen and only 37% at traditional universities.<sup>15</sup> In order to better support young people as they transition into employment, institutions of higher education should strengthen the following in their programmes:

Monitor graduates' employment outcomes: HEIs should track students' placement rates, the sectors they are placed in, and their job satisfaction. This requires that HEIs maintain close contact with their students after graduation.

Career services should be a continuous process: Even when HEIs offer career services, they are often designed as one-off interventions which come either too early or too late to be effective. HEIs should counsel, coach and guide students from day one. This includes making internships and other forms of practical exchange a primary building block of higher education. It also involves providing continuous, solid training in transferable skills such as leadership, analytical and communication skills. HEIs should continue to offer career-guidance and placement services even after graduation.

Educational institutions should not be alone in their efforts to ease the transition into the labour market for their graduates. Education policy must provide both a regulatory framework and incentives for educational institutions to provide the aforementioned services. Both VTIs and HEIs could, for example, be required to publish graduates' placement rates. When considering a specific institution, prospective students

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<sup>15</sup> Source: Statistics Netherlands.

could take these rates into account along with other considerations such as, location, faculty, rankings and other information. Employers in Europe should also invest more in education and in partnerships with educational institutions. In a recent survey of European companies, 19% of employers referred to a “shortage of matching skills” and more than 80% of the surveyed companies reported difficulties in hiring people with the right skills.<sup>16</sup> In order to close the gap between the skills available and the skills required for new employees, companies should invest more in education. In addition to helping develop curricula, companies should offer internships, develop dual study programmes or provide students and educational institutions with access to up-to-date machinery.

## 5. Strengthen the role of public employment services

Public employment services play a pivotal role in bringing young people into employment. Often, the skills and qualifications that young people have do not match the skills and qualifications employers require. In addition, young people are often poorly informed regarding labour market supply and demand. Particularly at the beginning of their transition from education to employment, they lack information about promising educational pathways and job opportunities. At the same time, employers themselves are underinformed when it comes to locating and identifying suitable candidates for open positions. PES are well-positioned to act as a facilitator in correcting this mismatch.

PES mandates and resources vary significantly among EU countries. In many countries, they play only a reactive role and focus their activities on unemployed young people who seek assistance by PES. Since PES especially in countries with high youth unemployment often don't know who the unemployed young people are, support measures and interventions supplied by them may reach only a fraction of the intended target group. In order to help move more young people into employment, PES should assume a more pro-active role in addressing the mismatch problem. This would include:

Creating transparency: PES need to work towards greater transparency of the supply and demand side of the labour market in order to enable job seekers to find open positions and vice versa. If unemployed youth can apply for unemployment benefits, they have an incentive to register with employment services. PES in turn gain better knowledge about the target group and a better overview of the unemployment problem.

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<sup>16</sup> Eurofound 2013.

Supporting young people early on: PES should be involved in career-guidance and job-orientation measures for young people still in secondary education. PES should actively inform young people in education of their services and support measures and couple this with information regarding the local job-market situation.

Combine employment services with youth welfare: Some young people, in particular those with socioeconomically disadvantaged backgrounds, face greater barriers to finding and sustaining employment. These issues can include housing problems, substance abuse, caring responsibilities, and self-esteem and health issues. Effective support for these young people requires well-coordinated active labour market interventions, social work and youth welfare policies – ideally by one single organisation.<sup>17</sup> Young people at risk should be supported in finishing secondary school and gaining a professional qualification. They also should continue to receive support even after finding employment.

Establishing a country-wide network: In order to generate greater transparency regarding both demand and supply in the labour market, PES should be organised as a country-wide network and establishing contacts with employers across sectors and regions. Local PES can thereby provide better and more information and advice regarding job opportunities in other regions while supporting young jobseekers' mobility within the country.

Facilitate international knowledge exchange: PES should draw transferable lessons from best practices abroad and be subject to evaluations based on European performance indicators such as those supported by the European Commission.<sup>18</sup>

## 6. Support national rather than international mobility

At first glance, the state of employment across the European Union appears to represent a paradox. There are high numbers of unemployed young people in southern Europe in particular and a high number of open positions in the north. Eurostat reported a near 1.1 million vacancies in Germany for 2014 and 660,000 in the United Kingdom for the same year, but only 78,000 vacancies in Spain and 17,000 in Greece. It would seem that the mobility of young workers could radically reduce youth unemployment for Europe as a whole. However, there are a number of reasons for scepticism regarding the potential of youth labour mobility.

<sup>17</sup> Interesting examples in this respect are the recently created youth employment agencies in Hamburg and other German cities. For an overview see Gehrke 2015.

<sup>18</sup> See for example the PES to PES Dialogue facilitated by the European Commission: <http://ec.europa.eu/social/main.jsp?catId=964&langId=en>.



- Mobility is not for everyone. Seeking opportunities abroad requires language skills and appeals mostly to better-educated youth with a university degree.
- By going abroad, young people lose access to several of the resources they need for finding employment. Once abroad, they usually have no professional network, do not know any employer, and do not have access to good information about the labour market in the host country. Even when they have the skills in demand in the host country, these young people often lack the requisite formal qualification for employment in the host country. According to a survey among recent Spanish immigrants to Berlin 43% have taken up work below their qualification level.<sup>19</sup>
- Government-sponsored programmes such as MobiPro EU, which supports primarily young people from Greece and Spain taking up an apprenticeship in Germany, are criticised for high costs and low success rates. These funds could be more effectively allocated.
- Even when young people secure a job in the host country, their success and the duration of their stay can hinge on factors beyond the workplace such as cultural differences, or the absence of a social life.

Despite the points mentioned above, mobility can provide several opportunities for young people. Where sponsored mobility programmes are in place, they should take the following recommendations into account:

Focus on national rather than intra-European mobility: There are significant differences in the labour market not only among countries in the EU but also within single countries. Mobility within a given country might therefore be much more attractive for young job-seekers and involve fewer risks (e.g., the loss of social benefits) for the individual.

Advice and preparation before going abroad is key: To ensure that young people have the adequate resources needed to secure employment abroad, providing advice and language training before leaving the country of origin should be emphasised. Government funded mobility programmes should spend a significant share of the available funds in the country of origin.

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<sup>19</sup> Faraco et al. 2015.

Involve the private sector in funding mobility: As the main beneficiaries of mobility programmes, companies should contribute to them and should be actively involved in preparing candidates in the countries of origin.

Develop the foreign language and intercultural competencies of employment services in host countries: Public employment services (PES) are a key contact for young people finding employment in the host country. PES should therefore develop the foreign language skills of their staff in order to communicate more effectively with young jobseekers from abroad while providing better services. PES websites should be made available in different European languages, beginning at least with English in order to help young people orient themselves prior to arriving in a host country. The Websites of the European Job Portal EURES<sup>20</sup> or of Programmes like Erasmus+ are good examples in this respect.

## **7. Encourage youth entrepreneurship**

If young people cannot find a job, they might be able to create one for themselves. Programmes fostering youth entrepreneurship are therefore seen as a promising means of lowering youth unemployment. Youth entrepreneurship rarely results in the highly scalable Silicon Valley style startup model able to attract considerable venture capital. Instead, small and medium-sized businesses account for the vast majority of all youth entrepreneurial activity. A sizeable share of youth entrepreneurship is self-employment. To measure youth entrepreneurship, the self-employment rate of young people can therefore be a useful proxy.

Entrepreneurship might not be the career choice for everyone, but the potential seems high. In the Eurobarometer survey from 2012 almost every second young European, given the choice, expressed a preference for self-employment in the next five years and more than 90% of those perceive this is a feasible option.<sup>21</sup>

However, only 1.1% of unemployed young people in Europe actively sought self-employment.<sup>22</sup> Scepticism regarding current business opportunities accounts in large part for the low rate of potential entrepreneurs, particularly in countries with the

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20 EURES: <https://ec.europa.eu/eures/public/en/homepage>; Erasmus+: [http://ec.europa.eu/programmes/erasmus-plus/discover/index\\_en.htm](http://ec.europa.eu/programmes/erasmus-plus/discover/index_en.htm).

21 European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354. Cited in: OECD 2014.

22 OECD 2015.

highest youth unemployment rates such as Greece, Spain, Italy and Portugal.<sup>23</sup> Some 70% of young people in Greece and over half in Spain, Italy and Portugal indicate that the fear of failure prevents them from starting a business. In general, the greatest barriers for self-employment perceived by youth are by far the access to finance and the lack of skills whereas administrative difficulties play the smallest role.<sup>24</sup>

Businesses operated by young people tend to have low survival rates<sup>25</sup> but with an adequate training programme it is possible to improve success-rates among even disadvantaged youth to the population average.<sup>26</sup> That said, growth rates for businesses operated by young people that have survived a minimum of three years are on average much higher than businesses operated by older adults. Young entrepreneurs can therefore create jobs for themselves and, potentially, for their peers. However, the impact of entrepreneurship in job creation is limited, as only a minority of self-employed youth (11%) had employees in the EU, compared with 29% of self-employed adults.<sup>27</sup>

Entrepreneurial activity among young people, particularly in regions with high youth unemployment, is worthy to be encouraged by publicly funded support-programmes. Regarding the greatest barriers for young entrepreneurs, these programmes should involve a financing mechanism and, even more importantly, provide intensive coaching and professional advice on how to start a business. Disadvantaged groups should be targeted as well since entrepreneurship offers them an opportunity to build sustainable livelihoods and integrate themselves into society. Even if a business venture is not successful in the long run, the individuals involved will have gained valuable experience transferable to their future careers. In developing their entrepreneurial skills, candidates learn how to present themselves and their ideas more effectively. They also establish contacts with possible future employers through the process of starting their business. Entrepreneurship programmes should adhere to the following principles:

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23 GEM 2013.

24 OECD 2014.

25 van Praag 2003.

26 Schreiber et al. 2009.

27 European Commission, 2012, "Entrepreneurship in the EU and beyond", Flash Eurobarometer 354. Cited in: OECD 2014.

Support the development of entrepreneurial skills: Entrepreneurial skills such as presentation skills and financial literacy can be acquired in the education system, for example, in secondary school, in VTIs, or outside formal learning paths (e.g., in youth organisations). These skills can be useful for young people even when they decide not to start their own business and seek regular employment instead.

Put assessment first: Entrepreneurship programmes have to take into account the specific needs of young people as well as the local and regional economic context and promising areas of entrepreneurial activity. What are the products and services most in demand within the region in question? What skills do programme candidates need the most? Answers to these and similar questions are necessary in order for an individual entrepreneurship programme to be effective.

Facilitate access to financial support: In addition to offering financial support itself, entrepreneurship programmes should facilitate access to funding from other sources, public or private.

Think end-to-end: Coaching and mentoring throughout the process of starting a business are key success factors for entrepreneurship programmes. As an ongoing process, it should begin before a business is founded and continue even when a business is underway. Mentoring and training should be carefully developed along the special needs of the target group. This is especially true for more disadvantaged groups where consultants demonstrating empathy can significantly influence the success of business ventures.

## **8. Increase the value of internships and informal work experience**

Work experience is a key factor in young people successfully securing employment. Yet acquiring this experience can be an elusive goal. Internships, which might and should be integrated into education systems, provide one means of acquiring experience. Internships allow young people to develop practical skills in addition to the knowledge and qualifications they have acquired through formal and/or informal education. Furthermore, internships help young people develop their professional orientation while broadening their perspectives regarding different sectors. Internships can also be crucial to establishing networks with employers. Internships must provide young people a learning experience in gaining knowledge, skills and competences needed to access the labour market. Internships must not become a substitute for regular jobs and thereby involve precarious employment for young people.

A distinction should be made between internships conducted during education and those conducted after the completion of a degree programme or educational qualification; the latter should be the exception. Internships carried out after a completed vocational or academic education should be remunerated at a rate equivalent – at the very least – to the relevant national minimum wage.

Young people can acquire work experience through a vast range of opportunities beyond internships and the formal education system. These can include volunteering opportunities, work in youth organisations and student bodies or taking care of elderly people within the family. However, this work experience and the skills acquired are often not formally certified and subsequently not recognised by employers.

The recognition and validation of skills and competences acquired through such forms of learning are key to fostering social inclusion and (youth) empowerment, particularly among those with limited opportunities to access and participate in formal education. Informal learning and work experiences offer opportunities to develop competences such as the capacity to work in teams, adaptability and flexibility, values and attitudes, knowledge and other skills such as communication and intercultural skills. Learning experiences acquired outside formal education broaden considerably the range of occupations and employment locations considered by young people. In order to increase the value of internships and informal work experience for young people the following conditions should be met.

**Quality standards for internships:** Internships both during and after education should meet certain quality standards. They should involve the provision of an internship contract, clearly set educational objectives to be achieved during the internship and elements of career development. Since they are easier to provide than further educational opportunities or jobs, internships will play a major role in the implementation of the EYG. Internships must therefore follow standards established by the European quality framework for internships, the European Youth Forum or organisations such as InternsGoPro.<sup>28</sup>

**Certifying informally acquired skills:** The skills and work experience gained through informal opportunities should be documented and certified so that they can comple-

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<sup>28</sup> See European Youth Forum 2014, Council of the European Union 2014 or the website of InternsGoPro: <http://www.internsgopro.com/>.

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ment the skills and experiences acquired within a formal education system. Existing tools such as Europass<sup>29</sup> are often underappreciated. They need to be developed further and used more frequently by PES, employers and young people in the transition from education to employment.

Getting employers on board: Explaining non-formal learning to employers and educators is important to developing a broader acceptance of the fact that the wide range of competences gained reach beyond “soft” skills and contribute to innovation and creativity. Translating non-formal learning outcomes to the world of work is crucial.

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<sup>29</sup> <https://europass.cedefop.europa.eu/de/documents/european-skills-passport>. See also CEDEFOP 2015.

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## About snv

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## About the project "Innovative Governance | Impact 4 Jobs"

8.5 million young Europeans aged 15 to 29 were unemployed in 2014. This equals a share of 18 per cent of the population in that age group. Providing young people opportunities for gainful employment which, in turn, ensures their full participation in society should be at the heart of the European social model. If anything, the arrival in Europe of hundreds of thousands of young refugees renders this challenge even more pressing. Bearing these concerns in mind, a cross-sectoral working-group of young professionals from government agencies, the private sector and civil society in Germany worked over the course of a year to develop recommendations for youth employment policies. Together, they analysed data for youth unemployment in eight EU countries, consulted experts and examined policy initiatives and individual projects.

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stiftung neue verantwortung e. V.  
Beisheim Center  
Berliner Freiheit 2  
10785 Berlin

T. +49 30 81 45 03 78 80  
F. +49 30 81 45 03 78 97

www.stiftung-nv.de  
info@stiftung-nv.de  
Twitter: @snv\_Berlin

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