

# *EUROPE WORKS*

## A new program for jobs

### PREAMBLE

Though the eurocrisis is far from resolved, a lot of progress has been made. Especially countries like Ireland, Greece, Spain, Italy and Portugal have been pushing through fiscal consolidation measures and have advanced key structural reforms to improve their competitiveness. A common bank supervision has been agreed on that will contribute to freeing up bank credit for small and medium enterprises. The determined commitment of European leaders and the European Central Bank to defend the euro have helped restore market confidence.

The structural reforms in Eurozone member states are key to return to a sustainable path of jobs and growth. It is crucial that the eurozone continues on its path of reform and stabilization.

However, some measures will need time to yield a tangible growth dividend. At the same time, many member states are faced with steep social consequences of structural weaknesses exposed by the crisis – especially youth unemployment – that can undermine faith in the value of common European efforts.

If we do not succeed in showing that European efforts can bring about training, employment and social progress for citizens also in the short to medium term, the legitimacy of the European project could be jeopardized and resistance to necessary reforms will increase. We must find common solutions to the common problems that all countries face.

Strong, co-ordinated action aimed at young people is the highest priority. Youth unemployment is a challenge all over Europe, including in those countries with an overall low employment rate.

The creation of urgently needed new jobs will provide some breathing space as necessary structural reforms are completed, demonstrating in the process that common European institutions work for the benefit for all European citizens.

## ***Capital for jobs***

To that end, the European Council has set up a compact for growth and jobs. In addition to structural reforms and initiatives to strengthening the internal market as the central driver for growth in Europe member states have initiated a wide range of steps to focus EU funds on measures fostering growth and jobs:

- The capital of the EIB has been increased by EUR 10bn. As a result, an additional credit volume of EUR 60bn will be available between 2013 and 2015 and benefit projects in infrastructure and SMEs. The increased lending volume shall contribute to sustainable growth and employment in the EU.
- A pilot phase for projects bonds will help mobilize capital for infrastructure projects
- Structural funds were reprogrammed to focus on youth unemployment and support for SMEs. So far, EUR 16bn have been reprogrammed in the member states with the highest youth unemployment. According to the European Commission, 55.000 SME and 780.000 young people will benefit from this measure.

Early this year, the European Council agreed on the cornerstones of the EU's financial framework for the next seven years. The underlying philosophy is that of growth friendly consolidation: Although the overall size of the budget has been reduced, key areas with a strong growth impact were strengthened:

- Funds for research have been increased by at least 24%
- Funds for education were increased by at least 18%
- Funds for key infrastructure were increased by 50%

In addition, existing funds will be spent more effectively. Structural funds will be focused on jobs and growth, project evaluation will be improved and efficiency rewarded.

## ***Erasmus Program for vocational training.***

One of the earliest and most successful initiatives of the European Union -- the Erasmus Program for student exchanges now in its 25<sup>th</sup> year -- is aimed at building faith and allegiance to a common Europe among those who would shape its future. Above all, this program must promote *mobility* by developing *a cross-border program for young people seeking training*

Critically, any jobs program aimed at youth must emphasize the apprenticeship approach -- vocational training on the job with acquired skills that can be transferred to future employment at other companies.

In the design and implementation of policies to tackle youth unemployment at European and member state level, we have to recognize the important role and responsibility of companies, business associations and trade unions joining together to make the transition from school to work through national training pacts with business and trade unions establishing a firm commitment to provide new training facilities.

### **Further Fight against unemployment**

A key element of the next financial framework will be a new fund for the fight against youth unemployment with a volume of EUR 6bn. Support will be given to those regions in the EU whose youth unemployment is above 25%.

With these initiatives, the necessary financial instruments for the fight against youth unemployment are in place. We will now have to identify the right measures to ensure European funds are used efficiently and quickly. Therefore, we have attached a list of proposals as next steps for medium term structural reforms and for concrete short term measures, which should be implemented by the Public Employment Services in particular (see annex).

## ***Sabbatical for growth.***

Expertise is critical to bring experience and knowledge of tested managers to structurally weak regions and cluster zones. Incentives can be provided for "business angels" to take time off from their regular jobs for this purpose.

## **Matching skills to jobs**

Any successful program to create sustainable new jobs must ensure free movement of labor with competitive skills across Europe. This means efficient and effective labor market structures need to be put in place.

- **Modernizing national labor market policies.** Member states focusing on the fight against youth unemployment (transition from school to work or dual training programs) and long-term unemployment must streamline efforts to ensure the full utilization of labor force potential across Europe as a whole.
- **Benchmarks.** Member states should proactively learn from one another through development of a systematic “benchmark” catalogue of practices that enable a comparison between well-functioning and non-functioning labor market structures and policies.

**Cross border placement.** Cross border job placement programs in the European labor market (EURES, EUROGUIDANCE, European Lifelong Guidance Policy Network) must be strengthened and coordinated.

## Annex to the Paper “Europe Works”

### Proposals for medium-term structural reforms and NATIONAL short-term measures to tackle youth unemployment

Measures aimed at tackling high levels of youth unemployment must include medium- to long-term approaches as well as approaches that at least contribute to alleviating the problems in the short term. This is not simply a question of direct integration into employment but also of easing the transition from school to working life, for example, or increasing the proportion of young people holding professional qualifications.

#### **Medium-term structural reforms**

In general, for all member states, we recommend long-term *orientation of the education system* towards better linking of school-based and workplace-related training components in school or university courses.

The *establishment of systematic training and vocational guidance structures* is necessary for achieving greater transparency and acceptance of this reorientation. These structures should be closely linked with the range of services offered by Public Employment Services.

Public Employment Services should be in a position to address the relevant group of persons as comprehensively as possible and thus create *transparency with regard to the target group*. In conjunction with a process of systematic individual profiling, this ensures targeted planning and dimensioning of the services and measures offered, as well as needs-based allocation. Effective monitoring of measures taken and their success facilitates systematic further development of the portfolio.

#### **Short-term accompaniment by national labour-market policies**

For the transition process, before the measures outlined above achieve their full effect, accompanying *labour-market policies* are necessary for bringing about short-term improvements in the regional employment situation.

Depending on the underlying conditions in each case, we recommend the following guidelines for selecting a suitable package of measures in the respective country:

- If the problem stems primarily from high proportions of school-leavers without qualifications, short-term measures should be aimed at *subsequent acquisition of school-leaving qualifications*.
- If the high level of youth unemployment is due to an absence of or insufficient professional qualifications, the immediate measures should focus on *acquisition of qualifications* that are as workplace-related as possible.
- If university graduates or persons completing vocational training programs face problems with regard to entering the labour market, *wage subsidies* offered to employers and tailored to the target group have proven successful – if necessary, in combination with *internships/traineeships* financed by the employment service.
- Depending on the respective economic structure, *promotion of self-employment* might also be appropriate, especially in future-oriented industries (e.g. personal services). Here, however, care must be taken to implement an appropriate suitability test and support framework in order to ensure sustainable start-ups.

- If the high level of youth unemployment is accompanied by a general lack of economic dynamism and absence of financing options, in particular for small businesses, incentives can be provided in the form of *microcredits* that offer more favourable conditions if young persons are employed.
- If high youth unemployment occurs in conjunction with gaps in public infrastructure, *selective job-creating public-infrastructure programmes* (including energy, digital infrastructure) can be deployed.

### ***Promotion of intra-European mobility***

Within the EURES framework, for example, the *promotion of intra-European mobility*, supported by European and national funding programmes, can also contribute to short-term labour-market equilibrium. In addition to vocation-specific skills, this also leads to the acquisition of social and cultural skills that, in turn, benefit the country of origin in the medium term. Public Employment Services should cooperate closely in this regard.

### ***Learning from one another***

A systematic, *indicator-based* process of learning from one another (benchlearning) can be used to rapidly identify success factors with regard to the performance of employment service providers. A stronger *binding character on the part of the European network* of Public Employment Services would facilitate this process. In addition, topic-specific *workshops* and the *international exchange* of PES experts could bring about a rapid transfer of experience in this area.