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INVESTING IN EUROPEAN YOUTH: THE WAY OUT OF THE ECONOMIC CRISIS

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I. Introduction

I would like to start off by congratulating the Greek Board of Directors of COSAC for all their work carried out throughout this first half of the year, and thank you for the invitation extended to me to speak as part of this panel.

I would also like to welcome the fact that this topic was included in LI COSAC, since it shows the attention that Conference is dedicating to the direct problems affecting the lives of our citizens, one of the most pressing being today the question of youth unemployment.

I'd also like to praise the moment chosen for this discussion at a time when there are signs of some recovery from this serious crisis that has marked the last few years in Europe, it is revealing that apart from the continuing priority that budgetary consolidation continues to have and the return of confidence, the social aspect and unemployment are also a fundamental pillar to EU political policy.

However, I should point out that this topic is nothing new.

At the level of the G20, for example, this has been on the agenda at least since the London Summit in April, 2009. The G20 itself has promoted the holding of the Employment Ministers Summits since 2010, and even set up an employment *task force*, which have as their priority the issue of youth unemployment.

At an EU level, the social area and the reduction of unemployment, in particular for young people, has been a constant worry since the start of the crisis, through various initiatives that Mr. Commissioner László Andor mentioned in his speech.

At the end of the day it is important to stress the political importance that this topic has on the European agenda, two Conferences of Heads of State on Youth Unemployment have taken place, the first in Berlin, on July 3rd, 2013, and the second in Paris, on November 12th, 2013, after the decisive boost to the issue given by the European Council in June, 2013, which was dedicated to Youth Unemployment. As far as I know, the Italian president will call a third conference of this nature in Turin on July 11th.

It is important that COSAC can, today, make a contribution to this discussion.

II. Youth unemployment and the challenges ahead

The latest report from the International Labor Organization (ILO) on youth unemployment opens with the following revealing phrase: *"It is not easy to be young in the labour market today"*. Furthermore, it states equally that the *"social and economic costs of unemployment, long-term unemployment, as well as the apathy in looking for work and the proliferation of low quality work for young people has risen and is a potential threat to the growth of economies"*.

The struggle against youth unemployment should be, as such, a political priority of the EU. The same ILO also stresses that one of the *"most important 'scars' that youth unemployment leaves is the lack of trust this generation of young people has in political and socio-economic systems"*.

However, there are some aspects I'd like to mention:

1. First, youth unemployment results from a **complex interaction of economic, social, demographic, geographic, cultural and social factors**, and should be viewed in this light. Therefore, we need to see that the solutions should equally be multidimensional and complex, so as to take account of all these factors, as well as the specific nature of each country;

2. According to European Commission data, the rate of youth unemployment (between 15 and 24) stands currently at 22.6% almost double the unemployment rate for the population in general: this represents around 7.5 million young unemployed in the EU, to which are joined around 6.5 million unemployed young adults (ages between 25-29); however - and this is the second aspect -, this **was a trend that was seen even before the crisis**: in 2008, the rate of youth unemployment was already high (17%) when compared with the unemployment rate in the EU (7%);

3. This, thirdly, has resulted in youth unemployment being made worse by the crisis, but the **factors that lie at its root already existed**. As such, a combined effort in different areas is necessary: education and training, economy, social policy, employment and mobility policy;

4. Furthermore, it is important to note that this is a problem that is at the same time national and European: and even though they affect some Member-States more, the solutions that need to be found require a European approach. It is an illusion to think that we are confronted merely with a problem of some States being more affected by the crisis or with greater problems of competitiveness. In an integrated Europe, the asymmetries and divergences that have been seen need to be corrected. So,

- in the case of youth unemployment, and according to European Commission data in November 2013, the rates varied between 7.7% in Germany and 57.6% in Greece;
- in the case of the NEET indicator (Not in Education, Employment or Training), the asymmetry ranges from 4.7% in the Netherlands to 21.1% in Italy (to maintain the comparison within the euro zone)
- in my country, in Portugal, youth unemployment in 2013 reached 37.7% in the age group between 15 and 24, and in the case of the NEET indicator, reached 16.7% in 2013, even although improvements were noted in the labour market in the first quarter of 2013.

5. Another important aspect is how the economic consequences of youth unemployment have affected - and are a reflection of - the economic performance of the whole EU: according to a study by the *European Foundation for the Improvement of Living and Working Conditions*, it is estimated that in 2011, *the economic losses resulting from young people being out of the work market in the EU correspond to around €153 billion, i.e., 1.2% of EU GDP*. A recent IMF paper regarding this highlighted that *"the under-use of young people in the work market could result in a cycle of intergenerational poverty and social exclusion"*, leading to "social unrest in some countries".

With these present aspects, I would say that the key challenges that we have to face are:

1. The inadequacy between the skills acquired and the needs of the work market: phenomena such as the excess of qualifications, or the qualifications that are not adequate, of young people should be analysed and thought out in formulating education and employment policies. The ILO estimates that there are increasingly more young people having to accept employment below their level of qualification, at part time and in precarious conditions.

2. The transition from school to the employment market: it is vital to find mechanisms that favour this link. Vocational education throughout the educational process and the guiding of career options are essential elements.

3. The long term effects and frustrations in expectations, what economists call "scarring effects": long-term unemployment at the beginning of one's working life can leave profound scars not only from a social and psychological point of view, but also from the point of the economic potential of young people.

4. The negative effects of the so-called Beveridge Curve in Europe, i.e., the inadequacy between the skills and geographical availability of young people looking for work, on the one hand, and the available vacancies in the EU, on the other, can lead to a phenomena of human capital flight, or brain drain, between Member-States;

If we consider this under-valuation of human capital within the context of the EU's long-term demographic challenge, concerns over the sustainability of economic growth increase.

And as such, the initiative for youth employment and the implementation of the Guarantee for Youth are important structural reforms.

Now, these initiatives count on an considerable financial donation (around €6 billion), but this should be backed up by a constant and detailed monitoring, not just for the specific situations of each country, but for the development of the entire EU and the eventual effects of spill-over that may be seen.

Within this context, we should be as ambitious as possible in the implementation of Commission Communication about the social Dimension of the euro zone, which includes in the European half year a number of social and employment indicators, especially youth unemployment and the percentage of young people that are not studying, being trained or working (NEET);

III. The ways out of the crisis

Only when we have eradicated from our vocabulary expressions like "lost generation" or "generation at risk" will our work regarding youth unemployment be done. We can not accept that a high level of youth unemployment is the inevitable consequence of economic, technical and scientific progress. To do so would be to condemn a very relevant part of a whole generation to live on social security - significantly reducing their dignity as citizens and active workers. European youth needs the EU, but the EU also needs, and more than ever, to benefit from its youth.

In this way, I think that the solutions to be found for getting out of the crisis rest on two pillars:

- 1) There needs to be a **constant and dynamic engagement between the various key players involved**: governments, parliaments, universities, companies, unions, social partners, that can foster a realistic link between education, the expectations of young people and the effective needs of the employment market, namely in the transition from school to work.
- 2) This implies a **change in the practices followed** to date, but also a **change of mentalities** at various levels. And it's here that we can be bold and creative.

In concrete terms, I would leave the following suggestions for this debate:

1. It is necessary to modernise the educational and training systems, adapting them to the needs of the labour market:

- a) To promote the **acquisition of specific and transversal skills**: the work market place requires, increasingly so, a work organisation directed towards interdisciplinary processes, aimed at problem solving, the ability to communicate and work as a team;
- b) For **young people to be prepared to make well informed choices** about the careers they wish to follow and investing in **vocational education**, in guidance and advising in earlier phases of their secondary, taking into account the future employability of these young people.

2. **Practical learning programmes** should be strengthened along with systems of transition from school to the labour market, namely in technical areas, with:

- a) A change in mentalities regarding the dual educational system, which complements the theory domain with practical learning components (learning by doing);
- b) With the valuation of work experience placements as a way of obtaining professional experience and access to the professional market;
- c) Guiding measures in job seeking.

3. SMEs: as one of the largest employers in the entire EU, particularly relevant in some economies, it is a priority to encourage them to take part in the *Guarantee for Youth*. As I see it, **youth entrepreneurship** should also be promoted in this area, via access to channelled funds.

With effect, the **specific recommendations per country for 2014**, that the Commission has just published, underscores the strategic importance of the Guarantee for Youth to overcome the challenges of smoothing the transition from school to work, the reform of the education systems and training, partnerships to bring young people out-of-work and those not registered at job centres.

In Portugal, the programme for implementing the guarantee for youth was considered, by the Commission, as one of the ones that is structured the best, and has as its target group young people and young adults (15-29).

Youth migration within the European space is today seen by the younger generation increasingly as something that is normal, which is understandable, because a truly united market is also one in labour terms. On the other hand, immigration outside of the Union should be combated.

Either way, I want to impart my conviction that the lasting solution to youth unemployment in the Union will **always involve the recovery of a vigorous and sustained economic growth, that ensures opportunities to those who are younger.**

And this growth is only possible if the Europe-wide economy can thrive in the global economy by being **competitive**. Only **growth and competitiveness** can enable the Union to guarantee younger generations a future in the European Union. The public policies that encourage the competitiveness of the Union - and in all of its regions with greater problems in being competitive - and economic growth are, indeed, also policies for combating youth unemployment.

The skills, energy, creativity and the motivation of young people are valuable assets, which **no society can waste**. The EU needs, more than ever, its young people and to turn this crisis into an **opportunity for this generation**. Investing in youth is not a question of choice: it is an **unavoidable option for getting out of the crisis**.