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NEETs

Young people not in employment, education or training: Characteristics, costs and policy responses in Europe

Country codes

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CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
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MT	Malta
NL	Netherlands
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
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European Foundation for the Improvement of Living and Working Conditions

NEETs

Young people not in employment, education or training: Characteristics, costs and policy responses in Europe

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For every tree felled, at least one new tree is planted.

Contents

Executive summary

Introduction

The immediate future of Europe depends upon the 94 million Europeans aged between 15 and 29. Apart from the challenges that young people for generations have faced as they embark up on adult life, this generation will live in an era of full globalisation and will have to cope with the responsibility of an ageing population. So it is a matter of great concern that these young people have been hit so hard by the economic crisis. Only 34% were employed in 2011, the lowest figure ever recorded by Eurostat. The unemployment figures also testify to an appreciably more difficult labour market for young people; since the start of the recession, youth unemployment has risen by 1.5 million, reaching 5.5 million (or 21%) in 2011.

Serious as these statistics may be, they do not adequately capture the situation of young people, not least because many are students and hence classified as being out of the labour force. For this reason, EU policymakers are increasingly using the concept of NEET – 'not in employment, education or training'. The definition is in principle straightforward, referring to those who currently do not have a job, are not enrolled in training or are not classified as a student. It is a measure of disengagement from the labour market and perhaps from society in general.

This report analyses the labour market situation of young people in Europe, with a specific focus on the group categorised as NEET. It examines the determinants of belonging to the NEET group, and measures the economic and social costs of NEETs. In addition, it assesses how policy in Member States has sought to support young people to gain a foothold in the labour market.

Policy context

At EU level, NEETs are considered to be one of the most problematic groups in the context of youth unemployment. The European Commission has responded through the Europe 2020 flagship initiative Youth on the Move and the 2012–2013 Youth Opportunities Initiative. These initiatives aim to unleash the potential of all young people and call for concerted action from Member State authorities, businesses, social partners and the EU to tackle the youth challenge. Special emphasis is put on providing pathways back into education and training as well as enabling contact with the labour market. In 2012, the Commission's Employment Package 'Towards a job-rich recovery' reemphasised the need to deliver youth opportunities, stressing the importance of decreasing the dramatic rates of youth unemployment and NEET status by enabling transitions to work.

The European Commission has introduced new indicators, such as the NEET rate, to monitor the labour market and social situation of young people and facilitate comparison between Member States in the context of the Europe 2020 strategy. This gives youth issues greater visibility and strengthens the position of young people in the political agenda.

Key findings

According to Eurostat, in 2011, 7.5 million young people aged 15–24 and an additional 6.5 million young people aged 25–29 were excluded from the labour market and education in Europe. This corresponds to a significant increase in the NEETS rate: in 2008, the figure stood at 11% of 15–24-year-olds and 17% of 25–29-year-olds; by 2011 these rates had increased to 13% and 20% respectively. There is huge variation between Member States, with rates varying from below 7% (Luxembourg and the Netherlands) to above 17% (Bulgaria, Ireland, Italy and Spain).

NEETs are a very heterogeneous population. The largest subgroup tends to be those who are conventionally unemployed. Other vulnerable subgroups include the sick and disabled and young carers. Non-vulnerable subgroups include those simply taking time out and those constructively engaged in other activities such as art, music and self-directed learning. What they do have in common is the fact that they are not accumulating human capital through formal channels.

Some young people are at greater risk of being NEET than others. Those with low levels of education are three times more likely to be NEET compared to those with tertiary education, while young people with an immigration background are 70% more likely to become NEET than nationals. Young people suffering from some kind of disability or health issues are 40% more likely to be NEET than those in good health. Family background also has a crucial influence.

Being NEET has severe adverse consequences for the individual, society and the economy. Spending time as NEET may lead to a wide range of social disadvantages, such as disaffection, insecure and poor future employment, youth offending, and mental and physical health problems.

In 2011, the economic loss due to the disengagement of young people from the labour market was €153 billion. This is a conservative estimate and corresponds to 1.2% of European GDP. There is great variation between Member States, but some countries are paying an especially high price of 2% or more of their GDP: Bulgaria, Cyprus, Greece, Hungary, Ireland, Italy, Latvia and Poland.

NEETs are at higher risk of being politically and socially alienated. Compared to their non-NEET counterparts, NEETs have a dramatically lower level of political interest, political and social engagement, and a lower level of trust.

Policy pointers

The policies that have been implemented by Member States intervene at various stages along the pathway to employment and are extremely diverse in their aims, objectives and activities. Although it is difficult to judge their effectiveness, a number of good practices in policy design and implementation can be identified:

- Policy measures have to be diversified, tackling different issues along the pathway to employment and paying attention to vulnerable groups that are more likely to cumulate multiple disadvantages.
- Especially important is to take the labour market readiness of the beneficiaries into account. While those more ready will profit from initiatives that are strongly grounded in the needs of the labour market, others need to address personal barriers first before participating in employment programmes.
- Young people have to be set on a long-term, sustainable pathway. It is not enough to find short-term solutions. They need good-quality, stable and sustainable employment. This includes equipping them with qualifications needed for successful labour market integration.
- The involvement of a range of stakeholders in the design and delivery of youth employment measures is essential. In particular, a strong level of engagement with employers and their representatives is needed for measures that focus on fostering their beneficiaries' employability.
- Youth employment measures should be client-centred, not provider-focused. This means catering for different pathways, for example, from mainstream learning to tailored, supported learning.
- Successful policies are innovative. They introduce new ways of reaching out to their target groups, with outreach activities forming an important part of efforts to engage disfranchised young people, while incentives, 'branding' and marketing campaigns can be useful in the context of more universal youth employment services.

1 Labour market participation of young people

Young people are a fundamental asset of our economies and societies. According to Eurostat, there are over 94 million young people aged between 15 and 29 years in Europe, of whom over 60 million are aged 15–24 years and over 33 million are aged 25–29 years. This amounts to an incredible resource for society. However, if countries want to fully exploit the potential of young people, they need to be productively employed and integrated into society. At present, most EU Member States are facing the growing challenge of absorbing and integrating young people into education systems and labour markets. While our societies are not fully benefiting from the youth dividend, disengagement from the labour market also has serious consequences for individual young people. For this reason, youth employment remains a key to sustainable economic and social development, especially in a context of a changing demography and ageing population. With young people having paid the highest price during the global economic crisis, there is a renewed sense of urgency to integrate them into the labour market and the education system. Successfully tackling this issue is not only a question of meeting young people's aspirations for a better life, but also a necessity for enhancing the well-being of societies in general (ILO, 2012b).

The problem of young people's disengagement from the labour market entered the policy debate in the 1980s when the core of the 'baby-boom' generation joined the jobs market. It has since then been on top of the agenda, as the adverse trends in youth outcomes observed at that time persist today. This problem is not easy to explain. What makes young people strong candidates in the labour market, in comparison to older workers, is their potential to be highly motivated and to offer fresh ideas and insights in their work. On the other hand, their lack of experience and their predisposition towards experimentation with their professional orientation can work against them (Christopoulou, 2008).

While the low level of labour market participation of young people is not a new problem, what is new is the scale it has reached in the current economic crisis. According to the latest Eurostat figures, the youth employment rate reached 33.6% in 2011, corresponding to over 19.5 million young people; this is the lowest level ever recorded in the history of the European Union. Today, 3.4 million fewer young people are working than in 2007. The youth unemployment rate reached 22.4% in February 2012, corresponding to over 5.5 million unemployed young people: 1.5 million more than in 2007. While the situation is extremely diverse among the Member States, in many the youth unemployment rate has doubled or tripled since the onset of the recession.

The aim of this chapter is to provide a picture of young people's labour market participation using the latest Eurostat data and to describe the major changes since the onset of the crisis. It investigates the trends and characteristics of youth unemployment, including the size of the problem, the gender composition of the young unemployed, and the phenomenon of long-term unemployment and discouraged workers. A demographic profile of young people at work is also provided. Special attention is placed on changes in the structure of this population arising from the crisis.

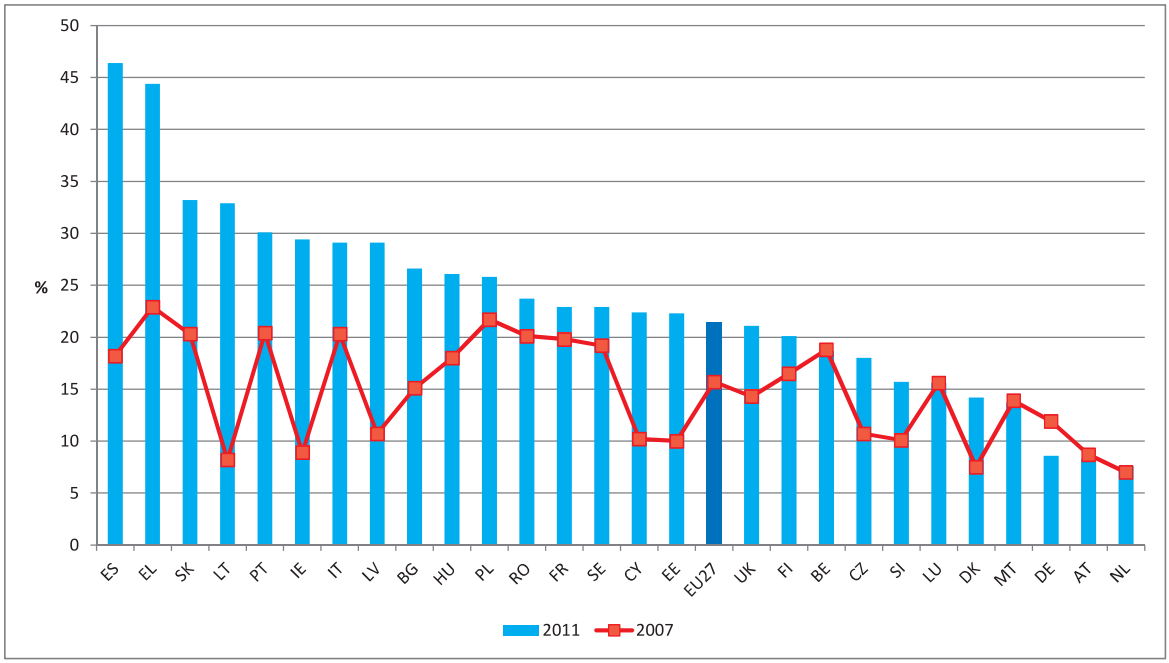
Youth unemployment

The immediate effect of the financial and economic crisis has been a substantial fall in labour demand due to the unusually large and widespread shock to aggregate demand (O'Higgins, 2010). While across all countries the unemployment rate of young people has been typically higher than that of adults, the recent economic and financial crisis hit young people extremely hard. The strong deterioration in the labour market situation for young people during the crisis is of acute concern.

The youth unemployment rate in the EU27 reached 21.4% in 2011 compared with 15.7% in 2007. Large differences occur between Member States, as can be seen in Figure 1. With the exception of Austria and Germany, all countries have recorded an increase in their youth unemployment rate since the economic crisis began. Spain, for example, has the highest youth unemployment rate (46.4%), an increase of almost 30 percentage points since 2007. The situation is also striking in Greece (44.4%), Slovakia (33.2%), Lithuania (32.9%) and Portugal (30.1%); in Ireland, Italy and Latvia, the rate is 29.1%. The Netherlands, Austria and Germany record the lowest youth unemployment rates (between 7% and 8%). While the youth unemployment rate in the Netherlands increased only slightly (by 0.6%) between 2007 and 2011, Germany and Austria recorded an even lower unemployment rate in 2011 than their pre-crisis levels. In general, those countries with the highest youth unemployment rate in 2011 are also the countries where youth unemployment grew more dramatically compared to pre-crisis levels; the exception is Denmark, which recorded a substantial increase in the unemployment rate.

Youth unemployment has been a concern to policymakers since the 1980s. Traditionally, unemployment rates for young people are higher than those of other age groups. This is due to several reasons. Firstly, youth unemployment is more responsive to the business cycle than adult unemployment. This means that when the aggregate level of economic activity and adult employment is high, youth employment is also high. In periods of recession, however, youth unemployment soars much higher than that of other age groups (Freeman and Wise, 1982). This high sensitivity of youth unemployment to the business cycle is due to the fact that young people are highly concentrated in certain cyclically sensitive industries, such as construction, and are disproportionately present among those holding part-time jobs and temporary contracts (OECD, 2010). Moreover, young people, in comparison to other age groups, face a number of challenges in entering the labour market due to their lack of work experience and the mismatch between the skills they have to offer and those required by employers. During the crisis, young workers were often amongst the first to lose their jobs, as their temporary contracts were not renewed, while job prospects for young graduates entering the labour markets have diminished. In fact, young people now find themselves competing with job-seekers with more employment experience in a market with fewer jobs on offer (European Employment Observatory, 2010).

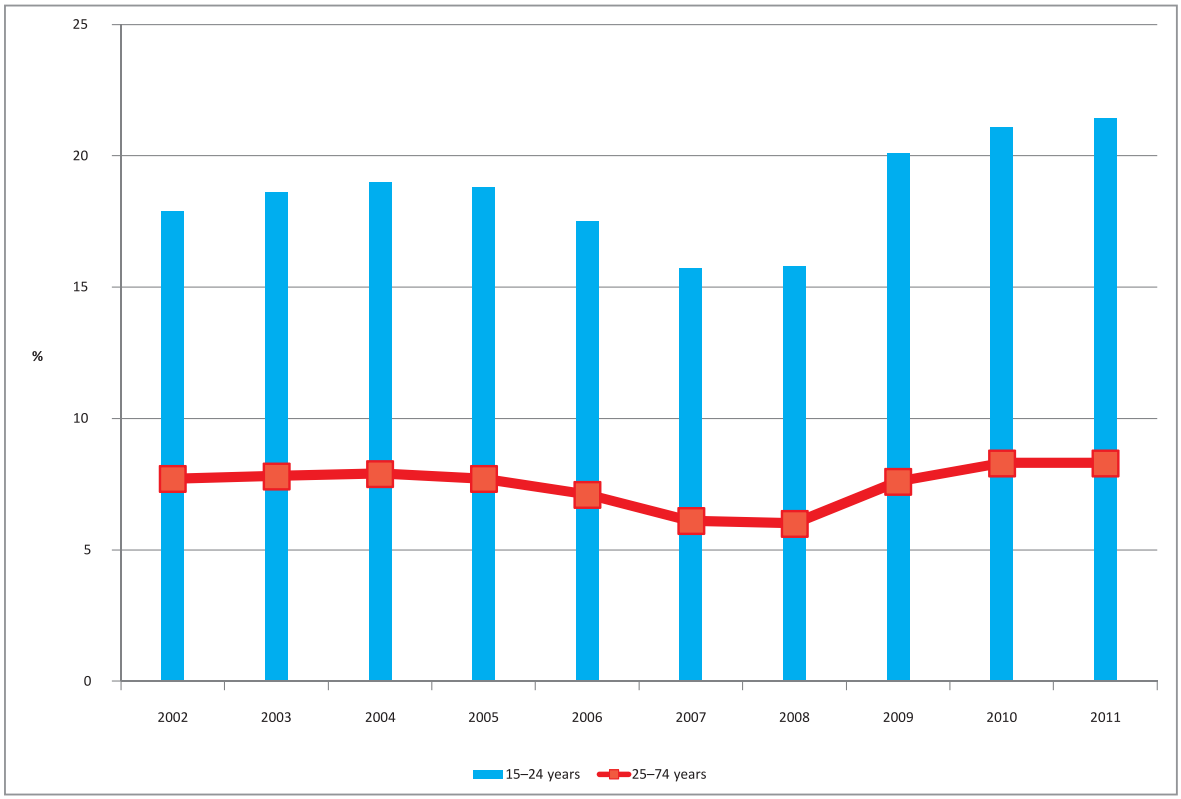
Figure 1: Youth unemployment rates (15–24 years), EU Member States, 2007 and 2011



Source: Eurostat, June 2012

Figure 2 presents the unemployment rates of young people against those aged 25–74 years. Data from 2002 to 2011 show that while the difference between the two rates decreased in the first part of the last decade, the two rates have been diverging since the onset of the crisis. In 2011, this divergence climaxed at 13 percentage points. This confirms the renewed vulnerability of young people in the labour market.

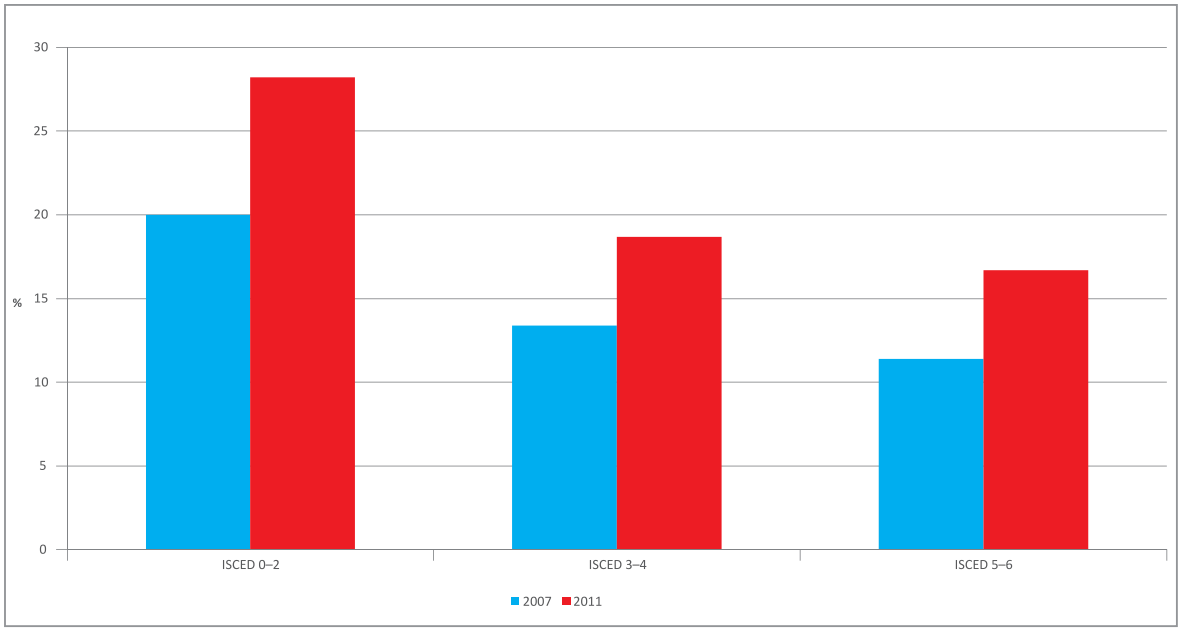
Figure 2: Unemployment rates of young people and people aged over 25 years, 2002–2011



Source: Eurostat, June 2012

Within the overall figure of youth unemployment, certain groups, such as those with low qualification levels, are more adversely affected than others. In fact, there is widespread agreement on the positive link between educational attainment and employment outcomes. In this sense, education represents a shield from unemployment: the higher the level of education attained, the lower the probability of being unemployed (ILO, 2012a). Evidence from the OECD (2012) shows that a higher level of education provides an excellent insurance against unemployment and makes it more likely that an individual will stay in employment and maintain earning power in difficult times. People with at least upper secondary education are in general much less likely to be unemployed, much more likely to participate in the labour force, and more likely to have higher earnings compared to those with lower levels of education. People with a tertiary education are best protected against unemployment and enjoy a higher earnings premium in the labour market than their less-educated peers. However, as shown in Figure 3, since the onset of the crisis, there has been a marked increase in the unemployment rate for all young people, regardless of their educational level. In 2011, the unemployment rate was highest among those with a low educational level (ISCED 0–2), at 28.2%, compared to 18.7% for those with medium educational level (ISCED 3–4) and 16.7% for young people with tertiary education (ISCED 5–6).

Figure 3: Youth unemployment rate by educational level, EU, 2007 and 2011



Note: ISCED is the International Standard Classification of Education; ISCED 0–2 = pre-primary to lower secondary; ISCED 3–4 = upper secondary to post-secondary; ISCED 5–6 = tertiary.
Source: Eurostat, June 2012

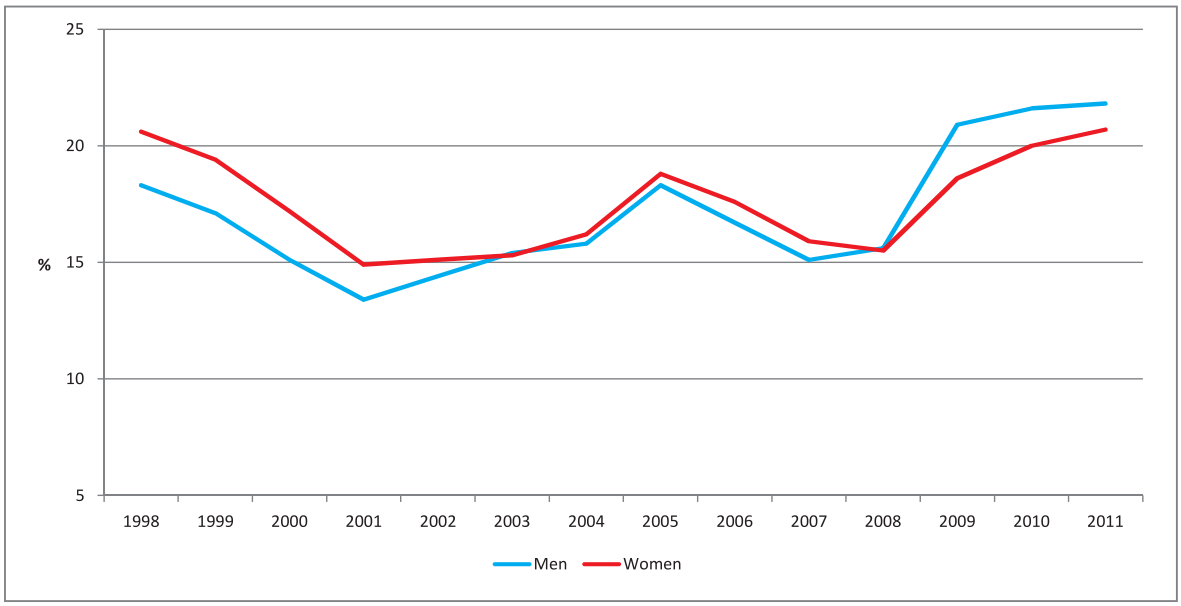
The proportion of those with just a primary education who are unemployed has grown considerably in Europe, from 20% in 2007 to 28.2% in 2011. The situation at country level is much more complex. In Slovakia and Spain, for example, the youth unemployment rate of those with a low educational level is over 50%. In Austria, Germany and the Netherlands, the figure is below 13%. The increase since the onset of the crisis has been most dramatic in Ireland, Greece and Spain, while the rate is unchanged or has decreased in Austria, Germany and Slovakia. (The rate in Slovakia remains highest among the Member States.)

It is also clear that a higher educational attainment does not completely protect someone from the risk of becoming unemployed, especially in times of crisis when young workers have to face the competition of more experienced workers. While unemployment in the EU seems to be more common, on average, among young people with lower educational levels, there is increasing concern that the current crisis may have partly removed the protective role of education, as those with a tertiary educational level have also been affected.

Tertiary education undeniably protects against unemployment: the proportion of young people with tertiary education who are unemployed is much lower than that found among those with lower levels of education (16.7% against 28.2%). Nonetheless, since the onset of the crisis, the youth unemployment rate has increased dramatically among the most educated category of young people: from 11.4% in 2007 to 16.2% in 2011. Huge differences are observed across Member States. In particular, rates of unemployment among young people with tertiary education are very high in Greece (48.6%), Spain (35%), Romania (29.4%), Portugal (29%) and Italy (27.1%). In all these countries, the situation worsened considerably during the crisis. In Spain, the unemployment rate among those with a tertiary education increased to almost double the rate in 2007. In Ireland, it rose from 5.5% in 2007 to 18.3% in 2011. The rate remained stable in France and Belgium. Tertiary education is most likely to protect from unemployment especially in the Netherlands, but also in the Czech Republic, France, Spain and the United Kingdom.

Gender also plays a role. Historically, women have been more affected by unemployment than men, and in 2007 female youth unemployment was slightly higher than male youth unemployment. In recent years, however, male and female unemployment rates in the EU have converged (Figure 4). While in 2011 youth unemployment grew across both genders, unemployment among young men rose to a higher level than among young women. This reflects characteristics of this recession, which had its biggest impact on sectors dominated by male workers, such as construction and manufacturing.

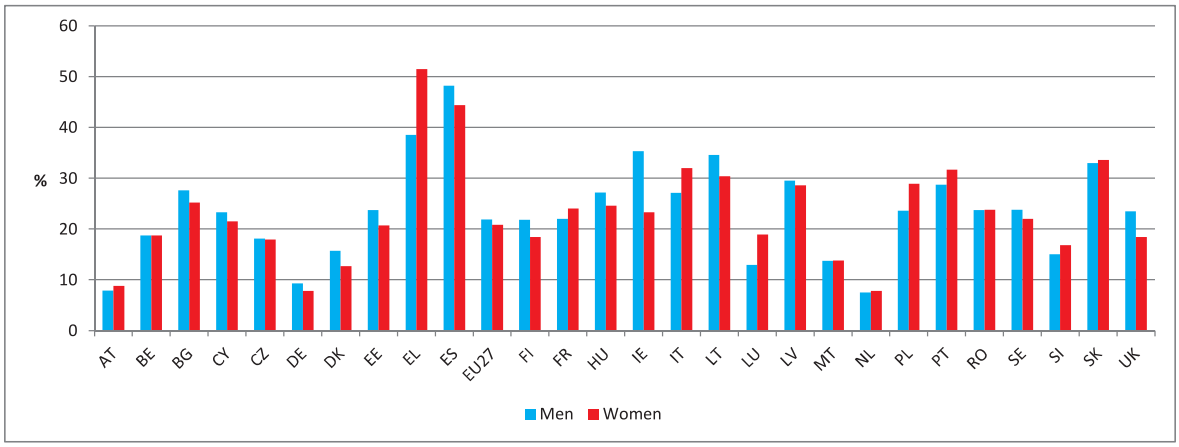
Figure 4: Youth unemployment by gender, EU, 1998–2011



Source: Eurostat, July 2012

The gender differences vary by country (Figure 5). In general, male youth unemployment rates are higher than female rates in the 'Anglo-Saxon' and Scandinavian countries, and in the Baltic republics, while southern European countries, with the exception of Spain, record higher female rates. The situation is more balanced in Belgium, the Netherlands, Malta and Romania.

Figure 5: Youth unemployment by gender, EU Member States, 2011



Source: Eurostat, July 2012

Long-term unemployment and discouraged workers

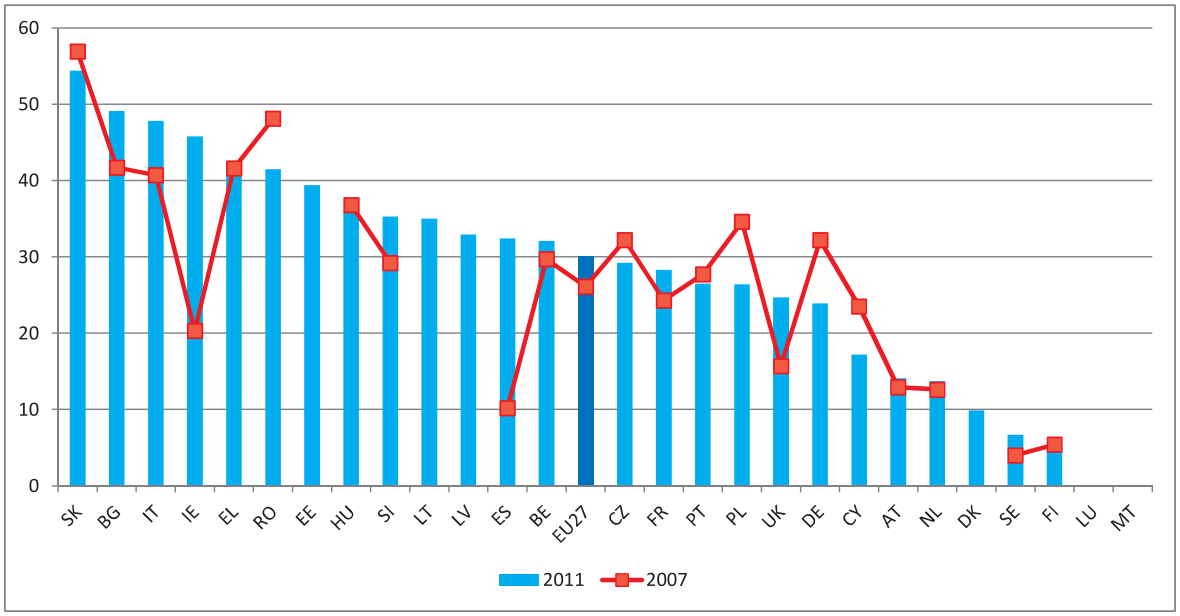
In general, young people tend to experience periods of unemployment more frequently than adults, as they tend to be less settled in their occupational choices and more mobile than adult workers. For these reasons, some scholars have argued that youth unemployment does not necessarily have a negative connotation as it generally tends to be of shorter duration (O'Higgins, 2010). However, when these spells of unemployment become persistent, it can open the door to long-term unemployment and permanent labour market disengagement, with potentially intolerable negative consequences for the individual and society as a whole.

In this respect, high unemployment rates are likely to feed into long-term unemployment. This is of particular concern as it significantly increases the risk of long-term exclusion of young people from the labour market and society. In fact, while short spells of unemployment or frictional unemployment are more or less inevitable consequences of job searches and the transition from school to work, long-term exclusion from the labour market can have dramatic consequences. Young people are particularly vulnerable to the adverse consequences of long-term unemployment; it is recognised that the loss of work experience early on in life, with its implied loss of human capital, is likely to have scarring effects on future labour force participation and earnings. This leads some scholars to claim that youth unemployment poses a 'wage penalty' on future earnings, which is incurred even if individuals avoid being unemployed again. In the longer term, it also implies that unemployed young people may not have sufficiently secured well-paid jobs to accrue occupational pension rights or to make substantial contributions to other private schemes; an increasing concern in light of demographic changes in the EU.

At European level, long-term youth unemployment as a share of youth unemployment has grown since the onset of the crisis. In 2002 around 33% of unemployed young people were long-term unemployed. This figure decreased until 2008, when it reached its lowest level of 22.8%. It then began to grow, reaching an average of 30% in 2011.

As Figure 6 illustrates that long-term unemployment is particularly high in Slovakia, Bulgaria, Italy, Ireland, Greece and Romania; in all these countries 40% or more of jobless young people are long-term unemployed. By contrast, in Finland, Denmark and Sweden, the share of long-term unemployed is 10% of the total population of young unemployed people. In Ireland, the number of long-term unemployed people is double the pre-crisis level. It has also increased in Italy and Bulgaria, while it has notably decreased in Romania. In Finland, Sweden, the Netherlands and Austria, no great change occurred during the crisis. Finally, in Germany, the number of long-term unemployed young people has decreased by 10 percentage points since the onset of the crisis.

Figure 6: Proportion of unemployed young people who are long-term unemployed, 2007 and 2011



Note: Long-term unemployment is defined as being unemployed for 12 months or more.
2007 values missing for EE, LT, LV and DK; 2007 and 2011 values missing for LU and MT.
Source: Eurostat, June 2012

The main consequence of long-term unemployment is that it significantly increases the risk of long-term exclusion from the labour market and society. Indeed, high youth unemployment rates can discourage young people from looking for a job or can encourage them to postpone the job search and to return to the education system. Unemployment rates can be inflated by young people returning to education or becoming discouraged. In both cases, young people leave the economically active part of the population; they become classified as inactive rather than unemployed.

At European level, the number of inactive young people increased moderately after the onset of the recession, rising from 55.7% in 2008 to 57.3% in 2011. As the majority of young people are in education and training, it is not surprising that the youth inactivity rate is so high; 88% of inactive young people cite education as the reason for their inactivity. This figure remained consistent from 2008 to 2011, indicating that the return-to-education phenomenon has apparently not been captured statistically at EU level. On the other hand, the proportion of discouraged workers – those who are available to work but are not looking for a job because they think there are no jobs available – grew from 1.3% to 2% of the total population of inactive youth, a relative increase of almost 50%. While this number seems small at first, it corresponds to approximately 700,000 young people who are

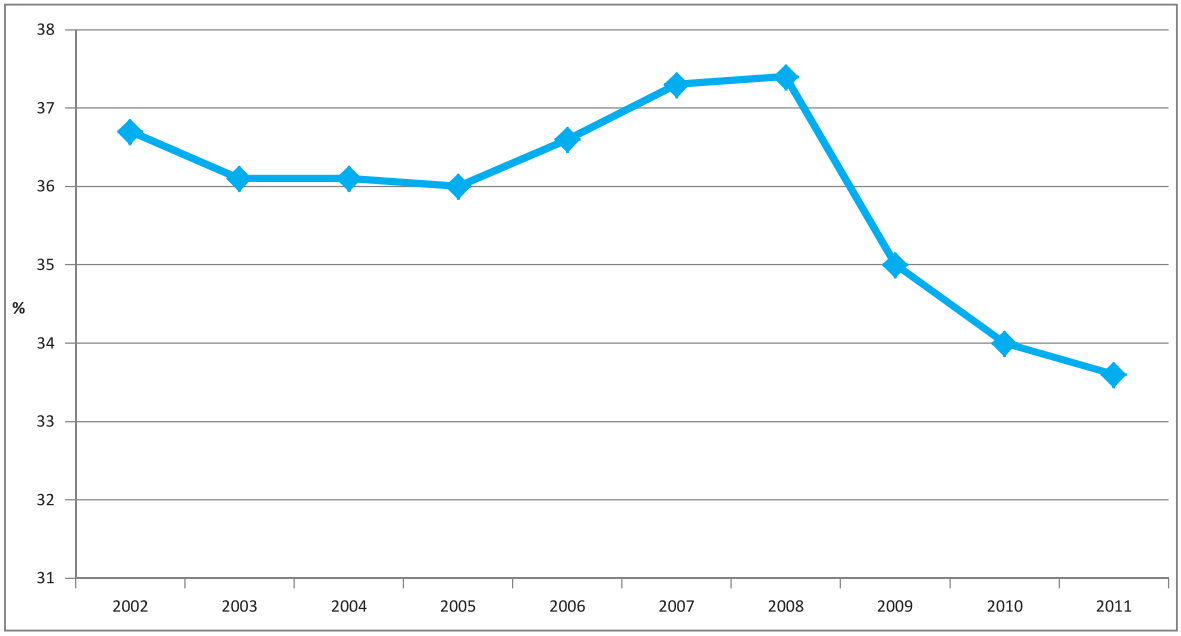
already discouraged workers and who are very likely to risk long-term labour market exclusion. Moreover, it also implies that the number of young people involuntarily excluded from the labour market is higher than the official youth unemployment rate.

The situation varies hugely at Member State level. While data are not available for all Member States, the share of young people who are discouraged workers doubled or more in Bulgaria, Spain and Romania and increased steadily in Finland as well. A more limited increase was recorded in Italy, Hungary, Poland and Sweden, while France was the only country where a decrease occurred.

Young people in work

As a result of the crisis and the increase in unemployment, the employment rate among young people decreased considerably in the period 2007–2011 (Figure 7). In 2011 the employment rate of young people aged 15 to 24 years fell to 33.6%, the lowest level ever recorded in the history of the EU. This value corresponds to 19.4 million young people, which implies that by 2011 the number of employed young people had fallen by 3 million since 2007.

Figure 7: Youth employment rates, EU, 2002–2011



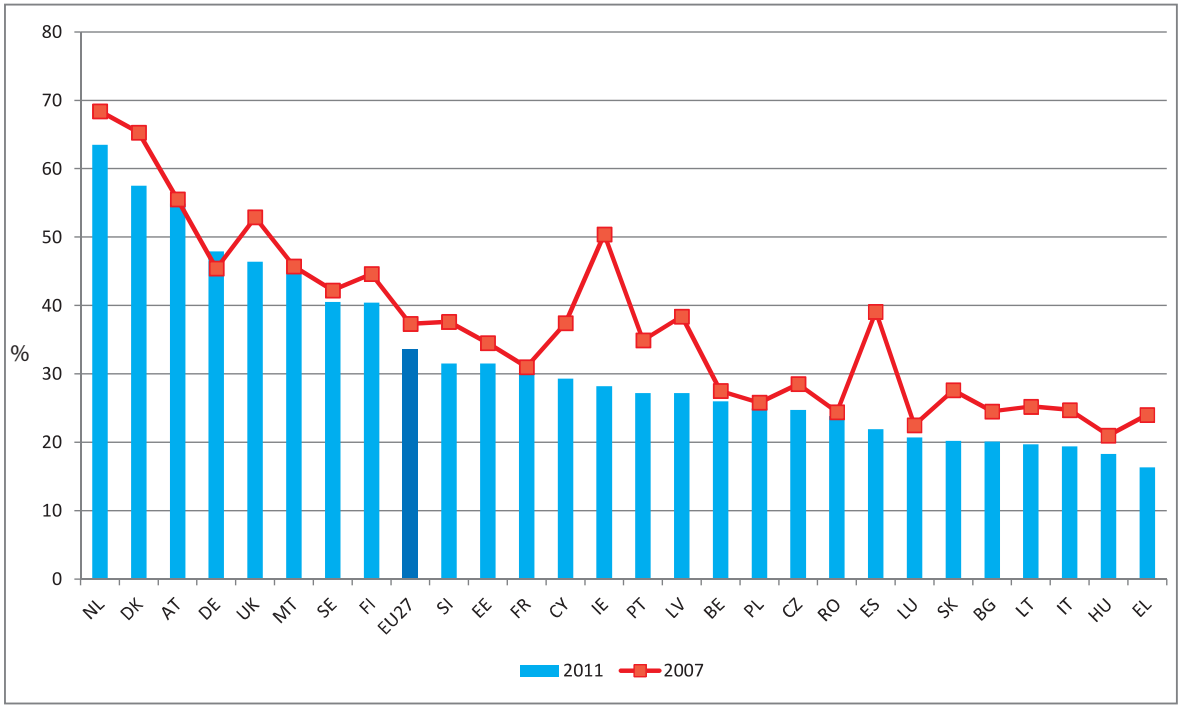
Source: Eurostat, July 2012

Figure 8 depicts the vast differences between EU Member States. Against an EU average of 33.6%, high employment levels among young people can be found in the Netherlands (63.5%), Denmark (57.5%), Austria (54.9%), Germany (47.9%) and the UK (46.4%). Conversely, young people seem particularly disengaged from the labour market in Slovakia (20.2%), Bulgaria (20.1%), Lithuania (19.7%), Italy (19.4%), Hungary (18.3%) and Greece (16.3%), all of which are characterised by very low youth employment rates.

With the exception of Germany, where an increase of 2.5% was observed in youth employment levels since the economic crisis began, all Member States have experienced a decrease in youth employment levels since the onset of the recession. This decrease was dramatic in Spain and Ireland,

where the rate almost halved. Considerable decreases can also be observed in Latvia, Cyprus, Greece, Italy and the UK, while in Austria, Malta, Sweden, France, Belgium, Poland, Romania and Luxembourg, youth employment levels are almost the same as their pre-crisis levels.

Figure 8: Youth employment rates, EU Member States, 2007 and 2011



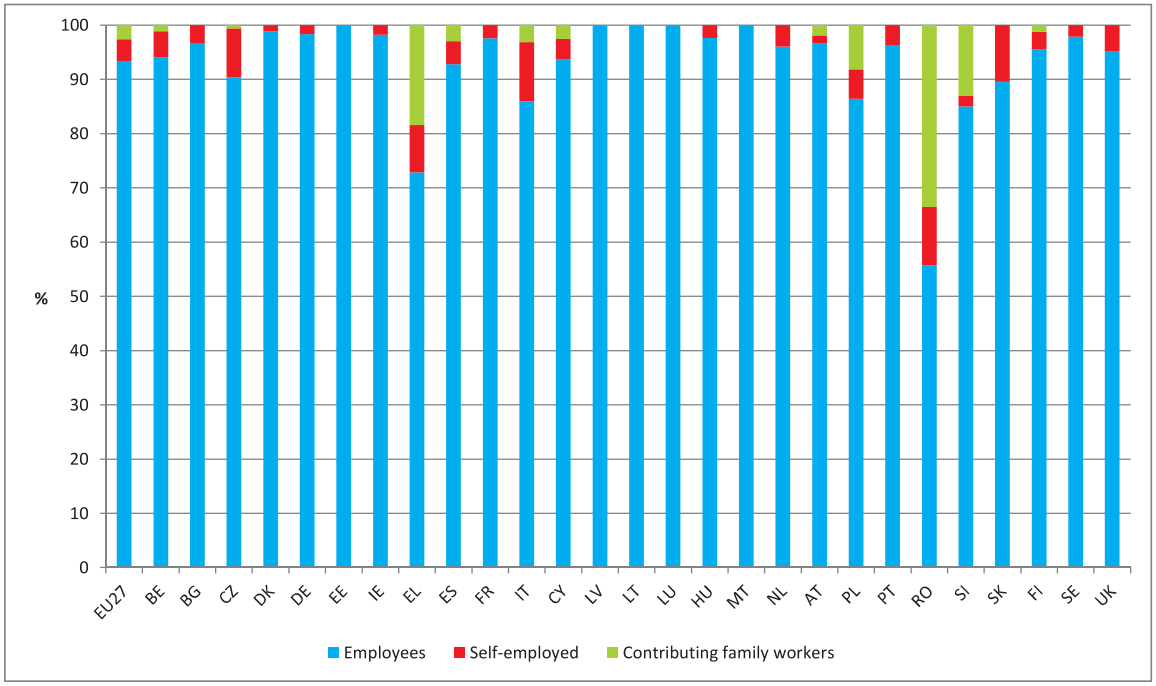
Source: Eurostat, July 2012

Self-employment

Among the 19.4 million young people in employment, the overwhelming majority are employees – 18.1 million in 2011. In 2011 only around 802,200 young people, 4%, were self-employed, while a further 511,000 worked in a family business. This last group is concentrated mainly in Greece, Poland, Romania and Slovenia.

Despite the decrease in the number of people in employment, the share of self-employed young people has remained almost constant over recent years. Countries with a high unemployment rate such as Greece, Italy and Romania also have a higher rate of self-employment among young people (Figure 9). Conversely, the number of self-employed young people is lower in countries with a low unemployment rate, such as Austria, Denmark and Germany. Between 2007 and 2011, the number of self-employed young people increased considerably in Estonia, Luxembourg and Slovakia, while a decrease was observed in Cyprus, Italy, Lithuania, Portugal and Spain.

Figure 9: Composition of employed young people, EU Member States, 2011

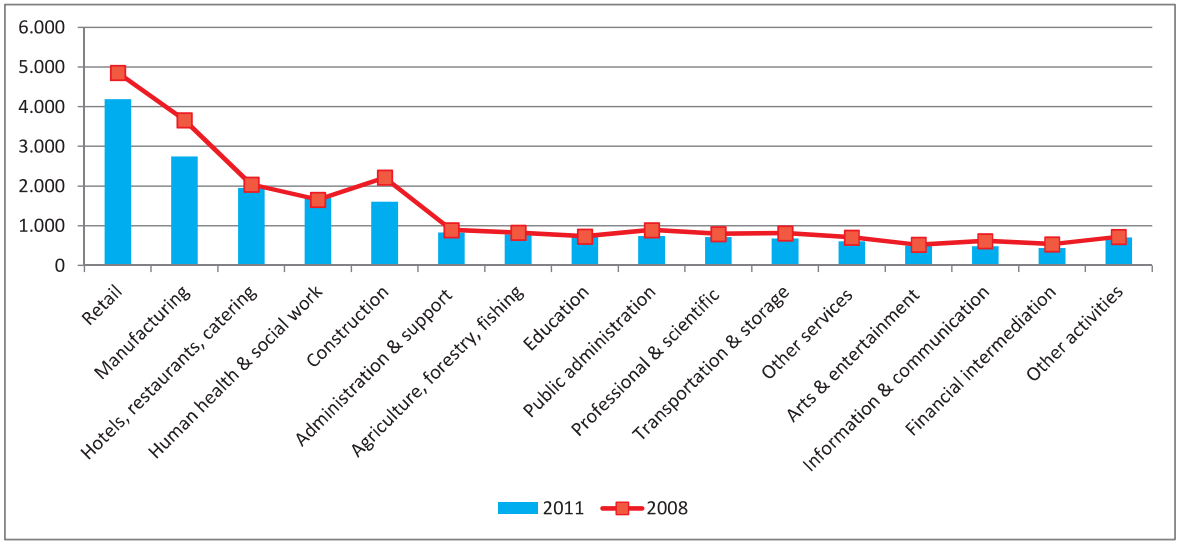


Note: Self-employed data missing for EE, LV, LT, LU and MT; contributing family workers data missing for BG, DK, DE, EE, IE, FR, LV, LT, LU, HU, MT, NL, PT, SK, SE and UK.
Source: Eurostat, September 2012

Sectoral participation

Regardless of their professional status, the majority of young people in Europe are employed in retail and manufacturing, at 4.1 million and 2.7 million respectively (Figure 10). Many others are employed in the hotel, restaurant and catering sector, health and social work, and construction. The sectoral distribution of young workers explains why they were so badly affected by the economic crisis. The number of young people employed in the manufacturing sector decreased from 3.6 million in 2008 to 2.7 million in 2011, while the number working in the construction sector decreased from 2.2 million to 1.6 million.

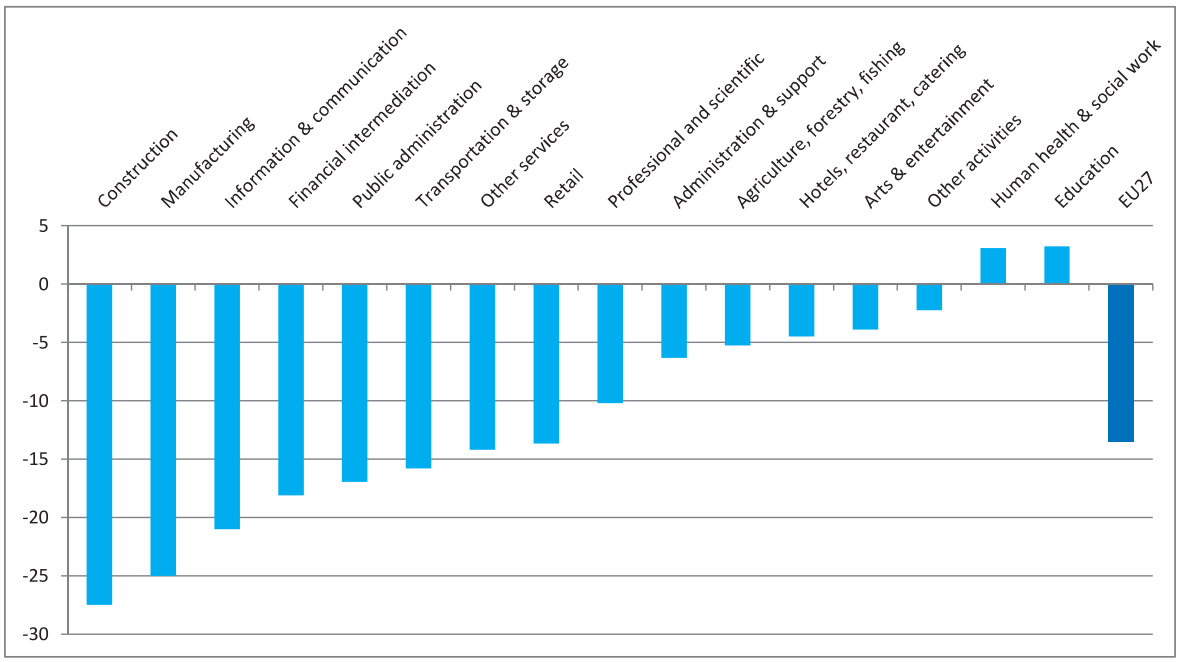
Figure 10: Youth employment by sector, EU, 2007 and 2011 (in thousands)



Note: NACE 2 sector classification
Source: Eurostat, July 2012

Since 2008, youth employment levels have dropped across most sectors. The decrease has been over 20% in construction, manufacturing and, surprisingly, the information and communications sector. The notable exceptions are health and social work and education, where increases close to 3% were recorded (Figure 11).

Figure 11: Percentage change in youth employment, by sector, 2008–2011



Note: NACE 2 sector classification; youth employment as percentage change since 2008 levels
Source: Eurostat, July 2012

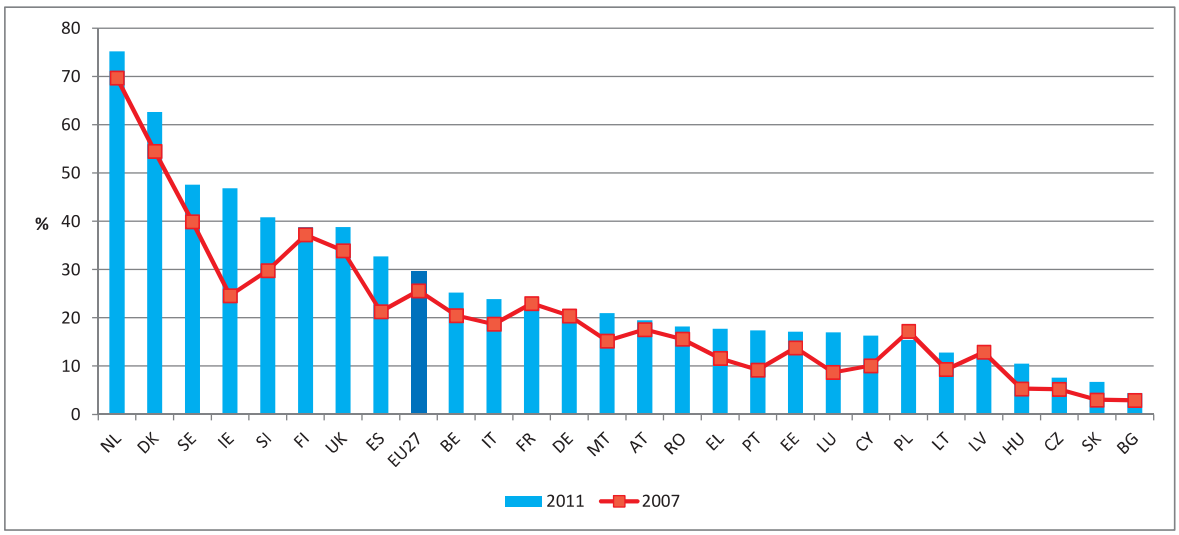
Looking at sectoral employment levels by country, youth employment in construction decreased most notably in Ireland and Spain, while it actually increased in Germany, Poland and Sweden. Equally, Ireland and Spain have seen the greatest decrease in youth employment in manufacturing, while in Austria, France and Malta employment rates in this sector remain unchanged. In addition, Ireland and Spain have been strongly affected by decreasing youth employment levels in financial intermediation, while employment levels in this sector increased in France, Germany and Romania. A notable decrease in youth employment has also been observed in some countries in the field of public administration, another sector that has been strongly affected by the crisis, due to governments having to implement budget cuts. The number of young people employed in the public sector has decreased in Romania and Slovenia, while it has increased in several Member States, including Hungary, Finland, Germany, Portugal, Slovakia and Sweden.

Part-time and full-time status

Regardless of their professional status, the majority of young workers are engaged in full-time employment. However, part-time work is quite relevant for this age category, as many young people might decide to work part time while they study or may engage in part-time work during their first steps into the labour market. At European level, the proportion of young people working part time has grown continuously in recent years. While in 2002, part-time work represented 21.5% of youth employment, in 2011 it represented almost 30%, corresponding to 5.8 million young people.

Part-time employment is very prevalent in the Netherlands, where it represents almost 70% of total youth employment, as well as in Denmark, Sweden and Ireland. Part-time employment is also common in Slovenia, Finland and the UK, with an average of 40% of young workers working part-time (Figure 12). By contrast, it has a very marginal role in Bulgaria, Slovakia, the Czech Republic and Hungary. Overall, the number of young part-time workers has increased in most countries since 2007, with the highest increase observed in Ireland; there, part-time work among young people increased by a staggering 20 percentage points.

Figure 12: Part-time workers as a proportion of total youth employment, 2007 and 2011



Source: Eurostat, June 2012

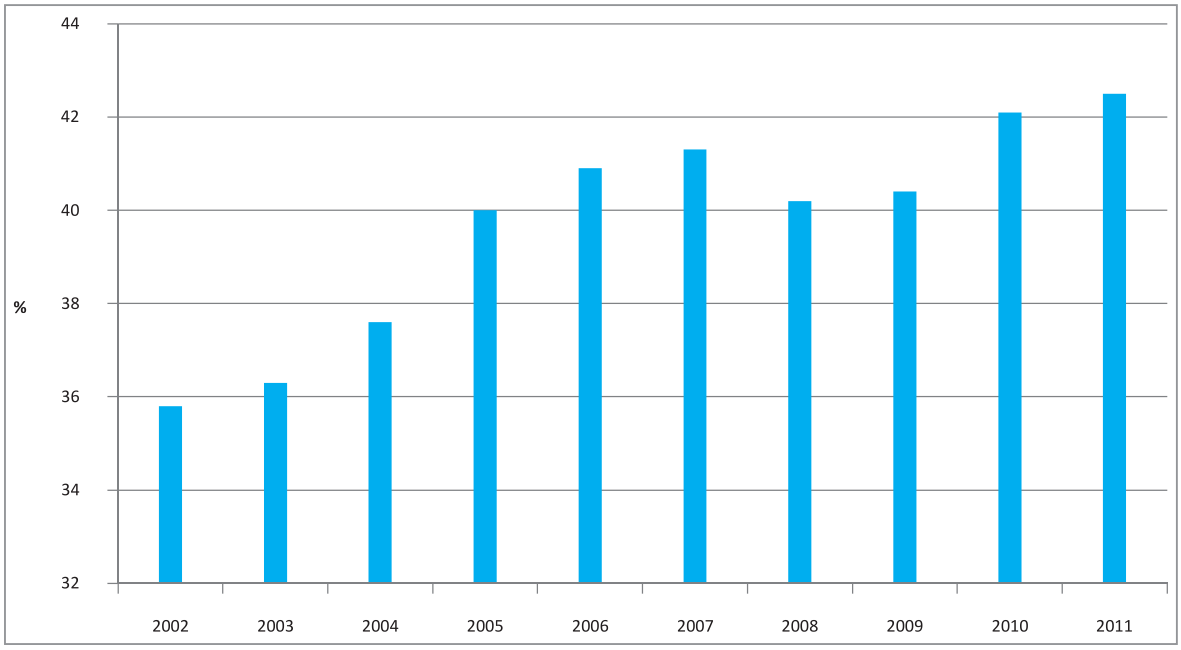
Temporary and permanent workers

Entering the labour market on a temporary contract is common among young people. There is no widespread agreement on temporary contracts and their potential role in promoting long-term employment. Temporary contracts may represent an effective tool for school-to-work transitions as reduced labour costs make them more attractive to employers. On the other hand, there is a danger that these unstable arrangements may result in an employment trap rather than lead to permanent employment (O'Higgins, 2010; Pastore, 2011; ILO, 2012a).

The effects of a recession on temporary employment can be twofold. On the one hand, those in temporary employment are likely to be the first dismissed in a crisis, as the cost of dismissing temporary workers is lower than dismissing permanent workers. At the same time, temporary contracts may be more attractive to employers who wish to increase their labour force in uncertain times.

Not surprisingly, after dropping in 2008, the share of young people in temporary employment began to grow during the economic crisis and reached a striking 42% in 2011 (Figure 13). Youth temporary employment rates have been on the rise since 2002, reaching a local high in 2007. They decreased slightly in 2008 and 2009, and since then have risen again. This may be because with the onset of the crisis, temporary contracts were not renewed in order to accommodate the immediate negative effect of the crisis on employment. As a result, the temporary employment rate decreased. However, when conditions improved slightly, temporary contracts provided employers with a valid alternative to permanent employment by accommodating their labour force needs in a climate of economic uncertainty – hence the rate increased again.

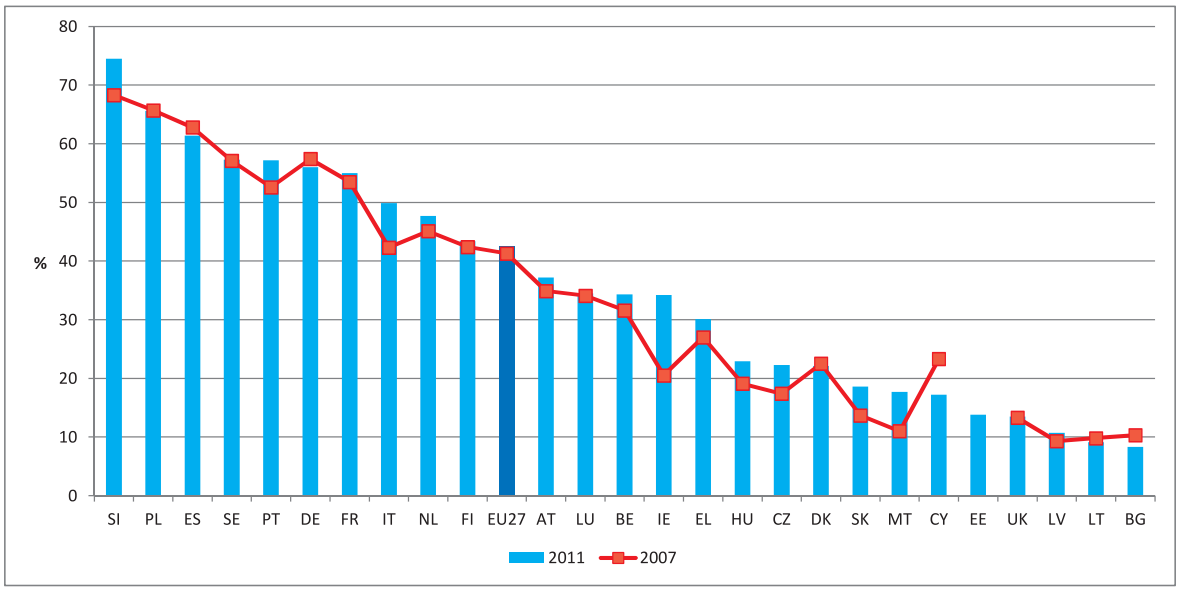
Figure 13: Share of young people in temporary employment, EU, 2002–2011



Source: Eurostat, July 2012

It is even more interesting that large variations across countries can be observed (Figure 14). Temporary contracts are extremely common in Slovenia, Poland and Spain, with over 60% of young people in temporary employment. Temporary employment is also considerably higher than the EU average in Sweden, Portugal, Denmark, France, Italy, the Netherlands and Finland. Conversely, temporary contracts seem to be less prevalent in Romania, Bulgaria and Lithuania (less than 10%). The prevalence of temporary contracts has, on average, increased modestly since the onset of the crisis. Since 2007, temporary employment has increased by almost 15 percentage points in Ireland, by 7 percentage points in Italy and by 6 percentage points in Slovenia. By contrast, the number of young people in temporary employment decreased notably in Cyprus and Bulgaria.

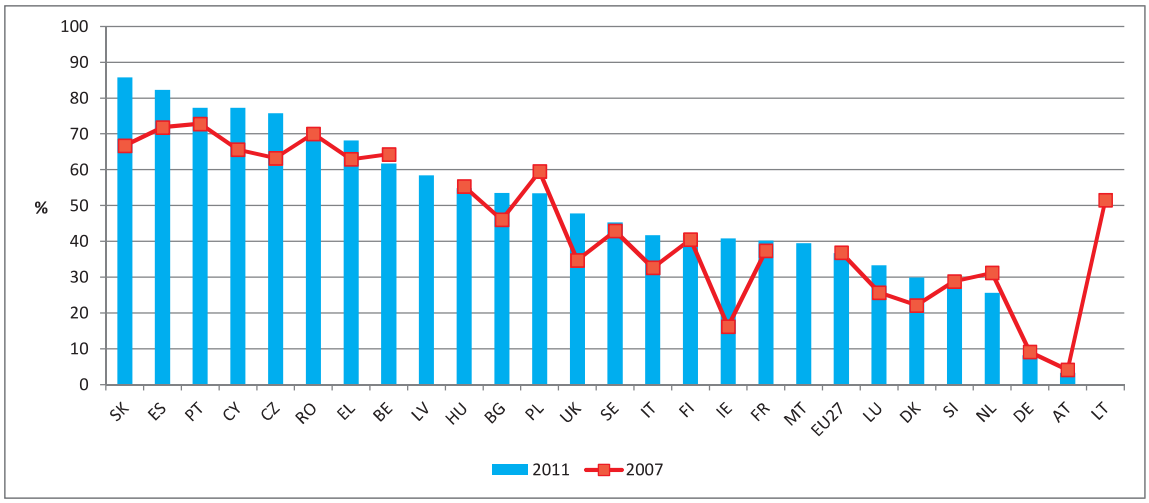
Figure 14: Young people in temporary employment, EU Member States, 2007 and 2011



Source: Eurostat, July 2012

It can be assumed that young people in temporary employment are, in some cases, hired to replace permanent employees who have been dismissed as a result of the crisis. However, the extent to which this is the case and the extent to which temporary employment can represent a stepping stone towards permanent employment need to be further investigated. An investigation of reasons for being in temporary employment found that in Belgium, the Czech Republic, Cyprus, Greece, Portugal, Romania, Slovakia and Spain, a very high share of young people reported being in temporary work because they could not find a permanent job (Figure 15). This implies that the share of permanent jobs on offer to young people is limited in a number of countries, and that this has worsened during the crisis, making young people even more insecure in the labour market. This is a worrying development since, as discussed above, young people are already particularly vulnerable in the labour market, and labour market experiences early on in life have an impact on future employment prospects.

Figure 15: Young people in temporary employment because they could not find a permanent job, by country, 2007 and 2011



Note: Estonia not included
Source: Eurostat, July 2012

Conclusion

Empowering young people by creating favourable conditions for them to develop their skills and to work and participate actively in society is essential for sound and sustainable economic and social development (EMCO, 2010). The integration of young people into the labour market, however, poses a great challenge for Member States. Young people have been particularly affected by the current crisis regarding both their employment prospects and alarming levels of youth unemployment. In 2011, the youth employment rate reached 33.6%: the lowest level ever recorded in the history of the EU. Furthermore, since the onset of the crisis, almost all the Member States have recorded a considerable increase in their youth unemployment rates, which in 2011 reached 21.4% at European level. In some Member States, such as Greece and Spain, the youth unemployment rate has grown to over 40%. The only notable exceptions to this general trend are Austria and Germany. These two countries are characterised by a strong dual education system (combining apprenticeship in a company with vocational training) that targets all young people, and both have managed to keep their youth unemployment levels down even during the crisis. This issue will be examined further in Chapter 7.

It is important to highlight that in this recession youth unemployment has affected all young people, regardless of their educational attainment. There is widespread agreement on the link between educational attainment and employment outcomes: young people with higher levels of education enjoy a competitive advantage in the labour market in comparison with their less-educated peers. However, the current crisis seems to have wiped out the shielding effect of education on unemployment, at least in some countries. Youth unemployment has increased dramatically even among those holding upper secondary and, especially, tertiary education. Job prospects for young graduates entering the labour market have been considerably diminished as they find themselves competing with job-seekers with more employment experience in a market with fewer jobs to offer.

Young people are particularly disadvantaged during periods of economic recession as their unemployment is more responsive to the business cycle than other age groups. This is because they tend to be more concentrated in certain cyclically sensitive industries, such as construction and manufacturing, and are disproportionately present among those holding part-time jobs and temporary contracts. The proportion of young people on a temporary employment contract increased since the onset of the crisis, leaving young people in an even more insecure position regarding their labour market participation.

Young people are a vast source of potential and talent. In recent decades, their educational levels have risen continuously and young people today are far better educated than in the past. Nonetheless, the current situation poses challenges that might damage their future prospects. Youth unemployment can have long-lasting consequences. It is recognised that the loss of work experience early on in life, with its implied loss of human capital, is likely to have a scarring effect on future labour market performance, both in terms of participation and earnings. High unemployment rates also feed into long-term unemployment. This is of particular concern as it significantly increases the risks of social exclusion among young people, with destructive consequences for the individual and society.

Given the scale of youth unemployment, Member States share a sense of urgency for a better understanding of the problem and for immediate interventions aimed at promoting youth employment and preventing the disengagement of young people from society. The traditional indicators for monitoring labour market participation have often been criticised for their limited relevance to young people, and new indicators to better monitor the labour market participation of young people have been proposed by researchers and policymakers. In particular, the NEET indicator, referring to 'young people not in employment, education or training', entered the policy arena and is at the core of the European policy debate. The concept of NEET will be the main topic of the next chapter.

2 Young people not in employment, education or training

Labour market participation is usually described through indicators such as employment rates and unemployment rates, which provide information about those who already have a job or are actively looking for one. Traditional indicators of labour market participation are frequently criticised for their limited relevance to young people. Basic unemployment and employment statistics do not adequately capture the issue for young people, as those who are students are classified as being out of the labour force.

While the integration of young people into society has been traditionally imagined as a sequence of steps from school to work, it is now recognised that such linear transitions are increasingly being replaced by diversified and individualised trajectories from school to work. Modern youth transitions tend to be complex and protracted, with young people moving frequently in and out of the labour force. They may involve backtracking and blending of statuses – especially in times of economic turbulence. Additionally, greater emphasis is given today to individual responsibility as a driver of young people's trajectories, while institutional and structural factors (such as parents' social class, ethnicity and economic status) are becoming more diversified. Consequently, traditional approaches to understanding the vulnerable position of young people in the labour market have become less effective, as many of these transitions are not captured by conventional indicators of unemployment.

It may therefore be desirable to move beyond approaches based on a simple dichotomy between the employed and the unemployed to capture the various 'shades of grey' that represent labour market attachment in contemporary societies. Researchers, national authorities and international organisations have started using alternative concepts and indicators for young people who are disengaged from both work and education and are arguably at a high risk of labour market and social exclusion. In this framework, the term NEET (not in employment, education or training) is increasingly used to refer to these young people. The need to focus more on NEETs is now central to the European policy debate, and the term is explicitly mentioned in the Europe 2020 agenda as well as in the 2012 Employment Package 'Towards a job-rich recovery' (European Commission, 2012a).

This chapter defines the concept of NEET and discusses its use and limitations. The size of the NEET population in Europe is examined and the characteristics of NEETs investigated across geographies and demographics. Countries are grouped into four clusters on the basis of differences in the size and characteristics of their NEETs populations.

Origin and development of the term NEET

The need for an additional indicator to capture young people who were not in employment, education or training first emerged in the UK in the late 1980s. This was mainly due to changes in the UK benefit regime, which left most of those aged 16–18 years without access to unemployment benefits (Furlong, 2007).

As a consequence of this identification of NEETs, researchers and government officials started to adopt new ways of estimating the prevalence of labour market vulnerability among young people. A study of young people in South Glamorgan marked a watershed. Here, Istance and colleagues (1994) used the term 'Status Zer0', later changed to Status A, to refer to a group of people aged 16–18 years who were not covered by any of the main categories of labour market status (employment, education or training). The term Status Zer0 was merely a technical term derived from career services' records. Status 1 referred to young people aged over 16 years who were in education, Status 2 referred to

those in training, and Status 3 referred to those in employment. However, the concept of Status Zer0 soon came to represent 'a powerful metaphor' for the fact that Status Zer0 young people appeared to 'count for nothing and were going nowhere' (Williamson, 1997).

Later on, researchers changed the term to NEET. This new term aimed to clarify the concept by drawing immediate attention to the heterogeneous nature of the category, and to avoid the negative connotations of lacking status. The term NEET was formally introduced at the political level in the UK in 1999 with the publication of the government's *Bridging the gap* report (Social Exclusion Unit, 1999). The term rapidly gained importance beyond Britain, and at the beginning of the last decade, equivalent definitions were adopted in almost all EU Member States. Countries such as Japan, New Zealand, Taiwan and Hong Kong have developed their own NEET definitions.

Most European countries defined NEET as young people aged between 15 and 24 years who were not in employment, education or training, and used national data from the Labour Force Survey (LFS) to measure the phenomenon. Internationally, however, different definitions are used. For example, in the UK (Coles et al, 2002; McGregor et al, 2006) and in New Zealand (Hill, 2003), the term NEET continues to mainly capture teenagers. In Japan and Korea, the category tends to be associated with a social phenomenon that affects not only the labour market but also the integration of young generations into society. For example, the Japanese definition of NEET strongly differs from the one adopted in Europe; there, the NEET group is defined as 'people aged 15–34 years old who are not in the labour force, not attending school and not housekeeping' (OECD, 2008a). Similarly, in Korea, NEET refers to people aged 15–34 years who have left school, are not preparing to enter a company, do not have a job, do not have family responsibilities (or children) and are not married (OECD, 2008b).

As a consequence of the lack of an internationally recognised definition of NEET, the characteristics of young people classified as NEET differ greatly from country to country, making cross-country comparisons difficult at both international and European level. Against this background, over the past decade international organisations, such as the OECD and the European Commission, started to create and to implement their own definition of NEETs in order to perform cross-country comparisons.

In this framework, while highlighting the difficulties in defining NEETs and creating an indicator to measure them, Walther and Pohl (2005) investigated the extent of the NEET problem in 13 EU Member States and accession countries. Quintini and Martin (2006) defined NEET as young people not in education or in employment, and investigated NEET data in the OECD countries.

NEET as a concept and indicator in the EU

Since the onset of the recession, NEET has become a frequently used term at the international level, and international organisations have made much use of the NEET indicator. At European level, the term NEET has caught the attention of policymakers as a concept and useful indicator for monitoring the labour market and social situation of young people.

The need to focus more on NEETs has become evident in a number of policy documents from the European Commission. The Europe 2020 flagship initiative Youth on the Move (European Commission, 2010c) aims at 'unleashing all young people's potential' and clearly emphasises the importance of focusing on the NEET problem. It is considered essential to reduce the 'astonishingly' high number of NEETs in Europe, by providing pathways back into education or training, as well

as enabling contact with the labour market. Special emphasis is also put on ensuring labour market integration of people with disabilities or health problems. Making use of NEET as an indicator, one of the key actions is to 'establish a systematic monitoring of the situation of young people not in employment, education or training (NEETs) on the basis of EU-wide comparable data, as a support to policy development and mutual learning in this field' (European Commission, 2010d, p. 37).

NEETs also became central to the new set of integrated guidelines for economic and employment policies proposed by the European Commission on 27 April 2010. In these new guidelines the Commission stated that in order 'to support young people and in particular those not in employment, education or training (NEET), Member States in cooperation with the social partners, should enact schemes to help recent graduates find initial employment or further education and training opportunities, including apprenticeships, and intervene rapidly when young people become unemployed' (European Commission, 2010b). Equally, NEET has been introduced as a key statistical indicator for youth unemployment and social situation of young people in the framework of the Europe 2020 growth strategy, alongside the youth unemployment rate and the unemployment ratio.

Building on Youth on the Move, the proposal for a Youth Opportunities Initiative (European Commission, 2011b) draws attention to the increasing share of young people not in employment, education or training. It proposes combining concrete action by Member States and the EU in order to tackle the issue. The proposal emphasises a partnership approach involving concerted action between Member States' authorities, businesses, social partners and the EU. One of the key ideas to reduce the number of NEETs is to make greater use of the European Social Fund (ESF) to combat youth unemployment.

In 2012, several documents that are part of the Employment Package 'Towards a job-rich recovery' (European Commission, 2012a) emphasise the importance of tackling the NEET crisis and suggest making greater use of the European Social Fund (ESF) for the next programme period (2014–2020). One of the proposals is to add the sustainable integration of NEETs into the labour market, including through youth guarantees, as one of the investment priorities for the new programme period. NEETs are identified as the most problematic group in a recent document on labour market trends and challenges (European Commission, 2012b). However, in a follow-up document on the first steps taken in the Youth Opportunities Initiative (European Commission, 2012c), there is no mention of NEETs.

In general, although the term NEETs has crept into the policy vocabulary and NEETs are framed as the group 'most at risk', they are often problematised in relation to youth unemployment and limited participation in the education system. Seldom is the NEET challenge discussed and tackled individually. NEETs are mostly positioned in an overall debate on youth unemployment.

NEET as a statistical indicator

In order to have an additional indicator for monitoring the situation of young people in the framework of the Europe 2020 strategy and for performing cross-country comparisons, in 2010 the Employment Committee (EMCO) and its Indicators Group (European Commission DG EMPL) agreed on a definition and methodology for a standardised indicator for measuring the size of the NEET population among Member States. Eventually, it was agreed to define NEET as young people who were 'neither in employment nor in any education nor training' (European Commission, 2011a). The definition of NEET agreed by EMCO includes young people aged 15–24 years who are

unemployed or inactive, as per the International Labour Organization (ILO) definition, as well as those who are not in any education or training. The definition was then implemented by Eurostat and the indicator is used in the context of the Europe 2020 strategy.

On an operational level, the NEET indicator corresponds to the percentage of the population of a given age group and sex that is not employed and not involved in further education or training. This indicator has been built by Eurostat using a standardised definition of the numerator and the denominator. The numerator of the indicator refers to persons who meet the following two conditions: (a) they are not employed (in other words, unemployed or inactive according to the ILO definition) and (b) they have not received any education or training in the four weeks preceding the survey. The denominator in the total population consists of the same age group and sex, excluding the respondents who have not answered the question on 'participation in regular education and training'. The NEET indicator is calculated by using data from the European LFS under observation of established rules for statistical quality and reliability (European Commission, 2010b, 2011a).

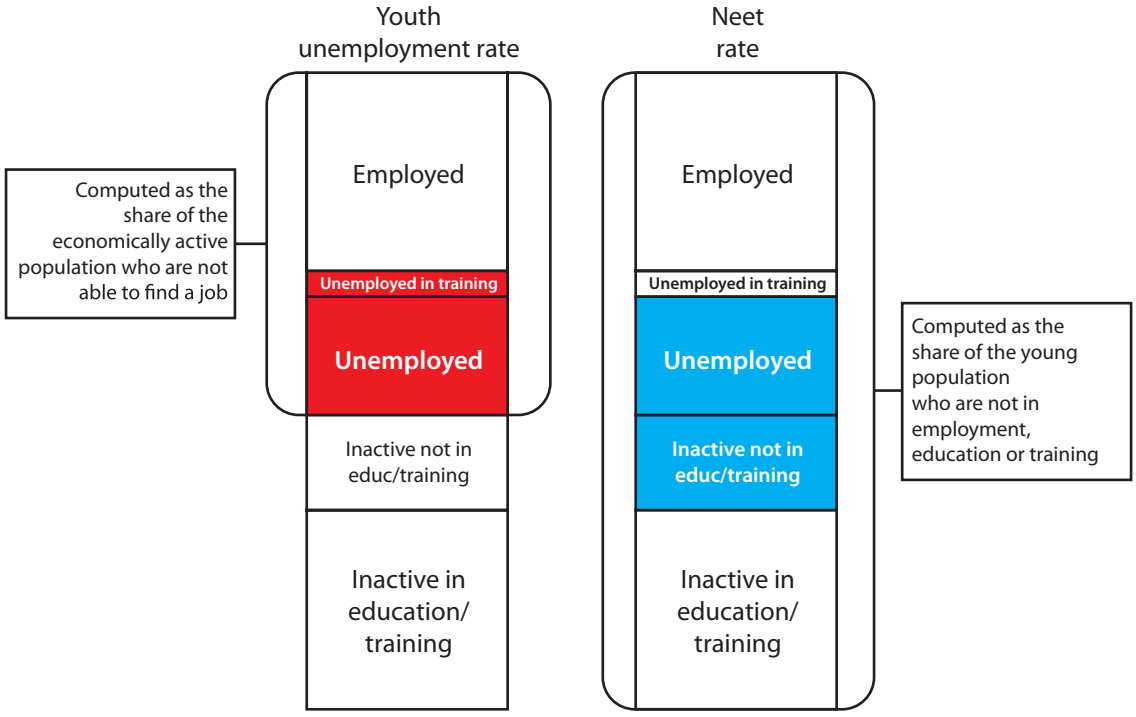
The main NEET indicator produced by Eurostat covers the 15–24 years age group. For analytical purposes, the indicator is then disaggregated by sex and made available for different age groups (1–19 years, 15–17 years, 15–24 years, 15–29 years, 15–34 years, 18–24 years, 20–24 years, 20–34 years and 25–29 years). Breakdowns by labour market status (unemployed or inactive) and education level (at most lower secondary attainment or at least upper secondary attainment) are also available on the Eurostat website (European Commission, 2011a).

NEET versus youth unemployment

What distinguishes the NEET indicator from the traditional youth unemployment rate? Clearly, NEETs and youth unemployment are related concepts, but there are important differences between the two. Following the ILO definition, the unemployment rate is a measure of those who are out of work, but have looked for work in the past month and are able to start in the next two weeks. It records the share of the economically active population who are not able to find a job. The youth unemployment rate can be inflated by those who exit from the labour force, such as those young people who decide to go back into education or those who decide to not look for a job anymore as they believe that there is no job for them. Hence, in both cases they become economically inactive and therefore irrelevant to the calculation of the unemployment rate.

In contrast, the definition of NEET captures all young people who are not in employment, education or training. It records the share of the population of all young people currently disengaged from the labour market and education, namely unemployed and inactive young people who are not in education or training. The differences between the populations captured by youth unemployment rates and the NEET indicator are graphically represented in Figure 16.

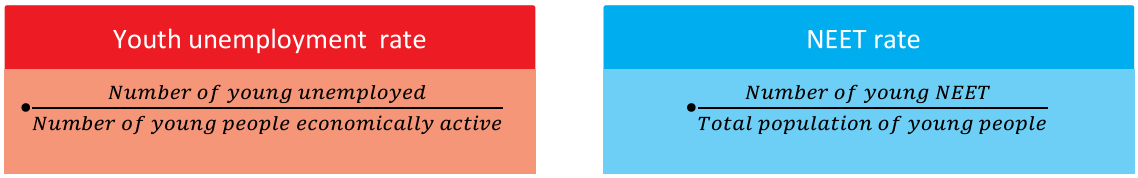
Figure 16: Differences between the youth unemployment rate and the NEET rate



While the youth unemployment rate refers just to the economically active members of the population who were not able to find a job, the NEET rate can be understood as the share of the total population of young people who are currently not engaged in employment, education or training.

This is why the number of young people who are NEET in Europe (7,469,100 15–24-year-olds in 2011) is higher than the number who are unemployed (5,264,800), but the NEET rate (12.9%) is lower than the youth unemployment rate (21.3%). The denominator of the two rates is different, as illustrated in Figure 17. In the youth unemployment rate the denominator is constituted only by those who are economically active (24,711,200 15–24-year-olds), whereas the denominator of the NEET population is constituted by the total population of young people (57,862,300). As the denominators of the two rates are different, the rates are not directly comparable. For younger people (those aged 15–19 years), who are much more likely to be in full-time education, the difference between the NEET rate and the unemployment rate is even greater.

Figure 17: Youth unemployment rate and NEET rate – different denominators



NEET as a concept

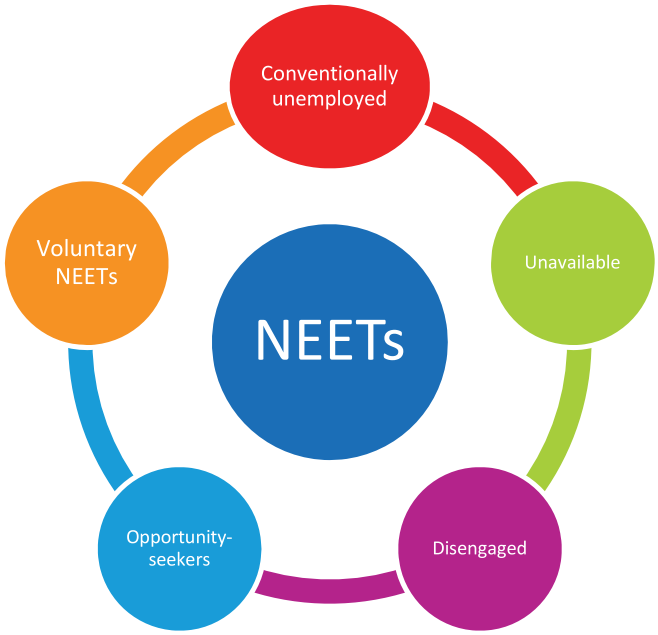
At the European level, the label NEET has an immediate value as an additional indicator to the unemployment rate. This additional indicator eliminates the bias of those still in school and can identify all those who are disengaged from labour market, education or training and who may be potentially mobilised to join the labour market. In this sense, it can be understood as a measure of the level of the joblessness of young people (OECD, 2010).

While from a statistical point of view it is very easy to capture the NEET population, it must be emphasised that this single indicator refers to a very heterogeneous population. NEET is a category that contains a variety of subgroups, some of whom are vulnerable and some are not, with very different experiences, characteristics and needs. Five main subgroups within the NEET population may be identified:

- the conventionally unemployed, the largest subgroup, which can be further subdivided into long-term and short-term unemployed;
- the unavailable, which includes young carers, young people with family responsibilities and young people who are sick or disabled;
- the disengaged: those young people who are not seeking jobs or education and are not constrained from doing so by other obligations or incapacities, and takes in discouraged workers as well as other young people who are pursuing dangerous and asocial lifestyles;
- the opportunity-seekers: young people who are actively seeking work or training, but are holding out for opportunities that they see as befitting their skills and status;
- the voluntary NEETs: those young people who are travelling and those constructively engaged in other activities such as art, music and self-directed learning.

The five categories identified above include a mix of vulnerable and non-vulnerable young people. It includes people who are extremely disadvantaged and others who are able to choose voluntary exit from the labour market and education. While the conventionally unemployed are more likely to be a vulnerable group as they involuntarily suffer from a lack of available jobs, the opportunity-seekers are more likely to be a non-vulnerable group and to come from a more privileged background as they voluntarily decide to remain outside the labour market and education system in order to hold out for opportunities. The same may apply to the voluntary NEET who has decided to follow alternative trajectories and is constructively engaged in other non-formal activities. Conversely, the group of disengaged workers and those who have unsuccessfully tried to enter the labour market and have since given up their attempts are more likely to be vulnerable, with very complex situations and needs. This group is also more at risk of pursuing dangerous and asocial lifestyles. Finally, the unavailable group includes a mix of vulnerable and non-vulnerable people: young people with disabilities who need support in order to participate in the labour market or education, young mothers who are unable to afford childcare, as well as young mothers with a high household income who voluntarily decide to exit the labour market to take care of their children.

Figure 18: The heterogeneity of the NEET population



It is important to highlight that the heterogeneity of the NEET population needs to be addressed when designing policies to re-engage NEETs with the labour market or with education. The different needs and characteristics of the various subgroups have to be taken into account, and the one-size-fits-all approach must be avoided. Only a tailored approach to tackling the needs of the different subgroups will effectively and successfully reintegrate NEETs.

Although NEET may be an all-encompassing concept that captures diverse subgroups, young people who are categorised as NEET also share a set of similar characteristics or vulnerabilities. Firstly, they are not accumulating human capital through the formal channels of education, training or employment. This might have a scarring effect and lead to negative future employment outcomes and earnings. Secondly, they are more likely than others to accumulate several disadvantages, such as low educational attainment and poor family background (Furlong, 2006). Thirdly, NEETs are more likely to be unemployed regularly or to have a poor level of participation in the labour market (Furlong, 2007). This shared set of common, transversal characteristics, of not accumulating human capital, places NEETs at risk of future poor employment outcomes and of social exclusion.

The use of a concept like NEET attracts attention to young people's problems and the multifaceted nature of disadvantage. It helps to bring the attention of policymakers and researchers to all patterns of vulnerability of young people, integrating particular subgroups such as young mothers and those with disabilities into the framework, rather than further marginalising them by the use of the traditional 'inactive' label (Furlong, 2006).

It is important to stress that the observation that the NEET indicator refers to a highly heterogeneous population has an important implication for the policy response. As the concept includes different groups that might have different needs but that are characterised by common vulnerabilities, governments and social partners are right in setting targets to reduce the overall level of NEETs. However, they must plan their interventions by disaggregating the NEET category. In this way, they

will be able to identify the distinct characteristics and needs of the various subgroups that require distinct forms of policy intervention in terms of welfare or training provision. Policies to tackle the NEETs problem will then involve a range of different initiatives targeting various subgroups.

Problems and limitations of the NEET concept

As a concept, it sometimes seems that NEET has crept into the policy vocabulary without much consideration being given to what we are trying to capture. While originally used as an alternative way of categorising young people aged 16 and 17 years, it has come to be used to capture patterns of vulnerability among young people in the context of turbulent transitions. The original UK concept of NEET was never intended to be applied to those aged 18–24 years and especially not to those aged 25–29 years. Neither was NEET ever seen as having potential for internationally comparative work.

As highlighted in this chapter, the main difficulty of NEET as a concept for policymaking is its heterogeneity, and expanding the age bracket has amplified this issue. If five broad subgroups may be identified, as outlined above, it should be understood that extending the age category, from the original 16–17 years to 15–24 years, has dramatically increased the level of heterogeneity in the NEET category and its subgroups, as well as the characteristics and needs of NEETs. This is crucial and must be taken into account when designing policies for NEETs.

While the standardised indicator proposed by EMCO and implemented by Eurostat makes it possible to perform cross-country comparisons, it should be noted that the indicator is based on a static definition: it frames the number of NEETs in the reference period of the survey. Yet NEET is a more dynamic concept, and its population fluctuates considerably during the course of the year; very few remain stuck in NEET status (Quintini and Martin, 2006). So if the prime motivation for using NEET is to capture vulnerability within dynamic processes of transition, it is desirable to establish a temporal frame so that the less vulnerable who are temporarily NEET can be excluded and to focus on patterns of vulnerability. In a study for the Scottish Executive, based on longitudinal evidence, Furlong and colleagues (2003) developed a set of typologies of transition, each of which was divided into a linear and non-linear variant. In each of the typologies, the non-linear variant contained the most vulnerable young people. Unfortunately, the cross-sectional nature of the LFS means it is not possible to capture this dynamism.

Levels of unemployment follow a pattern of seasonal variation and so too do NEET levels. The difference is that while the characteristics of the unemployed are broadly similar from one season to the next, the characteristics of the NEET group vary. In the summer months, for example, the NEET category tends to be at its largest and its composition is more heavily skewed towards qualified young people who have recently left full-time education; they may be seeking work or resting, but they are likely to be short-term NEET. In contrast, in the winter months, the size of the NEET group is smaller, but its composition is skewed more towards unqualified young people who have been unemployed for some time or who have become disengaged.

Finally, while there are many benefits to be derived from the analysis of the NEET experience through household surveys, it is important to be able to go beyond the analysis of objective factors and to explore meaning and interpretation. Young people manage work profiles in a variety of ways and may develop work–life balances that fit around the complexities of modern labour markets. Many have become used to combining statuses and juggling activities. In Japan, there is a commonly held view (which is not entirely supported by research evidence) that young people are not very attracted to the long hours and stable employment patterns that characterised their parents' generation. In

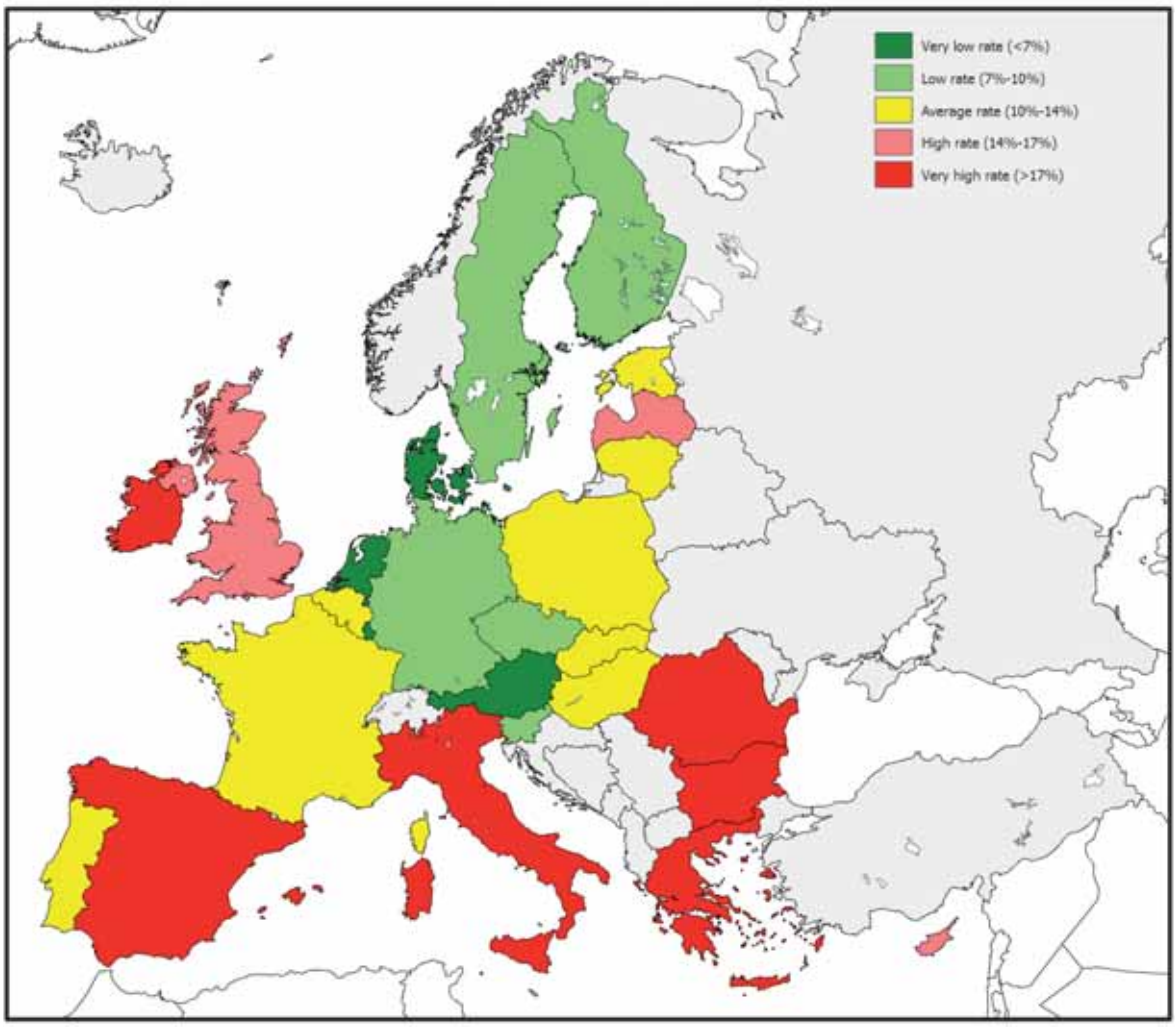
Australia, young people often trade standard employment rights (such as holiday and sick pay) for a higher rate of pay (as allowed by Australian labour law). The problem here is that it is very difficult to distinguish between precarious patterns of labour market participation and careers characterised by self-selected flexibility. In any case, this distinction cannot be captured by the use of household surveys.

For this reason, it should be reemphasised that while NEET is a useful concept for attracting attention to young people's problems and the multifaceted nature of disadvantage, it captures a very heterogeneous population. Some of its subgroups are vulnerable and some are not, and it also varies over time. Policymakers and social partners must therefore set their interventions by disaggregating the NEET category and accounting for the characteristics and needs of the various subgroups. In this way they can provide tailored policy interventions, while at the same time setting targets to reduce the overall level of NEETs.

Main traits of the NEET population

With the growing importance of NEETs in the policy vocabulary, it is highly relevant to understand the size of the 'NEET problem' in the EU. According to the latest Eurostat estimates (2011), almost 7.5 million young people aged 15–24 years were not in employment, education or training in Europe in 2011. This means that 12.9% of all young people of this age group fell in the NEET category. This rate however varies substantially between different EU Member States. The Netherlands and Luxembourg have very low NEET rates (less than 7%). Bulgaria, Ireland, Italy and Spain have very high NEET rates (greater than 17%); figures that imply that in these countries approximately one young person in five is disengaged from the labour market and education system. Furthermore, the population of NEETs has approached one million young people in Spain (866,000), France (891,000), the UK (1,112,000) and Italy (1,199,000). In Figure 19, the NEET rate for those aged 15–24 years in EU Member States is graphically presented. States are categorised into five types ranging from those with very high NEET rates, where over 18% of young people are NEET, to those with very low NEET rates, where less than 7% of young people are NEET.

Figure 19: NEET rate in Europe among those aged 15–24 years



Source: Eurostat, 2011

Table 1: NEET rates in Europe (%)

	15–24 years			15–29 years			15–19 years			20–24 years			25–29 years		
COUNTRY	Total	Absolute female-male difference	Unemployed as share of NEETs	Total	Absolute female-male difference	Unemployed as share of NEETs	Total	Absolute female-male difference	Unemployed as share of NEETs	Total	Absolute female-male difference	Unemployed as share of NEETs	Total	Absolute female-male difference	Unemployed as share of NEETs
EU	12.9	0.9	51.2	15.4	4.1	48.1	6.9	-0.7	44.93	18.2	2.3	52.8	19.8	9.7	45.0
BE	11.8	0.4	42.4	13.8	3	42.8	6.8	-0.3	27.94	16.5	0.9	47.9	17.7	7.7	42.4
BG	22.6	0.5	29.7	24.6	3	32.1	15.8	2.3	20.25	29.0	-1.1	34.1	29.3	9.5	36.9
CZ	8.3	2.4	55.4	12.2	9.4	41.0	3.6	-0.2	63.89	12.2	4.5	53.3	18.6	21.2	30.1
DK	6.3	-0.3	39.7	7.6	0.7	42.1	3.8	-0.6	36.84	8.7	-0.1	41.4	10.5	2.9	43.8
DE	7.5	1.6	42.7	9.7	3.8	40.2	3.3	0.2	42.42	11.0	2.7	41.8	13.7	7.9	38.0
EE	11.8	-0.2	53.4	14.9	3.8	53.0		n.d.	n.d.	15.8	0.8	56.3	20.2	10.7	53.0
IE	18.4	-2.2	52.7	22.0	-1.8	54.1	10.6	-2.3	39.62	26.8	-2.9	58.6	27.2	-1.5	55.5
GR	17.4	2.8	64.9	23.2	7.2	69.4	8.6	0.2	38.37	26.5	4.9	74.0	32.0	14.8	72.8
ES	18.5	-1.6	69.7	21.1	0	70.6	11.1	-1.6	54.95	24.9	-1.6	75.9	25.0	2.5	71.2
FR	12.0	0.7	60.0	14.5	3.7	57.2	6.1	-1.5	54.10	17.6	2.6	61.9	19.4	9.1	53.1
IT	19.8	0.6	35.9	22.7	5.3	33.9	11.7	-0.6	29.06	27.4	1.6	38.7	27.8	13.3	32.0
CY	14.4	-0.6	51.4	14.7	1.4	51.0	7.1	0.2	28.17	21.2	-1.2	59.0	15.1	4.3	49.7
LV	15.7	-0.1	52.9	18.7	2.6	51.9	8.6	0.7	37.21	20.9	-0.8	57.4	23.9	7.4	50.6
LT	12.5	-2.3	60.8	15.2	-2.4	59.2	3.3	n.d.	n.d.	20.6	-3	62.6	21.6	-2.4	56.9
LU	4.7	0.3	57.5	6.6	3.2	50.0	n.d.	n.d.	n.d.	7.7	1.1	62.3	9.8	n.d.	43.9
HU	13.3	1.7	45.1	17.7	7.5	40.7	4.9	0.3	28.57	20.8	2.8	49.0	25.5	17.9	36.5
MT	10.6	1.5	49.1	11.9	5.3	41.2	9.7	n.d.	n.d.	11.4	2.2	49.1	14.4	n.d.	n.d.
NL	3.8	0.1	31.6	5.5	1.4	30.9	1.9	-0.2	26.32	5.6	0.3	33.9	9.1	4	30.8
AT	6.9	0.3	46.4	8.2	3.1	39.0	5.3	-0.6	52.83	8.5	1.1	43.5	10.3	7.9	31.1
PL	11.6	0.8	54.3	15.5	6.3	47.1	3.7	-0.5	45.95	18.3	1.9	56.3	21.5	14.8	41.4
PT	12.7	0.8	65.4	14.0	1.9	66.4	7.9	-1	54.43	17.3	2.4	69.4	16.1	3.8	67.7
RO	17.4	2.9	39.1	19.1	5.9	36.1	10.5	0.2	30.48	22.2	4.7	42.3	22.2	11.4	32.0
SI	7.1	-1.5	54.9	9.4	0	59.6	3.5	-1.6	37.14	9.8	-1	60.2	13.2	2.1	64.4
SK	13.8	-0.1	70.3	18.7	5.7	58.3	5.9	-0.5	71.19	20.5	0.1	70.2	27.0	15.5	47.8
FI	8.4	-0.5	44.1	10.0	1.9	41.0	4.3	0.1	39.53	12.5	-0.9	46.4	13.0	6.6	36.9
SE	7.5	-0.3	54.7	7.8	1	50.0	4.2	-0.9	50.00	10.7	0.3	55.1	8.4	3.7	42.9
GB	14.3	2.3	53.9	15.5	5.6	45.8	8.5	-1.9	64.71	19.5	5.8	49.2	17.5	11.5	35.4

Note: n.d. = no data
Source: Eurostat, July 2012

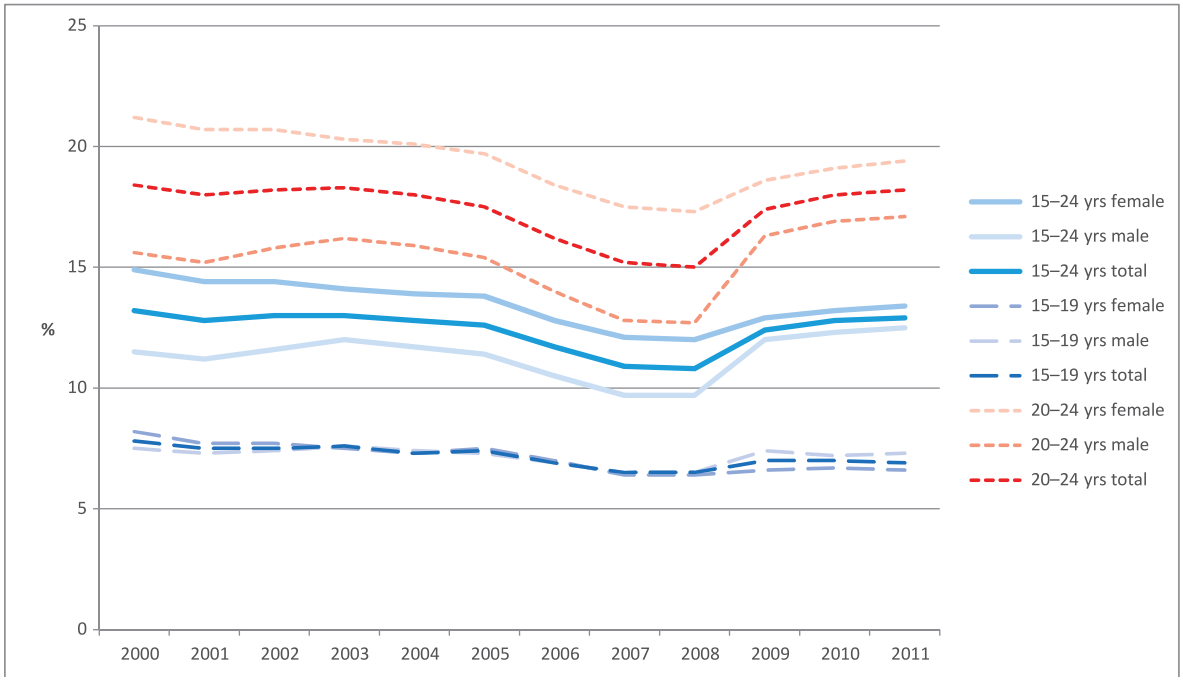
Looking at the different age categories in Table 1, it shows that the NEET rate among those aged 15–19 years is considerably lower than among young people aged 20–24 years in all Member States with the exception of Malta, where the two rates are almost equal. The highest rates for those aged 15–19 years can be found in the Member States which also have highest rate for those aged 20–24 years. However, in eastern and southern European countries, the NEET rate among those aged 15–19 years is considerably lower than that recorded among the 20–24-year-olds.

At EU level, the proportion of young people aged 15–19 years who were NEET in 2011 was 6.9% compared to 18.2% among those aged 20–24 years. In absolute terms this corresponds to 1.9 million and 5.6 million young people respectively.

NEET trends over time

The analysis of the NEET rate over time reveals that between 2000 and the onset of the crisis, the average NEET rate had been decreasing in Europe. As participation in education expanded and as the economy improved in the first part of the last decade, the number of young people who were NEET began to fall, from an average value of 13.2% recorded in 2000 to a low of 10.8% recorded in 2008. Figure 20 illustrates this trend disaggregated by gender and different age groups.

Figure 20: Trends in NEET rates, by age and gender, 2000–2011



The recession saw young people experience the strongest effects of the crisis and NEET rates began to rise again. Since the onset of the recession, NEET rates have increased in all Member States, with the exception of Austria, Germany and Luxembourg. The average EU NEET rate has increased from the 10.8% recorded in 2008 to 12.9% in 2011. Interestingly, and in line with trends in the unemployment rate, the gap between men and women decreased in the period. While in 2000 the average rate was 11.5% for men and 14.9% for women, the gender gap is now smaller than 1%, and in 2011 the NEET rate among men was 12.5% against 13.4% for women. However, this pattern differs across Europe: in Nordic and Baltic countries the male NEET rate is higher than the female rate, whereas in most of the Mediterranean countries and the continental and eastern European countries the NEET rate is higher for women than for men.

Female and male NEET rates are highly correlated (0.96), which implies that apart from a few examples, the highest NEET rates for women can be found in Member States with the highest rates for men. Likewise, the lowest NEET rates for women are found in those Member States with the lowest rates for men.

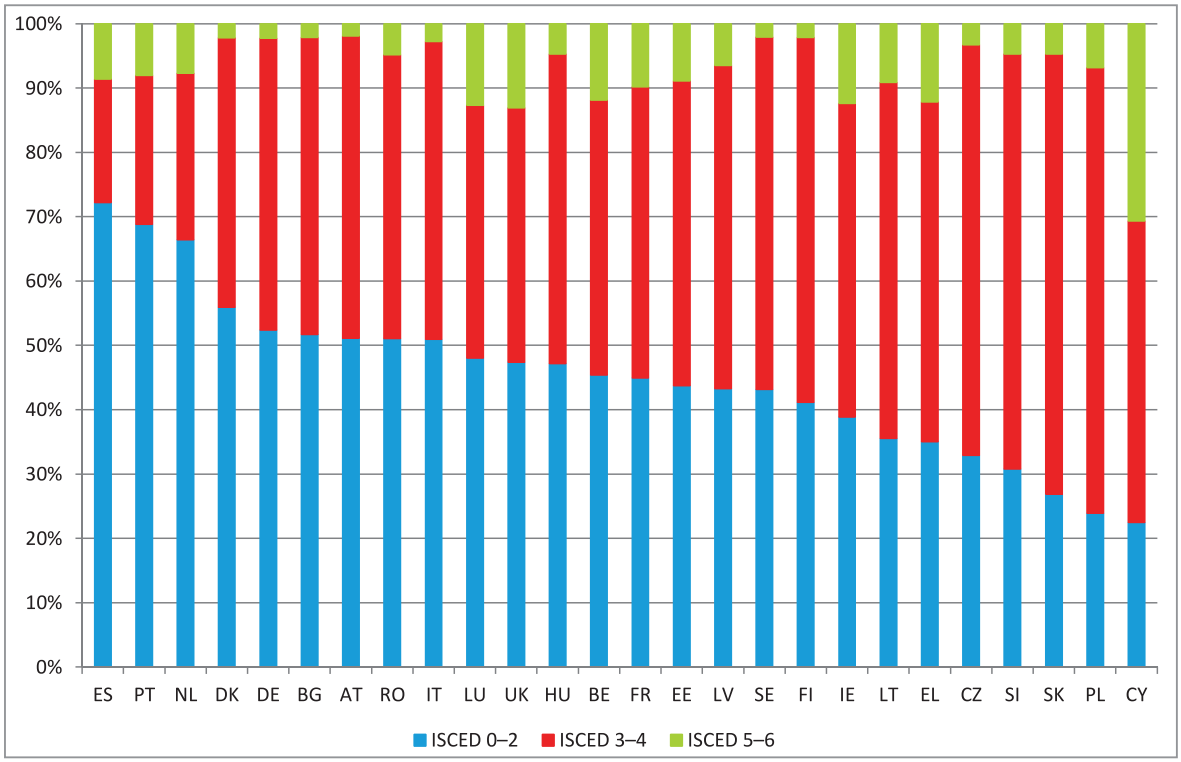
The analysis of the gender differences within the two age subcategories of NEETs reveals that for those aged 15–19 years, the NEET rate is higher among men than women: 7.3% against 6.6%. In this age category, men have a higher NEET rate than women in almost all Member States, with the exceptions of Bulgaria, Cyprus, Finland, Germany, Greece, Hungary, Latvia and Romania.

Conversely, the NEET rate is higher for women than for men among those aged 20–24 years, at 19.4% and 17.1% respectively. For this age category, some countries record a stronger prevalence of NEET among women than among men; this is the case in the Czech Republic, Greece, Romania and the UK, where the absolute difference between the two rates is at least 4.5%. However, in nine Member States, namely Bulgaria, Cyprus, Denmark, Finland, Ireland, Latvia, Lithuania, Slovenia and Spain, the NEET rate for men in this age category is higher than it is for women.

Education and NEETs

Being NEET affects the general population of young people, regardless of their educational level. Yet, analysing the educational level of NEETs reveals that those with a lower educational level are overrepresented in the NEET group. The analysis of the 2010 EU LFS shows that in Spain and Portugal, for example, NEETs with a lower education attainment comprise approximately 70% of the overall NEET population. Other countries where the majority of NEETs have a lower educational level than average are the Netherlands, Denmark, Germany, Bulgaria, Austria, Romania and Italy. In contrast, in Cyprus, the UK, Greece, Belgium, Ireland and Luxembourg more than 10% of NEETs have a tertiary education degree. Figure 21 presents the educational level of the NEETs group for the EU Member States.

Figure 21: NEETs by educational level, 2010



Note: ISCED is the International Standard Classification of Education; ISCED 0–2 = pre-primary to lower secondary; ISCED 3–4 = upper secondary to post-secondary; ISCED 5–6 = tertiary.
Source: EU LFS

If, in absolute terms, the share of NEETs with lower educational levels is much larger than the share of those with a tertiary degree level in all Member States, interesting information can be gained when analysing the share of those who achieved a tertiary degree and then ended up as NEETs. The proportion of those who completed tertiary education and then ended up in the NEET category is indeed marginal in some Member States: this is the case of the Netherlands, Sweden and Denmark where the share of this population is below 5%. In contrast, this population is big in several other countries: in Greece more than 30% of those who completed tertiary education can be classified as NEET, and in Cyprus, Latvia and Romania over 20% of this population fall into this subgroup.

Labour market and NEETs

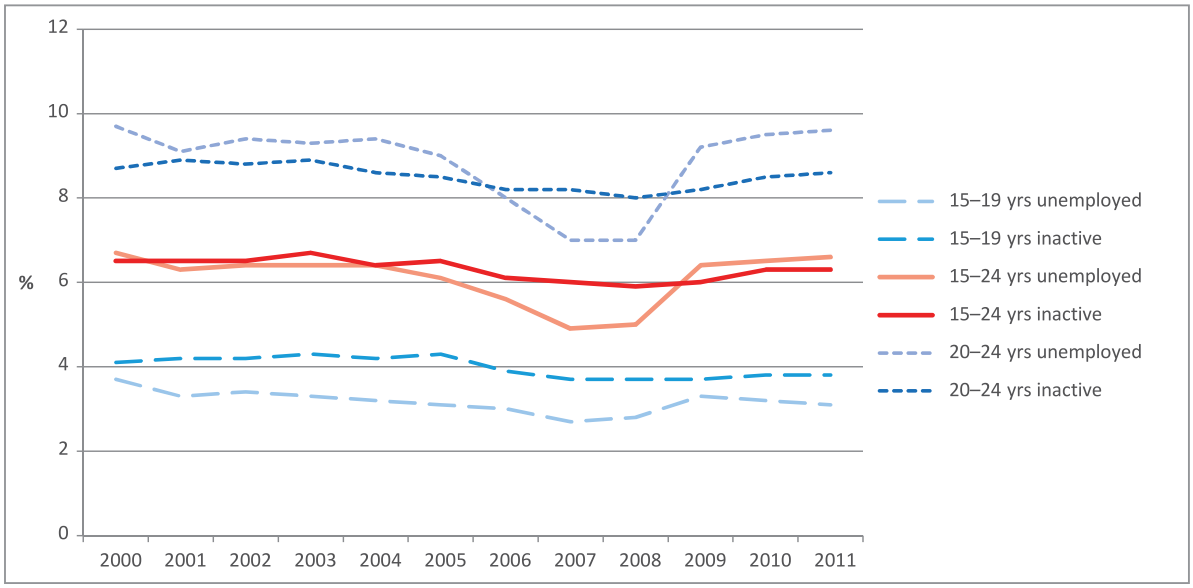
The investigation of the EU LFS microdata shows that 52% of NEETs in Europe have never worked. In Austria, Denmark, Estonia, Finland and Spain, more than 60% of NEETs have previous work experience, but in almost half of the Member States the majority of NEETs declared that they have never worked. This is particularly pronounced in the case of Bulgaria, Greece, Italy and Romania, where approximately 70% or more of current NEETs have no work experience.

Among NEETs aged 15–19 years, 73% have no work experience, while this decreases to 43% among those aged 20–24 years. The two series are highly correlated (0.9). This implies that the highest share of NEETs aged 15–19 years without any work experience can be found in Member States with the highest share of NEETs without work experience aged 20–24 years.

According to the 2011 EU LFS, the population of NEETs aged 15–24 years was split into two almost equally sized groups: just over half were registered as unemployed (51.2%) and just under half were registered as inactive (48.8%). In 17 Member States, the majority of NEETs are unemployed, while in all other Member States the majority of NEETs are inactive. Interestingly, in countries with a high general unemployment rate, such as Bulgaria, Italy, Hungary and Romania, the majority of NEETs are classified as inactive. This might suggest a structural problem in engaging young people with the labour market or the education system.

It is telling to analyse how the share of these different groups has varied over time. Figure 22 displays the labour market status of NEETs over more than a decade, plotting the inactivity and unemployment rates for different age groups.

Figure 22: Labour market status of NEETs by age group, 2000–2011



Source: EU LFS, 2011

Analysis of temporal trends in the labour market status of NEETs shows that the 'inactive' proportion has remained stable over the years and seems to be less sensitive to business cycles. At European level, the proportion of inactive NEETs aged 15–24 years has centred on 6.3% over the last 10 years. This is identified in both age groups, at around 4% of those aged 15–19 years and 8.5% of those aged 20–24 years. As expected, the unemployed NEET subgroup is much more reactive to business cycles, especially for those aged 20–24 years. At EU level, this population decreased considerably in the period 2000–2007. Then in 2008, with the onset of the crisis, it increased sharply, reaching approximately the same level recorded in 2000. This pattern can be observed for all age groups, although the extent of the increase varies by age group.

Inactive NEETs

Being less sensitive to business cycles, the inactive subgroup of the NEETs population deserves deeper analysis. Based on the ILO definition, a person is inactive when they have not worked for at least one hour in the reference period and are not available for work or did not look for a job.

Based on the analysis of microdata from the 2009 European LFS, 63% of inactive NEETs in Europe state they are available to start working within two weeks but that they are not looking for a job. This finding varies greatly between Member States, from just 30% of inactive German NEETs to 96% of inactive Bulgarian NEETs. Most of the countries with a high level of NEETs, namely Bulgaria, Estonia, Italy, Romania, Slovakia and Spain, are among those with the highest share of inactive NEETs who declared they were available to work but were not actually looking for a job.

The reasons provided by those who are available to work but are not seeking employment are revealing. Among those who are available for work, only 20% are not looking for a job due to personal unavailability because of family responsibilities, but almost 39% of inactive NEETs do not seek a job as they believe that there is no work available. These are the 'discouraged workers', whose incidence is higher than 40% among the inactive NEETs in Bulgaria, Finland, Hungary, Italy, Lithuania and Spain; the highest level is found in Bulgaria, at 79.6%.

The share of NEETs available to work and the share of inactive NEETs who are discouraged workers are both highly correlated with the incidence of NEETs in the Member States: 0.59 and 0.57 respectively. They are also highly correlated with each other, at 0.65. This means that on average the countries with the highest proportion of NEETs also have the highest proportion of inactive NEETs available to work and the highest proportion of discouraged workers. As the proportion of inactive NEETs is quite stable over time, policy interventions focusing on re-activating discouraged workers for the labour market may be important in decreasing the share of this category and in re-engaging young people with the labour market. A final, significant group of young people are not available for work for a variety of reasons.

Enlarging the focus: 25–29-year-olds

The definition of NEETs developed by Eurostat is restricted to young people aged 15–24 years. This study, however, includes analysis of those who became NEETs in their late twenties. The current recession has badly hit young people, including young adults aged 25–29 years. Moreover, in several Member States the majority of university students graduate after the age of 24. To capture their transition into the labour market, it is useful to look at the NEET rate for those aged between 25 and 29 years. For this reason, young people in this age category are included in the analysis of this report.

In 2011, the European NEET rate among those aged 25–29 years was 19.8%. This corresponded to approximately 6.5 million individuals. Following the trend previously observed, the NEET rate

for those aged 25–29 years decreased slowly in the period 2000–2008 from 20% to 17%. It then increased sharply by almost 3 percentage points during and after the recession, reaching almost the same level as 10 years before. At the Member State level, considerable variability can be observed. Luxembourg, the Netherlands and Sweden have the lowest NEET rate in this age group (less than 10%), whereas in Bulgaria, Greece, Hungary, Ireland, Italy, Slovakia and Spain, one young adult in every four or more is a NEET. In general, the NEET rates for those aged 25–29 years and for those aged 15–24 years are highly correlated (0.88). Countries with the highest level of NEETs aged 15–24 years also have the highest level of NEETs aged 25–29 years.

The population of NEETs aged 25–29 years is polarised in terms of gender. This is a natural consequence of the heterogeneity of the NEET population and of the fact that a greater number of young non-working mothers are more likely to be included in this age group. The average NEET rate for men aged 25–29 years is considerably lower than that for women: 15% against 24.7%. Despite this 9.7 percentage point difference, between 2000 and 2010 the NEET rate for men aged 25–29 years increased by almost 3%, whereas the rate for women decreased 3.1 percentage points. In 2011, the rate for those aged 25–29 years was higher among men than among women only in Ireland and Lithuania. It is worth observing that the smallest gap between men and women (1.5%) occurs in Ireland, whereas the largest gap is found in the Czech Republic (21.2%). This indicates that in the Czech Republic the high number of NEETs recorded for this age category is mainly driven by women.

Data from 2010 show that at European level, 39% of NEETs in this age group have a low level of education, 44% have a second-level education, and 17% have a tertiary-level education. In Portugal and Spain, the majority of NEETs aged 25–29 years have a low education level, while in Cyprus, Denmark, Estonia, Finland, Greece, Lithuania and Luxembourg, more than 25% of NEETs have a tertiary education.

To understand the differences in this phenomenon across Member States, it is important to investigate the proportion of those young adults with a tertiary education who ended up as NEET. In the EU, 10% of young people with a tertiary education have become NEET. In Austria, Denmark, Germany, the Netherlands, Sweden and the UK, this drops to less than 6% of those with a tertiary education. In Estonia and Italy, however, 20% of those with a tertiary education end up as NEET – twice the EU average.

On average, across all EU countries, 27.9% of NEETs aged 25–29 years do not have any work experience. The picture among Member States, however, is quite varied. In 19 countries, the proportion of NEETs without any working experience is lower than the EU average, with the lowest level observed in Finland (8.7%). In Bulgaria, Greece, Italy and Romania this percentage is higher than 40%, with the maximum value observed in Romania, at 62%.

In terms of labour market status, 45% of European NEETs aged 25–29 years are unemployed, while the remaining 55% are inactive. In Austria, the Czech Republic, Italy, the Netherlands and Romania, less than one-third of NEETs in this age group are unemployed. In Greece, Portugal, Slovenia and Spain, more than 60% of NEETs aged 25–29 years are unemployed. The share of inactive NEETs has decreased over the last 10 years in Europe. At the same time, several countries showed a rather strong increase in inactivity in 2011: Belgium (+2.2%), Latvia (+1.3%), Luxembourg (+1.1%) and Denmark (+1%). In Estonia and Malta, there was a rather strong decrease of inactivity in this age group, where it dropped by 2.1% and 2.5% respectively. While inactivity has decreased, the average number of unemployed NEETs in this age group has risen in Europe.

Focusing on the inactive NEETs, on average, 48% of NEETs aged 25–29 years are available to start working within two weeks, while the remaining 52% are unavailable. In the Czech Republic, France, Poland and the UK, less than 30% are available. In countries with a higher NEET rate, such as Bulgaria, Italy and Romania, the figure for availability is over 65% of all inactive NEETs. Personal unavailability due to illness or family responsibilities is the most common reason given in all Member States for not being available to work.

Among those who are available to work, the main reason for not seeking a job is the belief that no work is available. This reason is cited by 33% of inactive NEETs who are available to work. NEETs who are discouraged workers make up quite a small population in Austria and Germany, whereas in Bulgaria, Hungary, Ireland, Italy and Lithuania, they represent over 40% of NEETs.

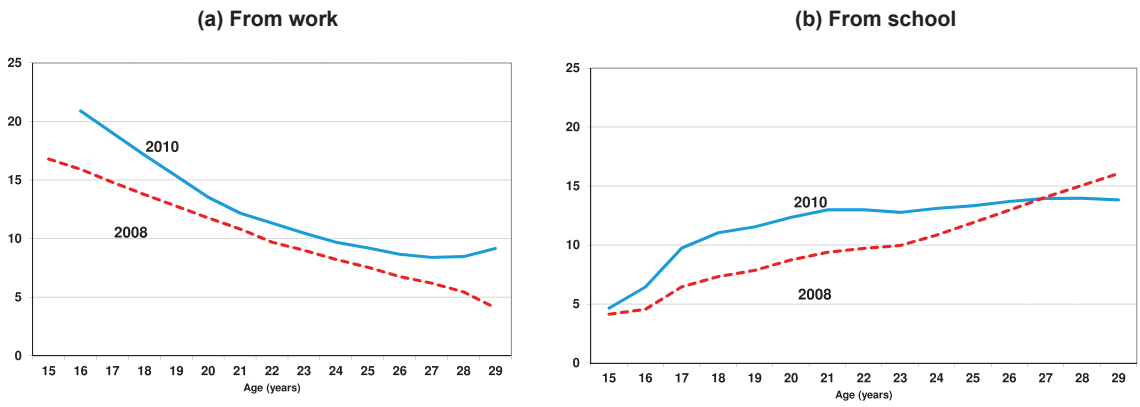
Italian NEETs: A closer look

In Italy, 20.5% of people aged between 15 and 24 years were working in 2010, 59.7% were attending school or formal training, and 19.8% were NEET. The effects of the recession, which hit the Italian labour market in the spring of 2009, were dramatic for young people: in 2010 the employment rate was almost 4 percentage points lower than before the crisis. The unemployment rate rose from 21.3% to 27.8% and the NEET rate rose by 3 percentage points, to almost 20%. However, even before the global crisis, the Italian NEET rate was among the highest in Europe, for both males and females (on average, 17% from 2004 to 2008). Italy also shows wide differences between the south and the centre-north, with NEET rates in 2010 of 26.7% and 14.9% respectively.

Since the majority of university students graduate after the age of 24 years, it is useful to also consider the NEET rate for those aged between 25 and 29 years. For this group, the NEET rate peaked at 27.4% in 2010, in particular among women (34.8%). In this age group, NEET status might be correlated with motherhood and the provision of childcare and other domestic responsibilities; this is especially the case for women. The NEET rate for women with no children living with their parents is 24.9% (the figure for men in the same sociodemographic group is 21.8%).

To partially control for decisions related to domestic activities, this analysis focuses solely on NEETs living with their parents. It makes use of the longitudinal component of the Italian LFS, which allows estimation of the transition probabilities of individuals observed in April of a given year and 12 months afterwards. Panel (a) reports the transition probabilities of people in work at the beginning of the period becoming NEET in the next year, by age of individuals. The periods under consideration are April 2007 to April 2008 and April 2009 to April 2010. Panel (b) of Figure 23 reports on transition probabilities from school (or formal training) to NEET status.

Figure 23: Transition probabilities (%) into NEET status, by age, 2008 and 2010



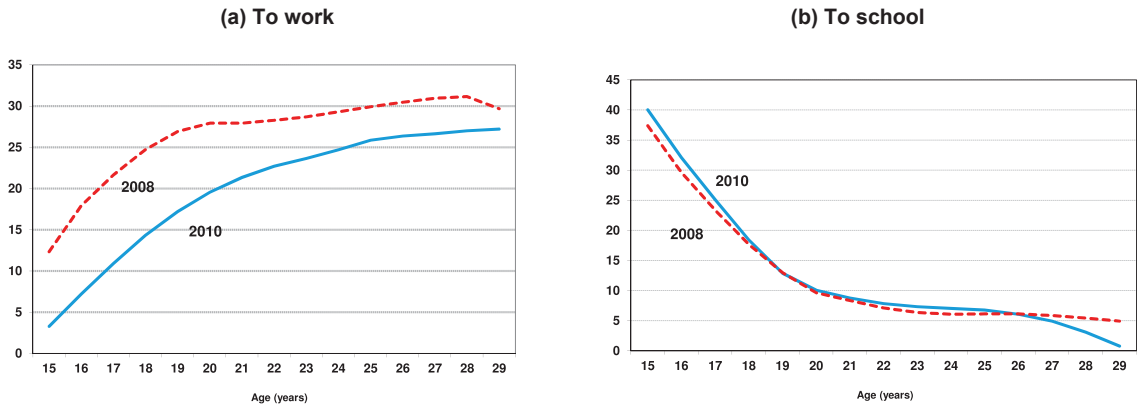
Notes: Lowest estimates of the probability of moving from employment (Panel a) and from school (Panel b), to the NEET status, by age.
Annual matched data from April of a given year (*t*) to April of the following year (*t+1*).
Source: Authors' calculation based on LFS data

Panel (a) shows that the probability of being NEET at time *t* conditional on being employed at time *t*-1 decreases by age. This is likely to be due to the fact that temporary jobs are mainly concentrated among the youngest workers. This evidence also suggests that a non-negligible share of young workers experience a period of no work and no school after the termination of a job experience. Because of the crisis, in 2009–2010 almost 20% of young workers aged between 15 and 19 became NEET within the following 12 months (50% of them were employed as temporary workers the year before). The same probability was around 8% for workers aged 25–29.

The probability of moving from school to NEET status was around 10% in 2010, roughly 3 percentage points higher than in 2008. According to our estimates, this probability was slightly lower for younger NEETs (15–19 years), probably because of the relatively low opportunity cost of being enrolled in second-level schooling. From a different perspective, considering the group of people who were in school in 2009, 5% were working, 85% were still at school and 10% were NEET in 2010. Thus, for early school-leavers, the probability of becoming NEET was higher than the probability of finding a job.

Figure 24 reports the probability of exiting from NEET status toward employment (Panel (a)) or toward school and training (Panel (b)). Being NEET is a rather persistent phenomenon in Italy, as 69% of those who were NEET in 2009 were in the same status in the following year (62% in the period 2007–2008). Panel (a) shows that the probability of leaving NEET status and becoming employed increases by age. During the 12 months of 2009–2010, just one NEET out of five was able to find a job (this probability was 10% higher during the period 2007–2008). The higher likelihood of older NEETs being employed may reflect higher educational attainment, past work experience or both. It also reflects the higher propensity of younger NEETs to start new education programmes, as shown by Panel (b).

Figure 24: Transition probabilities (%) from NEET status, by age, 2008 and 2010



Notes: Lowest estimates of the probability of moving from NEET status to employment (Panel a) and to school (Panel b), by age.
Annual matched data from April of a given year (*t*) to April of the following year (*t+1*).
Source: Authors' calculation based on LFS data.

In 2010 more than 20% of NEETs aged 15–19 years joined school or some sort of training course, compared with just 8% of those aged 20–24 years. This evidence suggests that, compared with people aged 15–19 years, young people who do not enrol in university after second-level schooling are less likely to re-enter the school system after some NEET period. Since they also faced a very sharp reduction in the probability of finding a job, the share of NEETs aged 20–24 years with a second-level qualification rose from 16% in 2008 to 20% in 2010. Because of these trends, this age group registered the highest increase in the NEET rate.

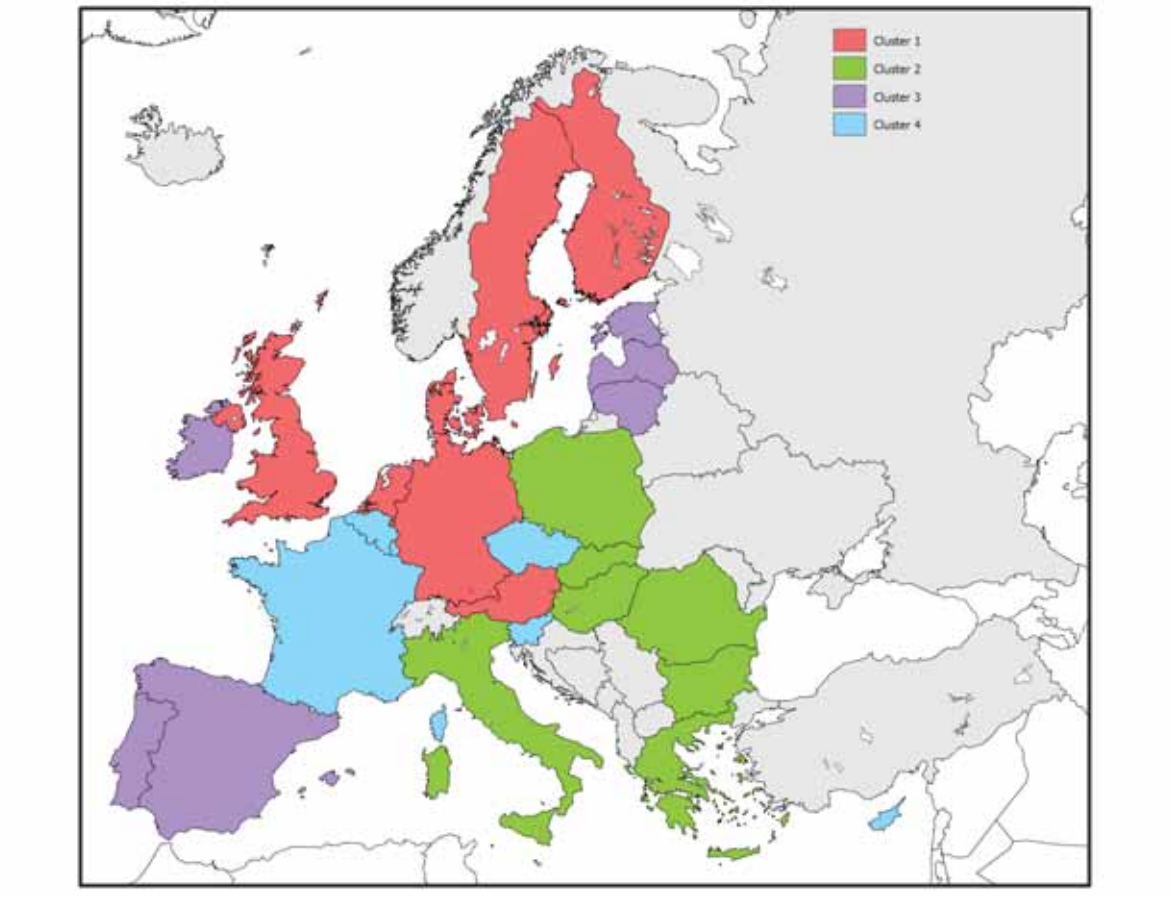
The consequences of the recent economic crisis on young people are very severe, and they could potentially lead to long-term effects, slowing down the accumulation of human capital. Knowledge is mostly acquired through work and school. Therefore, the documented increase of the number of NEETs and the lengthening of NEET status in Italy both represent a burden on the process of human capital accumulation, which in Italy is mainly carried by NEETs aged between 20 and 24 years.

Common patterns among European countries

Descriptive statistics presented in the previous section show that the size and the characteristics of the NEET population vary greatly among the different Member States. For example, in Italy and Romania the majority of NEETs are inactive without previous work experience, whereas in Spain and Sweden young people who are NEET are more likely to be unemployed with work experience. And yet, despite similar characteristics, the size of the NEET population differs greatly between Spain and Sweden, while that of Italy and Romania is comparable. Notwithstanding the greater variability observed among the Member States, some common patterns may be identified and countries can be grouped together. This is important in making sense of the NEET phenomenon across Europe.

On the basis of the descriptive statistical analysis presented in the previous section, four different clusters are identified. Every clustering exercise is difficult and inevitably artificial. Nonetheless, countries within each group reveal a certain degree of similarity in terms of the size and characteristics of the NEET population, such as status, previous work experience, gender, educational level, extent of discouraged workers and so on. While a certain degree of variability is still to be expected, in general the country differences within each cluster are smaller than those between the clusters. Figure 25 displays the clusters on the map of Europe.

Figure 25: NEET population clusters in the EU



Cluster 1: This cluster groups together continental and Nordic countries and includes Austria, Denmark, Finland, Germany, Luxembourg, the Netherlands, Sweden and the UK. This is a mix

of countries that have pursued flexicurity policies, neo-liberal countries and countries with a dual educational system. With the exception of the UK, all these countries are characterised by a low NEET rate. The share of female NEETs is below the EU average. Furthermore, in almost all these countries, the majority of NEETs are inactive. However, despite being inactive, most of the NEETs in these Member States have had previous work experience, while the percentage who are discouraged workers is well below the EU average. Finally, the share of NEETs with a lower educational level is higher than the EU average, while the share of those with a tertiary education is well below the EU average. For these reasons, in this cluster the typical NEET has a lower educational level and has withdrawn from the labour market and from education. The low share of discouraged workers indicates that in most cases this decision might have been voluntary, probably to take over family responsibilities or to follow alternative trajectories, and not as a sign of structural barriers for young people accessing the labour market.

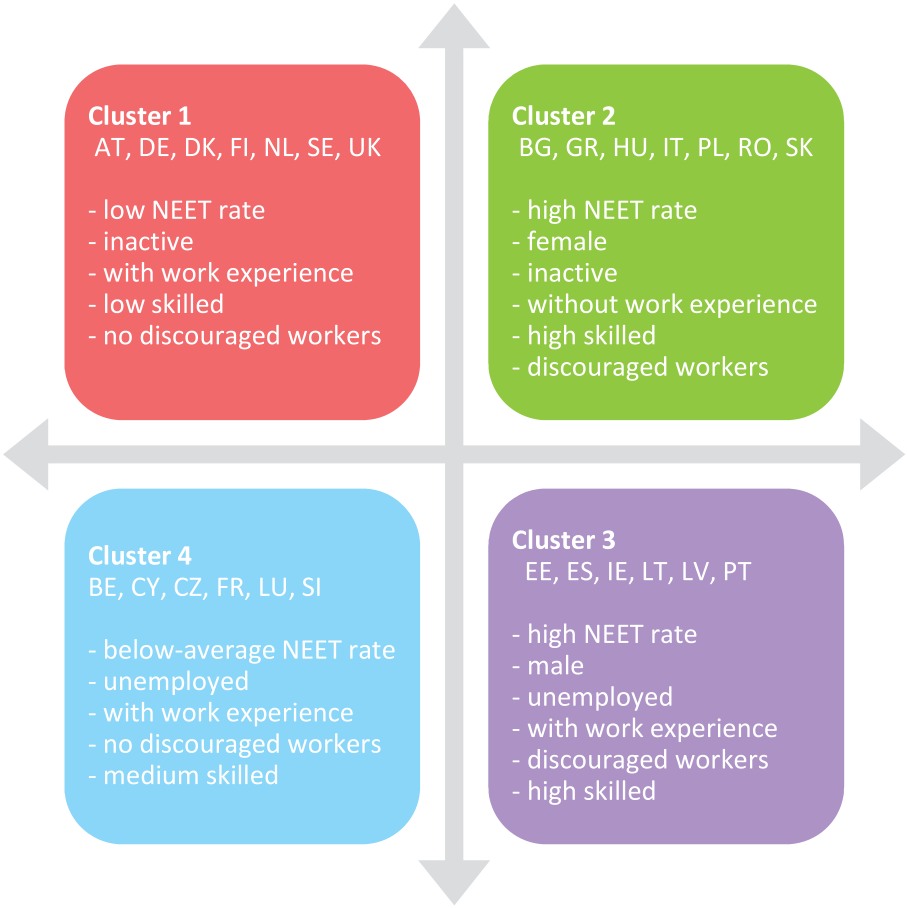
Cluster 2: The second cluster is equally characterised by having a majority of NEETs who are inactive. It includes southern Mediterranean – Greece and Italy – and eastern European countries – Bulgaria, Hungary, Romania, Poland and Slovakia. With the exception of Poland and the Czech Republic, the countries in this cluster are those with the highest NEET rates in Europe. The share of NEETs who are women is much higher than the EU average. While the majority of NEETs are inactive, as in the first cluster, these characteristics seem to be driven by very different dynamics. In particular, in most of the countries, the majority of NEETs have no work experience or have less work experience than the EU average. In addition, in most of these countries, the share of discouraged workers is higher than the EU average. While in most, a large proportion of NEETs have a lower education level, the share of those with a tertiary education who are NEET is well above the EU average. The characteristics of this cluster, namely the high rate of NEETs without work experience, the high share of discouraged workers and the high share of NEETs among those with a tertiary education, seem to indicate structural problems in the transitions from the education system to the labour market. Here, ending up as NEET seems to be involuntary and the result of various barriers that hinder a successful transition.

Cluster 3: The third cluster is composed of Estonia, Ireland, Latvia, Lithuania, Portugal and Spain. These countries have been badly affected by the economic crisis and most have seen the youth unemployment rate double or triple since the onset of the recession. In fact, unlike the previous two clusters, the majority of NEETs are unemployed. The NEET rate recorded in the majority of these countries is in general higher than the EU average. In addition, in most of these countries the majority of NEETs are men. The share of NEETs with work experience is higher than the EU average, as is the share of NEETs who are discouraged workers. While there is no clear trend concerning the share of the population of NEETs with a lower educational level, the share of those with a tertiary education who are NEETs is above the EU average. As noted earlier, the characteristics of the NEET population of this cluster show the NEET rate in these countries is driven by the increase in unemployment due to the crisis. While the high share of young people with a tertiary education may indicate some structural problem that slows the transition from education to work for the most educated, the fact that most NEETs have work experience and are more likely to be male might indicate that they fell into NEET status as a result of the economic crisis, which hit the entire population of young people, regardless of their educational level.

Cluster 4: Finally, the last cluster is the most heterogeneous and is composed of Belgium, Cyprus, the Czech Republic, France, Luxembourg and Slovenia. In these countries the NEET rate is slightly below the EU average and the majority of NEETs are female. In most, the majority of NEETs are

unemployed, although the percentage of those with work experience is in general higher than the EU average. Conversely, the share of NEETs who are discouraged workers is below the EU average. These countries are characterised by having a share of NEETs with a low educational level that is lower than the EU average. For these reasons, and despite the heterogeneity of the cluster, NEETs in these countries seem to be related to the increase of unemployment due to the crisis. However, the limited size of the NEET rate and the low share of discouraged workers recorded in this cluster suggest that the situation is better than that depicted in the third cluster, probably due to the crisis having a less severe impact on these countries.

Figure 26: Characteristics of four NEET clusters in Europe



Conclusion

With traditional indicators for labour market participation displaying limited relevance for young people, researchers, national authorities and international organisations are increasingly using the concept of NEETs to describe and analyse the vulnerability of young people in the labour market. The term, originating in the UK, is today used at EU level to describe young people aged 15–24 years who are unemployed or inactive (according to the ILO definition) and who are not in education or training.

NEETs are a very heterogeneous group. The common characteristics and vulnerabilities of this group can be problematic. NEETs are not accumulating human capital through formal channels; they

are more likely to accumulate several disadvantages and to have poor participation in the labour market. This has led to NEETs coming into the focus of European policy debate, not least through the Europe 2020 agenda.

The entry of the concept of NEETs into the general policy vocabulary is not straightforward, mainly due to limitations grounded in the heterogeneity of the concept, which must be taken into account when designing policies for effectively reintegrating NEETs into the labour market or education. Therefore, governments and social partners should implement the overall targets they set for the reduction of the NEET rate with targeted policies for different subgroups.

Similarities and differences in the NEETs population can be found across and between EU Member States. The NEET rate had been decreasing before the crisis and has seen a sharp increase ever since. On average, the NEET rate among women is higher than among men, and those with low educational levels are overrepresented in the category. The majority of European NEETs have never worked. About half are registered as unemployed and half are inactive. Among those who are inactive, 63% state they are available for work but not looking for a job due to personal unavailability or because they feel there is no job available for them. High levels of discouraged workers exist in some Member States.

NEETs aged 25–29 years face a similar labour market vulnerability as that experienced by those aged 19–24 years. Expanding the concept of NEETs to include this age group increases the heterogeneity of the term.

The composition of NEETs populations in different European Member States is very diverse. Clustering countries into four groups aids analysis. Characteristics of the first cluster (Austria, Denmark, Finland, Germany, Luxembourg, the Netherlands, Sweden and the UK) included low NEET rates with a high share of inactive workers. Many NEETs have work experience and they are often low skilled. There are few discouraged workers in these countries. The second cluster (Bulgaria, Greece, Hungary, Italy, Romania, Poland and Slovakia) displayed high NEET rates, with a high proportion of female NEETs. NEETs here are mostly inactive and without work experience. A large share is highly educated, and many are discouraged workers. The third cluster (Estonia, Ireland, Latvia, Lithuania, Portugal and Spain) comprises countries that have been most badly affected by the crisis. They have high NEET rates and a majority are male. NEETs are mostly unemployed, but often have prior work experience. Countries in this cluster have a high number of NEETs with a high skill level and a high share of discouraged workers. Finally, the fourth cluster (Belgium, Cyprus, the Czech Republic, France, Luxembourg and Slovenia) is rather heterogeneous but displays below-average NEET rates. Most NEETs are registered as unemployed and have previous work experience. There are few discouraged workers and NEETs have, on average, a medium skill level.

3 Institutional and structural determinants

The descriptive analysis presented in the previous chapter has shown that the incidence and characteristics of NEETs vary substantially across EU Member States. The NEET problem is most prevalent in southern and eastern European countries, whereas young people seem to be better integrated into education and employment in Scandinavian and central European countries. How can this cross-country variation be explained? This chapter elaborates, at country level, on the institutional and macro-structural characteristics the affect the country-specific distribution of NEET across Europe. Previous research on youth labour market integration identified the following important determinants of youth integration opportunities: specific institutional configurations of the education and training system (such as the existence of apprenticeship systems); the labour market and welfare state (such as employment-protection legislation, minimum wages, active support of NEET young people); and specific macro-structural conditions (such as aggregate economic conditions and youth cohort sizes) (Kogan and Müller, 2003; Müller, 2005; Müller and Gangl, 2003b; Ryan, 2001). While many more institutional and structural factors might affect youth integration chances, this chapter focuses on those factors that have been identified as the most important in previous European comparative youth studies.

Variation in the share of NEET young people between countries and over time is analysed in order to identify the influence of macro-level factors. The share of NEET young people aged 15 to 29 years is calculated for each country on a yearly basis, using data from the European LFS 1992–2009. Drawing from the Eurostat definition presented earlier, young people are defined as NEET if they were unemployed or inactive at the time of the survey (according to the ILO definition) and were not in any education and training (including apprenticeship training) during the previous four weeks. The institutional and structural contextual variables are operationalised via quantitative indicators that are retrieved from various macro data sources as will be outlined below.

Role of labour market institutions

Employment-protection regulation is one central labour market institution that is expected to affect youth integration chances. From a theoretical perspective, effects of employment protection are ambiguous (Noelke, 2011). On the one hand employment protection protects workers from non-employment by stabilising employment relationships and protecting them from unfair dismissal. On the other hand it is often argued that employers may refrain from hiring workers because they anticipate costs of dismissals in case of economic downturns (Lindbeck and Snower, 1989; Müller and Gangl, 2003a). This should be especially the case for hiring young workers, whose productivity and trainability is difficult to assess. Empirical studies mainly confirm the latter view on employment protection regulations for young people by finding higher youth unemployment rates (for instance, Breen, 2005; Esping-Andersen, 2000), lower youth employment rates (for instance, Bassanini and Duval, 2006), longer jobs search periods for youths (e.g. Wolbers, 2007) and lower chances of getting a job for unemployed youth (for example, Russell and O'Connell, 2001) in countries with strict employment protection regulations. However, Noelke (2011) recently challenged this consensus by providing empirical analyses that do not show any robust evidence of the expected negative employment-protection legislation (EPL) effect. Furthermore, recent studies on EPL emphasised that it is important to distinguish between the regulations concerning permanent jobs and those regarding temporary contracts because these regulations presumably affect young people's integration chances differently (Baranowska and Gebel, 2010; Noelke, 2011). Regarding the deregulation of the use of temporary contracts there are two opposing scenarios (see, for example, Gebel, 2010).

According to the integration perspective, temporary contracts ease youth integration into the labour market whereas the segmentation scenario doubts positive employment effects of temporary jobs by emphasising entrapment and substitution effects.

The effect of labour market regulation is measured by the internationally comparable OECD EPL index, Version 1, which considers the legislation on permanent employment and temporary employment as well as court rulings, collectively bargained conditions of employment and customary practice (Venn, 2009). We added new time-varying EPL index values for the Baltic countries Estonia, Latvia and Lithuania from Muravyev (2010) that were calculated following the OECD methodology. The EPL index theoretically ranges between 0 (least stringent) and 6 (most restrictive). Following our theoretical expectations, we distinguish the two main dimensions of employment protection: employment protection for regular employment (measuring the rules for hiring and firing procedures concerning permanent workers, notification requirements, and severance payments) and the EPL indicator for temporary employment that measures restrictions on the use, maximum duration and maximum number of consecutive temporary contracts, as well as restrictions with respect to temporary work agencies.

Methodological background: Models used

For the current study, the bivariate association between specific contextual factors and the share of NEET young people was analysed. The interpretation is straightforward: for a unit change in the contextual factor, the estimated coefficient shows the percentage point change in NEET incidence. Four different kinds of model specifications are employed to test the robustness of results.

- *Pooled Ordinary Least Squares (OLS)*: This model uses the variation in NEET shares across countries and across time and applies standard linear regression techniques to detect associations between the contextual factors and the NEET shares. Panel robust standard errors are calculated in order to account for repeated yearly observations of countries. However, results from pooled OLS might be biased because countries differ in various unobserved aspects that induce a spurious correlation between observed contextual factors and the share of NEET young people. Hence, panel data methods that try to avoid this kind of bias were also applied.
- *Random effects model*: This panel data model assumes that unobserved country characteristics that induce such biases can be summarised in a time-constant country effect that follows a normal distribution. However, the random effects model rests on the strong assumption that the unobserved country characteristics are uncorrelated with the specific observed contextual factors that are analysed.
- *Fixed effects model*: This panel data model removes unobserved time-constant country characteristics by analysing variations across time in the contextual factors and the share of NEET youths within each country separately. However, results may still be biased if unobserved country characteristics change over time.
- Hence, in the fourth model specification, the adult (aged 29 to 65) unemployment rate is added to the fixed effects model as a time-varying indicator in order to proxy at least for changes in national labour market conditions over time.

There is robust evidence across all specifications (even after holding constant other variables such as labour market conditions and country specific characteristics) that the stronger the employment protection, the higher the youth NEET rate (see Table 2 (i)). For example, the estimated coefficient in the final fixed effects specification suggests that a 1 point increase on the EPL scale increases the NEET share by 1.35 percentage points. In Table 2 (ii) the two main EPL dimensions are distinguished.

Interestingly, the indicator on the protection of regular jobs does not show any significant effects once the random or fixed country effects are controlled for. The model introducing random or fixed effects yields the impact of EPL on NEET incidence, net of country differences. If the effect vanishes in the random effects and fixed effects models, the observed effect in the pooled OLS model is only down to country differences and not their differential EPL levels. Hence, a strong protection of permanent contracts does not seem to hurt young workers. In contrast, there is robust evidence for the effects of regulations on temporary jobs across all model specifications. Increasing the regulations on temporary jobs – increasing the restrictions on the use, maximum duration and maximum number of consecutive temporary contracts – leads to higher NEET levels. Conversely, deregulating the use of temporary jobs helps to reduce the incidence of NEETs. This finding supports the view that temporary jobs are better than no jobs, and that the deregulation of temporary contracts eventually helps young people because it helps them access the labour market. More specifically, the final specification predicts that a decrease in regulation by 1 point on the EPL scale lowers NEET rates by 0.74 percentage points.

Table 2: Employment-protection legislation (EPL) and NEET rates

(i) Overall level of EPL

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
EPL summary index	0.97***	1.28**	1.48**	1.35***
	(3.38)	(2.44)	(2.59)	(2.92)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=278 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

(ii) EPL subcomponents

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
EPL regular employment	-1.23***	0.14	0.85	-0.01
	(-5.89)	(0.18)	(0.90)	(-0.02)
EPL temporary employment	1.19***	0.71**	0.73**	0.74***
	(5.41)	(2.53)	(2.45)	(3.08)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=278 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

Minimum wages are a tool to protect young workers from poor wages but they may have the unintended effect of hampering young people's opportunities for labour market integration. For example, Neumark and Wascher (2004) found, in a similar analysis of OECD countries, that high levels of minimum wages lead to employment losses among young people. In their comprehensive literature review, Neumark and Wascher (2007) conclude that the great majority of empirical studies confirm the negative employment effects of minimum wages. Disregarding the specific cases of efficiency-wage models and monopsonistic labour markets, standard neoclassical economic theory predicts that minimum wages introduce wage floors impeding market clearing and leading to unemployment. Minimum wages may especially drive the costs of employing young workers above their productivity levels such that employers refrain from hiring young workers. High minimum wages could also work as disincentives to invest in education because wage floors reduce the relative return on education investments.

In this study, minimum wages were measured as a proportion of median monthly earnings, as defined by the OECD (2012). Countries without a national legal minimum wage (Austria, Cyprus, Denmark, Finland, Germany, Italy and Sweden) were assigned a value of 0. The empirical analyses based on the pooled OLS and random effects specifications support the neoclassical view that minimum wages hamper young people's integration into the labour market (see Table 3). Increasing the relative minimum wage by 1 percentage point increases youth NEET rates by about 0.06–0.07 percentage points, which is relatively small. Thus, only large changes in minimum wages could substantially reduce youth NEET rates. Moreover, once country fixed effects are controlled for, this effect becomes insignificant.[1] This might be related to the fact that countries without minimum wages have country-specific characteristics that induce a spurious correlation between minimum wages and youth integration opportunities.[2] The use of minimum wages as a measure of wage floors has been criticised for not accounting for wage floors that are set by other institutional arrangements, such as collective wage agreements. To capture such effects, wage floors were estimated using EU-SILC data 2005–2008 in terms of the P80/P20 ratio[3] of gross hourly wages of young workers aged 15 to 29 years. Due to the short time horizon, only the effects in a pooled OLS specification (results not shown) could be tested. In line with the pooled OLS findings on minimum wages, the results indicated that a stronger wage compression for young workers (in other words, higher relative wage floors) leads to an increase in the proportion of NEETs.

Table 3: Minimum wages and NEET rates

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
Minimum wage (% of median monthly earnings)	0.06***	0.07**	0.07	0.01
	(5.30)	(2.12)	(1.25)	(0.26)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=326 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

[1] However, the estimates still suggest that minimum wages increase the proportion of NEETs. Furthermore, the insignificance of findings in the FE models might be related to the problem that the relative level of minimum wages does not vary a lot across time, making the identification of significant effect more difficult.

[2] In the cases of Austria and Germany, the spurious correlation might be induced by the strong dual systems of vocational training. In the case of Denmark, Finland and Sweden it might be related to the strong activation measures for young people.

[3] The ratio of the value at the top of the 80th percentile to the value at the top of the 20th percentile.

Unions may also influence opportunities for youth integration. One strand of the literature argues that strong unions in conjunction with centralised systems of collective bargaining and cooperative relationships between corporate partners can generate institutional structures that are favourable to youth labour market integration (Müller and Gangl, 2003a; Soskice, 1999). Such efforts might include wage moderation policies to enhance youth labour market integration or corporatist efforts in establishing common training standards and curricula and in promoting dual systems of vocational training. According to this perspective, unions successfully engage in the integration of young people into education, training and employment. Very little empirical evidence is available regarding unions' influences on youth labour market opportunities. Unions' influences, measured by the wage-bargaining structure and trade union density, do not appear to affect youth unemployment in the study of Van der Velden and Wolbers (2003), whereas Bertola et al (2007) found that a high level of unionisation induces employment losses among young people.

Using Visser's valuable set of indicators on trade unions (2011), this study uses collective bargaining coverage as a proxy for union power in negotiating wages and employment conditions. This involves measuring the proportion of all salaried workers (unionised and non-unionised) who are covered by collective agreements. It also employs the alternative measures of union coordination from Visser's database in terms of sensitivity analysis. Wage coordination is measured on a scale ranging from 1 (fragmented, mainly company-based bargaining) to 5 (economy-wide bargaining, based on enforceable agreements between the central organisations of unions and employers or on government interventions). The results in Table 4 (i) show that strong union representation in terms of high levels of collective bargaining coverage ease integration of young people by reducing risks of becoming NEET. However, the effects turn insignificant once random or fixed country effects are taken into account. In contrast, the evidence on the integrative power of unions is very robust when wage coordination is taken as a measure. Even after accounting for country fixed effects and after controlling for overall labour market conditions (in terms of adult unemployment rate), findings indicate that stronger coordination between unions, employers and the state reduce NEET rates. Specifically, increasing the level of wage coordination by 1 point on the scale reduces NEET rates by about 0.75–0.96 percentage points.

Table 4: Unions and NEET rates

(i) Collective bargaining coverage

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
Collective bargaining	-0.08***	-0.04	0.02	-0.02
Coverage	(-6.94)	(-1.54)	(0.62)	(-0.64)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=312 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.

(ii) Coordination

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
Wage coordination	-0.86***	-0.96***	-0.92**	-0.75**
	(-5.70)	(-2.75)	(-2.40)	(-2.30)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=353 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01;*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

Active labour market policies (ALMPs) comprise a further institutional dimension shaping youth transitions. European countries have promoted diversified sets of active labour market programmes in times of high unemployment as measures to ease labour market integration, particularly for young people. These measures include job search assistance, short-term training courses and subsidised work, among other interventions. The aim of most of these measures is to avoid a NEET status, by integrating problematic groups into either education and training or employment. The heterogeneity of programmes renders an overall evaluation in terms of their effectiveness very difficult; existing research confirms that the success rate varies substantially between programmes (Heckman et al, 1999). Macro-analyses usually employ a composite measure of the size of active labour market policy. For example, Russell and O'Connell (2001) demonstrate in a comparative study of nine EU countries that levels of expenditure on active labour market policies have a strong positive effect on the chances of getting a job for unemployed young people. In contrast, based on a meta-analysis of various evaluation studies on the effectiveness of different ALMP programmes, Kluve concludes that 'programs targeting youths are significantly less likely to be effective' (2010, p. 915).

Following Nickell's approach (1997), this study measured annual expenditure on ALMP programmes (in Eurostat categories 2–7) per unemployed worker as a proportion of GDP per member of the labour force. This indicator was created by dividing the GDP share of total ALMP expenditures by the unemployment rate (Eurostat, 2012). Across all model specifications, clear evidence emerged that higher ALMP expenditures lower youth NEET risks (see Table 5). Interestingly, this effect prevails even after accounting for country fixed effects and changing labour market conditions. The final model specification predicts that increasing ALMP expenditures per unemployed worker by 1 percentage point of GDP per member of the labour force lowers the overall youth NEET risk by 0.15 percentage points. As our ALMP expenditure measure is on average 9%, doubling ALMP expenditure on average may reduce the NEET rate in Europe by an average of almost 1.4 percentage points.

Table 5: Active labour market policy and NEET rates

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
ALMP expenditures	-0.43***	-0.32***	-0.30***	-0.15***
	(-10.29)	(-7.12)	(-6.21)	(-3.33)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=315 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

Role of education and training institutions

Advanced economies differ substantially in the extent to which coordination between education system and labour markets has been institutionalised (Culpepper and Thelen, 2008). In some European countries, a dual system of vocational training can be observed, combining classroom-based vocational education with workplace-based training. Cross-country comparative studies have confirmed that in countries with apprenticeship systems, young people face lower unemployment risks (for example, Breen, 2005; Gangl, 2001; Shavit and Müller, 1998) and smoother school-to-work transitions (for example, Wolbers, 2007). Regarding the NEET problem, these programmes can be expected to prevent students from dropping out of the education system by providing an attractive alternative to academically oriented second-level education. Furthermore, such formalised coordination can ensure that vocational curricula are regularly maintained to reflect current employer demand, increase the reliability of educational credentials, facilitate the flow of information between education system and employment, and lower search and turnover costs (Shavit and Müller, 1998).

Young people in countries where a vocational education is seen as having less value than an academic education are particularly disinclined to opt for any further vocational schooling. Participation in firm-based training is often the preferred alternative to continued education. The trainees are closely observed and selected; this creates a screening opportunity for employers (Ryan, 1998). This alternative way of entering the labour market is preferred by many in countries where vocational education carries a stigma (Arum and Shavit, 1995). By observing individuals on the job, employers can obtain a reliable indication of the students' expected productivity levels, and are therefore better informed when deciding whether or not to hire someone (Acemoglu and Pischke, 1998; Breen, 2005). In sum, it could be expected that the dual system of vocational training lowers the risk of becoming NEET. This is because it strengthens the integration of young people into the education and training system, smoothes their transition from school to work and stabilises their early labour market careers.

Following Breen's approach (2005), in this study the scale of the dual system of vocational education is measured as the proportion of students in upper secondary education enrolled in combined school- and work-based vocational and technical programmes (OECD, 2012). Results based on pooled OLS and random effects in Table 6 confirm previous cross-country comparative studies that find that the scale of the dual system has a positive effect on youth integration opportunities. If we control for country fixed effects, this relationship still persists at marginal levels of significance. However, the results from the two fixed effects specifications should be interpreted carefully because

the size of the dual system does not vary a lot across time: the dual system size is often a country-specific, fixed characteristic. The estimated coefficients reveal that increasing the share of upper secondary students that attend dual system training by 1 percentage point decreases NEET rates by about 0.04–0.09 percentage points.

Table 6: Dual system of vocational training and NEET rates

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
Size of dual system	-0.09***	-0.07**	-0.07*	-0.04
	(-3.87)	(-2.05)	(-1.86)	(-1.42)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=206 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.

Macro-structural influences

Competition is also influenced by youth cohort sizes, which induce demographic pressures on youth labour market outcomes. For example, Bassanini and Duval (2006) find in their pooled time-series cross-section analysis of OECD countries that youth employment opportunities are poorer if larger young cohorts enter the labour market. In contrast, Gangl (2002) concludes from his comparative study of western European labour markets that demographic factors, in terms of cohort sizes, do not affect youth unemployment rates. From a theoretical perspective, one could expect that larger cohorts increase the competition for scarce entry-level jobs if one assumes that young entrants are not able to replace older and more experienced workers (Bassanini and Duval, 2006). The same mechanism of increasing competition may also apply to the education system such that the risk of becoming a NEET should rise with the size of the cohort.

The empirical analysis conducted here measures youth relative cohort sizes as a proportion of young people (15–29 years) among the working-age population (15–64 years) drawing on population data from Eurostat (2012). With the exception of the last fixed effect specification, it finds that the larger the relative youth cohort sizes, the greater the prevalence of NEETs among young people (see Table 7). For example, the fixed effect specification (third model) predicts that an increase in the relative youth cohort size by 1 percentage point increases the NEET rate by 0.43 percentage points.[4]

[4] While the effect seems large at first, one should remember that relative cohort sizes differed by a maximum average of 4% during the observation period.

Table 7: Youth cohort sizes and NEET rates

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
Youth (15–29 years) relative cohort size	1.05***	0.48***	0.43***	0.16
	(8.49)	(4.17)	(3.64)	(1.47)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	Yes

Notes: N=353 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

Unfavourable macroeconomic conditions may tighten the competition among school-leavers, making the transition to work problematic for some of them (Müller, 2005). In this respect, Gangl (2002) reports that unfavourable macroeconomic conditions translate into higher unemployment risks at labour market entry in Western Europe. Similarly, Wolbers (2007) finds that high levels of unemployment lower the pace of the labour market entry process and increase subsequent unemployment and inactivity risks.

To account for macro-structural influences, national GDP growth was controlled for as a proxy for the general labour market conditions (Eurostat, 2012). Furthermore, the impact of the unemployment rate among those aged 30–65 years was used as a control variable for changing labour market conditions in the previous analyses. While GDP growth rates do not show any significant effect in the pooled OLS specification in Table 8 (i), significant evidence did emerge in the random effects and the fixed effects specification: in line with expectations, NEET rates decrease by 0.18 percentage points if GDP increases by 1 percentage point. This, however, is a rather small effect. Thus, promoting economic growth alone does not strongly stimulate labour demand for young people. The need to combine growth with job creation can be seen when the adult unemployment rate is used as an indicator of labour market tightness. There is a very strong association between the adult unemployment rate and NEET rates (see Table 8 (ii)). A 1 percentage point increase in adult unemployment rate coincides with a 0.7–0.83 percentage point increase in youth NEET rates. This result confirms that NEET risks are strongly related to the overall tightness of the labour market. Thus, promoting economic growth that creates jobs is an effective tool in combating the NEET problem.

Table 8: Macroeconomic conditions and NEET rates
(i) GDP growth

	Pooled OLS	Random effects	Fixed effects
GDP growth rate	-0.07	-0.18***	-0.18***
	(-0.64)	(-4.42)	(-4.54)
Country fixed effects	No	No	Yes

Notes: N=337 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

(ii) Adult unemployment rate

	Pooled OLS	Random effects	Fixed effects
Adult unemployment rate	0.83***	0.71***	0.70***
	(11.36)	(11.72)	(11.39)
Country fixed effects	No	No	Yes

Notes: N=353 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*
T-statistics reported in parentheses.
Pooled OLS specification with panel-corrected standard errors.

A holistic view

In a final step, the combined effect of the most relevant institutional indicators so far was tested. The results, presented in Table 9, reveal that the presence of ALMPs and a dual system of vocational training have the most robust effects; this is in line with the institution-specific analyses above. The non-significant effects of EPL and wage coordination, however, should not be over-interpreted because the simultaneous inclusion of several institutional indicators might induce unwanted conditioning effects due to the strong interrelation between institutions. Moreover, the number of cross-country observations shrinks in Table 9 to the lowest common level. Finally, the last model in Table 9 confirms the central importance of the overall tightness of labour markets even after accounting for various institutional factors. The higher the adult unemployment rate, the higher the NEET rate.

Table 9: Central determinants of NEET rates

	Pooled OLS	Random effects	Fixed effects	Fixed effects with covariates
EPL summary index	-0.57	-0.43	-0.40	-0.31
	(-1.30)	(-0.58)	(-0.41)	(-0.36)
Wage coordination	-0.02	0.39	0.94	0.41
	(-0.09)	(0.86)	(1.65)	(0.81)
ALMP expenditures	-0.39***	-0.23***	-0.18***	-0.11**
	(-10.48)	(-4.31)	(-2.94)	(-2.03)
Size of dual system	-0.03*	-0.07**	-0.08**	-0.05*
	(-1.77)	(-2.37)	(-2.42)	(-1.79)
Country fixed effects	No	No	Yes	Yes
Adult unemployment rate	No	No	No	0.67*
				(-6.80)
R-squared	0.47	0.41	0.27	0.50

Notes: N=177 country–year observations.
** = p<0.10; ** = p<0.05; *** = p<0.01.*

Conclusion

This chapter presented an analysis of institutional and structural determinants of cross-country variations and variations across time. The aim was to ascertain the risk of being young and NEET for the period 1992–2009 using data from the European LFS and various data sources on institutional country characteristics. Focus was placed on institutional and structural factors that have been identified by previous research as playing an important role in the labour market integration of young people.

Both institutional and structural factors were found to play an important role. Specifically, from a labour demand perspective, robust evidence emerged that stimulating job-oriented economic growth is central to combating the NEET phenomenon. However, job creation is central, as economic growth on its own has only a weak influence. A strong reactivity to changes in labour supply can be seen in the negative effect of youth cohort sizes. If larger cohorts enter the labour market, it becomes more difficult to integrate young people into the labour market or the education system. However, results on the influence of demographic factors should be carefully interpreted as the evidence is less robust across model specifications.

On the institutional side, promoting ALMP programmes and expanding the dual system of vocational training both seem to induce lower NEET rates. These measures aim at improving the matching process in youth labour markets by preparing and orienting young people towards the labour market and employers' demands. NEET rates can also be reduced by strengthening wage coordination between unions, employers and the state. This highlights the importance of getting social partners involved in solving the NEET problem. Our analysis also reveals that deregulation of temporary contracts may help young people to access employment. However, an increasing availability of temporary jobs has to be accompanied by policies that guarantee that temporary jobs are converted into stable jobs in the future and that they are not misused by employers as a pure cost-reducing buffer stock, with no long-term employment prospects for young people. The evidence on minimum wages (and wage floors) is less robust across specifications but tends to support the view that a minimum wage level that is too high may hamper youth integration.

The results of this analysis should be treated with caution as macro-data analyses are always exposed to methodological limitations. For example, the analysis relies on the validity of the quantitative, indicator-based measurement of institutions. Using macro-indicators is the basic principle of quantitative international comparative research and necessary to guarantee comparability with previous research in the field. Nonetheless, limitations clearly apply to this approach. Indicators may not fully capture the institutional settings in some countries; this may happen when analysing findings across 27 heterogeneous countries. Moreover, previous macro data research has been criticised for being sensitive towards methods used. In this study, observed effects were compared across several model specifications in order to assess the robustness of findings.

4 Risk factors and individual consequences of being NEET

For policymakers and social partners, it is crucial to know and understand why some young people might end up as NEET and what social, economic and personal factors increase the chances of this happening. This section focuses on the individual characteristics that may increase the risk of being NEET.

Bearing in mind that it is often statistically impossible to differentiate between characteristics and risk factors, the first part of this chapter investigates the probability of being NEET on the basis of sociodemographic variables at the individual and family level.

Once the risk factors have been identified, it is essential to understand why it is important to tackle these risk factors and the benefits of re-engaging and encouraging young people to remain in education, training or employment. Having NEET status can have severe individual consequences for the young people concerned. They might experience economic disadvantage through scarring effects and wage penalties, but also may face psychological distress, isolation and disaffection and may disengage and participate in risky behaviour. For these reasons, being NEET is not only a waste of young people's talents. It also constitutes a challenge to society and the economy.

This chapter begins with a review of the characteristics and risk factors of NEETs as identified in the general literature and then provides the results of an analysis of the characteristics of European NEETs using the European Values Study (EVS). It then gives an overview of the possible short- and long-term consequences of being NEET as identified in the general literature.

Characteristics and risk factors

As mentioned earlier, the concept of NEET first emerged in the UK at the end of the 1980s and only recently entered the European policy debate. For this reason, while little to no investigation has been performed at the European level, considerable research has been done in the UK. The aim of this research has been to paint a picture of the characteristics and risk factors of NEETs. In these studies, NEETs have been defined as those young people aged 16–18 years who are disengaged from the labour market and the education system.

In general there is reasonable agreement about the range of social, economic and personal factors that increase the chances of an individual becoming NEET. It is generally perceived that NEET status arises from a complex interplay of institutional, structural and individual factors (Bynner, 2005; Hodkinson, 1996; Hodkinson and Sparkes, 1997).

More specifically, the literature suggests that there are two principal risk factors relating to vulnerable NEET status: disadvantage and disaffection. While educational disadvantage is associated with social factors such as family, school and the personal characteristics of the young person, disaffection is concerned with the attitudes young people have towards education and schooling specifically, as expressed by truancy or behaviour that leads to school exclusion. There also seems to be a clear correlation between both educational disadvantage and disaffection among those aged under 16 years and later disengagement (Social Exclusion Unit, 1999).

Both educational disadvantage and disaffection are linked to a number of background factors. These include family disadvantage and poverty, having one or both parents unemployed, living in a high unemployment area, membership of an ethnic minority group, and having a chronic illness, disability

or special education needs (Coles et al, 2002). This corresponds with other findings. Using data from two British cohort studies (the National Child Development Study of 1958 and the British Cohort Study of 1970), Bynner and Parsons (2002) identify family socioeconomic background (social class), parental education, parental interest in the child's education, area of residence, and children's educational attainment as strong predictors of later-life NEET status.

Similarly, research undertaken by the UK Department for Education and Skills (now Department for Children, Schools and Families) finds 10 factors associated with being NEET: no educational qualifications, school exclusion, previous truancy, low skill occupation of parents, living in a household where neither parent works full time, having children at an early age, living outside the family home, having a health problem or disability and having parents living in rented accommodation.

Existing research puts great emphasis on family background and individual characteristics as determinants of NEET status (Stoneman and Thiel, 2010). At the individual level, characteristics overrepresented among the NEET population are: low academic attainment (Coles et al, 2002; Meadows, 2001; Dolton et al, 1999); teenage pregnancy and lone parenthood (Morash and Rucker, 1989; Cusworth et al, 2009; Coles et al, 2002); special education needs and learning difficulties (Cassen and Kingdon, 2007; Social Exclusion Task Force, 2008); health problems and mental illness (Meadows et al, 2001); involvement in criminal activities; low motivation and aspiration including lack of confidence, sense of fatalism, and low self-esteem (Social Exclusion Task Force, 2008; Strelitz, 2003). Among the non-vulnerable, voluntary NEETs, motivation is often identified as one of the key factors; those who are more likely to come from a privileged background and remain briefly outside labour market and education are likely to do so in order to sample jobs and educational courses (Pemberton, 2008; Furlong et al, 2003).

At the family level, frequent NEET characteristics are: economic deprivation and non-working parents (Cusworth et al, 2009; Comptroller and Auditor General, 2007; Meadows, 2001; Dolton et al, 1999; Cassen and Kingdon, 2007; Strelitz, 2003; MacDonald and Marsh, 2005); large family size (Meadows, 2001; Dolton et al, 1999), and overcrowding and poor housing (West and Farrington, 1973; Strelitz, 2003.)

However, it should be emphasised that it is often not easy to differentiate between those factors that cause or lead to NEET status and those factors that are simply correlated with being NEET (Farrington and Welsh, 2003, 2007). Additionally, NEETs often display multiple disadvantages and risk factors. It is therefore difficult to separate which factors determine NEET status. This is closely linked to the fact that the statistics presented in the literature do not allow a deeper analysis of the contextual and individual nature of young people's pathways into the NEET status. They describe characteristics, but say little about how people ended up in their vulnerable situation.

Characteristics of the European NEET

Due to the lack of European comparative investigation, the characteristics and risk factors associated with being NEET just in the UK have been presented. All the studies described are based on the original UK concept of NEET. This implies, as previously highlighted, a difference in statistical definitions and terminology. The definitions adopted in these studies all refer to young people less than 20 years who are not in employment, education or training.

This study, however, is interested in the characteristics of the European NEET: why people end up as NEETs in Europe and which social, economic and individual factors increase the chances of becoming NEET from a pan-European perspective.

Analysing the characteristics of European NEETs

In order to perform a pan-European investigation of the NEET phenomenon, the Eurostat definition of NEET was adapted: due to the strong impact of the recession on young people aged up to 29 years, the analysis also includes those aged 25–29 years, so that this report focuses on young people aged 15–29 years who are not in employment, education or training. It explores the characteristics of NEETs in Europe by making use of the set of key characteristics identified in UK studies, which places a special focus on individual and family background characteristics.

In the absence of comprehensive survey questions investigating individual, socioeconomic and family characteristics in the European LSF, this analysis is based on the 2008 European Values Study (EVS). The EVS is a large-scale, cross-national and longitudinal survey research programme on basic human values, which provides insights into the ideas, beliefs, preferences, attitudes, values and opinions of citizens of 47 European countries and regions. It is an important source of data for investigating how Europeans think about life, family, work, religion, politics and society. Specific attention is placed on individual socioeconomic and family-related variables.

The current analysis uses the 2008 wave of the EVS. It considers data from all 27 EU Member States, with a total sample of more than 40,000 observations representative of the EU population. NEETs are identified in the EVS as those young people aged 15–29 years who declared they were not in paid employment due to being unemployed, disabled, working as a carer, working in the home or for other, undeclared reasons. This operationalisation of the definition of NEET is equivalent to the one implemented by Eurostat using the European Union LFS.

Given the different sample size, the NEET rates calculated from the EVS differ from those reached by Eurostat. Using the EVS, the NEET rate in Europe among those aged 15–24 years is 14.3% against the 12.8% recorded by Eurostat. The EVS-based NEET rate among those aged 25–29 years is 19.8%, while the LFS-based rate is 19.7%. These differences are very small and confirm the validity of EVS and of our operationalisation of the definition in order to capture the NEET population in Europe.

The characteristics of NEETs in Europe were investigated through a statistical model that accounts for a wide set of individuals' sociodemographic and family-related variables while controlling for countries' heterogeneity. A large set of individual characteristics were investigated: gender, age, immigration background, perceived health status, educational level, religiousness and living with parents. Furthermore, at the family level, the analysis considered the household income, parents' education level, parents' unemployment history and the area where the household is located.

The results present a high level of consistency with the general literature. In particular, they show that the probability of ending up NEET is influenced by a range of factors and characteristics.

- Those who perceive their health status to be bad or very bad and who are more likely to be suffering from some kind of disability are over 40% more likely to be NEET compared to those with a good health status.
- Young people with an immigration background are 70% more likely to become NEET compared to other young people.

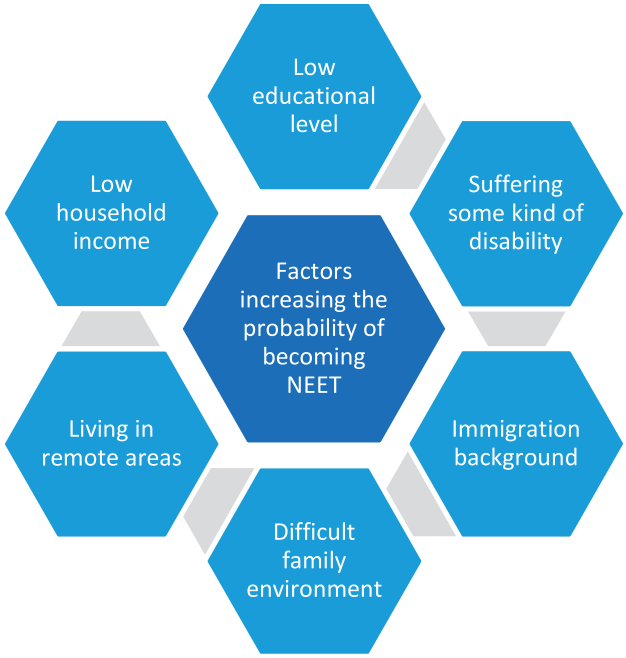
- Those with low levels of education are three times more likely to be NEET than those with tertiary education and two times more likely than those with secondary education.
- People living in remote areas and in small cities are up to 1.5 times more likely to be NEET compared to those living in medium-sized or large cities.
- Young people with a low household income are more likely to become NEET than others. However, this income effect will be analysed in greater depth later, as it reflects the heterogeneity of the NEET population.

Along with these individual characteristics, certain intergenerational influences and family backgrounds have a significant impact on the probability of being NEET.

- Having parents who experienced unemployment increases the probability of being NEET by 17%.
- Those with parents with a low level of education are up to 1.5 times more likely to be NEET than those young people whose parents have a secondary level of education and up to two times more likely than those whose parents have a tertiary level of education.
- Young people whose parents are divorced are 30% more likely to be NEET than other young people.

On the basis of these results, which are in line with the previously discussed UK-based findings, NEET can be described as both an outcome and a defining characteristic of disadvantaged young people who are at much greater risk of social exclusion. Education is the most important variable, and it has the strongest effect in influencing the probability of being NEET: this is true at the individual and family level. Moreover, living in remote areas and suffering some kind of disadvantage, such as disability or having an immigration background, strongly increases the probability of being NEET. The importance of family background is confirmed in increasing the risk of becoming NEET. In particular, young people with a difficult family background, such as those with divorced parents or with parents who have a history of unemployment, are more likely to be NEET.

Figure 27: Factors increasing the probability of becoming NEET



Heterogeneity of the NEETs population

This analysis highlights the heterogeneity of the NEET population. As discussed in the previous section, some NEETs may be classified as disadvantaged and entering NEET status involuntarily, while others may have a more privileged background and voluntarily decide to become NEET, while sampling jobs or training courses.

This heterogeneity can be empirically shown by modelling the effect of income on the probability of being NEET. An income variable, measured as monthly household income in euro for purchasing power parity, is included in the model together with its quadratic effect. The results show that the probability of being NEET is higher for those with the lowest level of monthly household income, and it decreases with increasing income, until the probability reaches a certain threshold. After this value, the probability starts to grow with increasing income until the end of the range of variation.

This clearly reveals again the heterogeneity of the NEET population, which makes generalisations difficult. However, factors such as education, family income and background, immigration status and health are obviously important in helping to explain patterns of vulnerability. For this reason, two broad subcategories of NEETs emerge, with very different characteristics and risk factors:

- the vulnerable NEETs, who are not in employment, education or training and are at risk of marginalisation while often lacking social, cultural and human capital.
- the non-vulnerable NEETs, who are not in employment, education and training but are rich in cultural, social and human capital and despite being NEET are at little risk of marginalisation.

Despite this heterogeneity, in the context of complex and protracted transitions, there is a real need to develop the conceptual tools that will allow us to map the new landscapes of vulnerability. NEET provides a starting point by identifying those who are not enhancing their prospects through engagement with education or who are denied the means of making a living through employment.

The key groups that are overlooked by the focus on the NEET group are those in the grey areas of education, training and employment. For example, those who are in temporary or insecure forms of work and those who are under-employed are frequently in vulnerable and marginalised positions but are not captured by the NEET category. Similarly, some young people in education and training can be regarded as reluctant conscripts: they have been 'forced' to engage under the threat of benefit withdrawal or have been discouraged from entering the labour market due to a perceived lack of opportunities.

Despite the exclusion of some key vulnerable groups, the term NEET is very successful in drawing attention to the multifaceted nature of disadvantage. This is because it includes different groups that might have different needs but who are highly likely to be unemployed regularly or to be out of education and training in the short to medium term. For this reason, notwithstanding the heterogeneity in the NEET population, governments and social partners are right to set targets to reduce the overall level of NEET as long as it involves a range of different initiatives in line with the different needs of the various NEET subgroups.

Individual consequences of being NEET

Having analysed the characteristics and risk factors that may lead to NEET status, attention must be drawn to the consequences for the individual when spending periods of time as NEET. The societal consequences of being NEET will be investigated in Chapter 6. The aim of this chapter is to broaden understanding of the benefits accruing from re-engaging or encouraging young people to remain in education, training or employment. Being in education, training or employment has individual benefits other than increased employability.

The route to adulthood is often conceptualised as one where various investments are made in the forms of capital. Individuals succeed (or do not succeed) in the labour market due to their stocks of educational, social and psychological characteristics and resources (Côté, 2000). Moreover, according to Bourdieu (1986), it is the possession of economic and social forms of capital (and their combination) that defines a young person's place in the social topography. While various mechanisms can hinder the acquisition of these forms of capital, the first consequence of being NEET is that further economic, social and human capital acquisition is hindered.

It is well established that falling into the NEET status is first and foremost a loss of young people's potential (Williamson, 1997; Coles et al, 2002; Bynner and Parsons, 2002; Furlong, 2006; Pemberton, 2008; Chen, 2011). Research suggests that spending time in NEET status at a young age can have long lasting consequences or 'scars' (OECD, 2010). These scars can have a negative effect on future employment outcomes and earnings as well as negative consequences on physical and mental health. They can lead to difficult relationships, drug and substance abuse, involvement in criminal activities and disengagement from life and society. Moreover, these consequences can have a dramatic impact not only on the individual young person but also on their family and on society as a whole. In fact, as all these consequences have a cost attached to them, being NEET is not just a waste of young people's talent but is a problem for the entire society concerned.

Economic consequences, scarring effects and wage penalties

Spending short periods out of employment and education can be seen as a natural occurrence in the transition from school to work. However, spending a protracted period in NEET status may seriously undermine a young person's future employment prospects. In this respect, youth unemployment

has always been regarded as a serious social problem. Since the early 1970s, when the problem of unemployment became more acute, many studies have investigated the consequences of youth unemployment (Baxter, 1985; Clark and Clissold, 1982; Roberts et al, 1982; Winefield et al, 1991). Persistent unemployment makes the transition to adulthood difficult. In particular, there is widespread agreement that early labour market experiences can have a long-term scarring effect on labour market performance both in terms of labour force participation and future earnings (Smith, 1985; Gardecki and Neumark, 1997; Arulampalam et al, 2001). The best predictor of an individual's future risk of unemployment is their past history of unemployment; this leads to a vicious circle for young people who experience unemployment at an early age (Narendranathan and Elias, 1993; Arulampalam et al, 2000; Gregg, 2001; Burgess et al, 2003).

Many researchers have explored the causes and consequences of such scarring effects. Burgess et al (2003) reveal that the long-term effects of unemployment are conditional on the individual's skill level. A lasting adverse effect is found for low-skilled individuals but not for mid- to high-skilled individuals. This means that low-skilled individuals, who are more likely to be NEET, are more likely to experience future poor employment outcomes, probably due to educational underachievement. Similar evidence is found by Arulampalam et al (1998), who make use of the British Household Panel Survey (BHPS) to show strong evidence of state dependence in unemployment among men. Gregg (2001), using the National Child Development Survey (NCDS), estimates the future incidence of unemployment based on experiences of youth unemployment and finds that, depending on certain background characteristics, an extra three months of youth unemployment (before the age of 23) leads to an additional 1.3 months out of work between the ages of 28 and 33 years.

As young people who experience unemployment accumulate less work experience, they become more likely to earn less in the future. This leads some scholars to claim that youth unemployment poses a 'wage penalty' on future earnings and that this wage penalty operates even if individuals avoid being unemployed again. Empirical evidence for the wage penalty is found by Gregg (1998), using the NCDS, and Nickell et al (1999), drawing on earlier research; they argue that workers who lose their jobs and have a spell of unemployment tend to work at a lower rate of pay and often suffer a permanent pay reduction. Gregg and Tominey (2004) estimate that youth unemployment imposes a negative impact of 12%–15% on individual wages by the age of 42 years; this penalty is lower, at 8%–10%, if individuals avoid a repeat incidence of unemployment.

The concepts of scarring and wage penalties are extremely important. They imply that NEET status is not a temporarily problematic situation. Even in the longer term, the NEET population is likely to have negative outcomes, such as lower pay than non-NEETs. This can have wide-ranging effects over the life course. Former NEETs may not have secured sufficiently well-paid jobs to accrue occupational pension rights or to make substantial contributions to other non-state schemes. There is also considerable literature on how women face particular difficulties in securing a pension and income after retirement, given their broken career due to their caring and parenting responsibilities. This is particularly relevant to young mothers, who have to interrupt their career if childcare is not affordable or available.

Psychological distress, disengagement and risky behaviour

From a psychological perspective, there is a growing appreciation of the ways in which modern transitions can often affect development of people's identity. While recognising the potential benefits of taking time out (especially for those with the resources to use it constructively), Côté (2000) argues that the extended youth phase can be characterised by marginalisation and dependence, with young people often failing to establish a sense of direction and being confused in regard to the choices that may be open to them.

In this respect, not only does youth unemployment have negative economic consequences for the individual, it also creates psychological distress, such as feelings of loneliness, powerlessness, restlessness, anxiety and depression (Creed and Reynolds, 2001; Hagquist and Starrin, 1996; Hammer, 2000; Furnham, 1994). Becker (1989) shows how most unemployed people experience different forms of psychological distress and may react to their situation in four different ways: disorientation (60%), which incorporates feeling of aimlessness, uselessness and social isolation; health disorders (15%), which amplify the sense of social isolation and concerns about their financial situation (15%); and reliance on the ability to draw on an income without having to work for it (10%).

Being categorised as NEET is not only grounded in unemployment. It can also derive from being disengaged from education and job training. Those who fail to maintain a position in the educational system or the labour market cannot accumulate sufficient social and human capital. Being NEET is often associated with other risk behaviours that might contribute to further social exclusion. Studies on the issue have shown that NEETs are often involved in drugs and alcohol misuse, are parents at early ages and are often involved in crime (Coles et al, 2002). Young NEETs are also more likely to suffer from poor health and depression.

Suffering an involuntary disengagement from the labour market increases the incentive to engage in economically motivated criminal activities. There is an inextricable link between unemployment, disengagement and crime activities (Fergusson et al, 2001; Mitchell et al, 2002; Winefield, 1997). Furthermore, youth offending is often linked to educational underachievement, and studies have shown a causal link between an individual's education and labour market prospects and their probability of turning to economic-related crime. Conversely, not only does unemployment make crime more likely but a criminal record makes future unemployment more likely. Many studies agree that incarceration at a young age can have a long-term and significant impact on an individual's life (Fletcher et al, 1998; Sampson and Laub, 1997; Western et al, 2001; Western, 2002).

In addition to getting involved in criminal activities, NEETs are at a higher risk of involvement in risky behaviour in general. Young NEETs may become engaged in a cumulative set of risk-related behaviours such as alcohol and drug abuse and involvement in crime. This can lead to a dangerous spiral when those concerned become socially connected to other people involved in crime and without educational qualifications. NEETs are more prone to substance abuse than other young people (Fergusson et al, 2001; Mossakowski, 2008). They are more likely to drink alcohol, smoke and take illegal drugs, all of which strongly impact on their lives. Alcohol and drug abuse can lead to problems in obtaining and holding a job, with a consequent loss of earnings. At the same time, substance abuse can lead to sickness, health problems and even premature death. Drug users also run the risk of being drawn further into drug dealing and crime to support their addiction. Young NEETs involved in crime and substance abuse might end up being homeless, which has a negative impact both on their employment potential, as it is difficult to obtain a job without a permanent

address, and on their health, as this group tends to have poorer health and quality of life compared to their non-NEET counterparts.

Finally, being NEET is associated with early motherhood for women. Bynner and Parsons (2002) show that NEET status has a negative effect on the adult outcomes associated with identity capital formation, particularly for young women. For young men, NEET status mainly leads to poor labour market performance, while for young women, NEET status not only affects their labour market outcomes but also relates to early marriage or cohabiting, feelings of dissatisfaction with life, lack of a sense of control and experiencing problems in life.

Beyond individual consequences, being unemployed as a parent is likely to have an impact on the achievements and prospects of the children concerned; this intergenerational outcome may have consequences for society as a whole (Chevalier, 2004; Oreopulous et al, 2003).

Conclusion

This chapter shows that some young people are at greater risk of becoming NEET than others. Women, young people with disabilities, young people with a migration background, those with a low education level, those living in remote areas and young people with a low household income were all found to be at greater risk of becoming NEET than others. Additional intergenerational influences have also been shown to increase the chances of young people ending up as NEET. For example, having parents with a history of unemployment or with low education levels or divorced parents proved to increase young people's likelihood of becoming NEET.

This analysis has confirmed the heterogeneity of the NEET population, with two broad subgroups identified: vulnerable and non-vulnerable NEETs. It has also shown that factors such as education levels, family income and background, immigration status and health are all strongly related to patterns of vulnerability.

Understanding these risk factors is essential as NEET status comes with a range of dramatic and interconnected negative consequences. Spending time in NEET status can have severe individual short- and long-term consequences. These can be of a financial nature, such as scarring effects or wage penalties, but can also lead to a range of negative social conditions, such as isolation, involvement in risk-related behaviour, or unstable mental and physical health. Being NEET is not only a personal problem for those affected, but constitutes a challenge to society as a whole. This is very important given the size of the NEET population today, which may seriously undermine the sustainability and stability of the societies concerned.

5 Economic cost of NEETs

The aim of this chapter is to broaden understanding of the societal and economic benefits accruing from re-engaging young people and encouraging them to remain in education, training or employment. More specifically, this chapter aims to estimate some of the costs faced by society from not integrating a large proportion of young people disengaged from the labour market and education. It is important to highlight that the aim of this analysis is not to treat young people as commodities, but rather to stress the importance of re-engaging them and to develop an insight into how things would be different if the NEETs population was integrated. A better understanding of their potential added value to the economy could help strengthen the efforts of governments and social partners to reintegrate young people into the labour market.

Firstly, previous attempts at computing the costs of NEETs for England, Wales and the UK are presented. Then the basis of the estimation of the costs of NEETs for 26 EU Member States is shown, by presenting the data and the methodological assumptions. Finally, the results of this analysis are presented and discussed.

Previous calculations of the cost of NEETs

Being NEET is obviously a waste of the potential, talent and skills of the young people concerned, but it also has adverse consequences for society and the economy. All negative individual outcomes of NEET status have an additional cost attached to them. Therefore, being NEET is not just a problem for the individual but is also one for societies and economies as a whole. Calculating these costs can play an important role in highlighting the need to encourage young people to remain engaged in the labour market or education and to broaden understanding of the benefits accruing from re-engaging them. However, the calculation of such costs is complex. Relatively few previous attempts at estimating the cost of NEETs have been made and those that have been carried out relate only to England and Wales or to the whole UK.

Researchers at the University of York have made two separate attempts to calculate the lifetime cost of NEET status in England and Wales (Godfrey et al, 2002; Coles et al, 2010). These were based upon the official calculation of the number of NEETs, which referred to those aged 16–17 years who were not in any form of education, employment or training. The aim of the research was to estimate the additional accrued costs for a defined group of young people who were NEET compared to a hypothetical situation in which these young people had the same current and future experiences as their non-NEET contemporaries.

In order to achieve this estimation, Godfrey et al (2002) developed a costing framework to estimate the cost of NEETs in terms of their impact on public finance and total resources costs. The calculation of public finance costs was largely made up of the costs deriving from welfare benefit payments, lost taxes and national insurance payments. On the other hand, resource costs referred to the more complex idea of an estimated loss for the economy, in the form of foregone earnings and welfare losses resulting from both unemployment and under-employment following the NEET period. Costs were interpreted broadly to include costs to individuals, their families and the rest of society. Estimates were defined in terms of current, medium and long-term costs; they included estimations related to lifetime public finance and resource costs. The lifetime estimation was produced on the basis of several assumptions. For instance, the length of time during the life course that people would spend unemployed or under-employed was based on data from cohort studies including household panel studies as well as fictional case studies. These were designed to help illustrate the ways in which patterns of disadvantage develop into trajectories, linking together a host of poor

welfare outcomes and the associated public and private costs involved. Because the concepts of resource costs and public finance costs are fundamentally different, Godfrey et al (2002) urged that they should not be aggregated in order to avoid conceptual confusion and the risk of double counting.

The methodology applied by Godfrey et al (2002) had three stages. The first stage was to outline the potential effects of being NEET (compared to non-NEET), divided between current, medium and long-term costs. Potential effects were drawn from findings of existing research literature. Factors that were identified as being particularly associated with being NEET included educational underachievement, unemployment, inactivity or not currently in the workforce, poor physical or mental health or disability, substance abuse and crime. The second stage involved attaching a cost of these effects, for the individual and for the families, as well as the resource or opportunity and public finance costs. To calculate the total net cost of the NEET population, estimates were required of the number of people experiencing that particular consequence and the cost per person (or unit cost) of such consequences. For example, calculating the cost of unemployment among 16–18-year-olds required an estimate of how many people in the total NEET population were unemployed. In the third stage, this number was then multiplied by, for example, the cost of benefit payments per person. All other costs were dealt with similarly. Estimates were generally calculated with the most conservative estimates. Due to this conservative approach and the absence of cost estimates for all the effects, these total cost estimates were likely to be minimum approximations of the costs of NEET (Godfrey et al, 2002).

On this basis, Godfrey et al (2002) calculated the costs of NEET using the NEET population as estimated at the end of 1999, which comprised 157,000 individuals. Costs were estimated in 2000–2001 prices and future costs were discounted to present values using a discount rate of 6%. This led to the finding that total resource costs in 2002 amounted to £7 billion, while public finance costs were at £8 billion over a lifetime. This corresponded to a per capita, present value, lifetime total of £45,000 in resource costs and £52,000 in public finance costs. Current per capita costs of NEET for those aged 16–18 years were £5,500 in public finance costs and £5,300 in total resources costs. Thus, if 10,000 people (less than 10% of the estimated 157,000) were to exit NEET status, through policy interventions for example, current savings would amount to £53 million in resource costs and £55 million in public finance costs. On this basis, lifetime aggregated savings would be £450 million in resource costs and £520 million in public finance costs.

This exercise was repeated by the same researchers in 2010 (Coles et al, 2010). By and large, the same macroeconomic model was used, but in 2010 the case study methodology was developed much further. In more recent years, concerns arose regarding the sole use of household surveys for research on NEETs; this was because of an increasing understanding that some of the subgroups within the NEET category were highly unlikely to be picked up in household surveys and that the exclusion of such groups could highly distort the overall picture (Coles et al, 2009). For this reason, using longitudinal qualitative methods, the 2010 study included, wherever possible, factual case studies of hard-to-reach subgroups of NEET. These included detailed accounts of their life experiences over a long period. These biographies were then projected up to retirement age in order to complete the lifespan financial calculations. The majority of case studies were developed with contrasting pairs. Type A cases involved factual biographies, which were selected because they exemplified a successful intervention. Type B cases were 'ideal-typical' in the sense that they were more pessimistically constructed scenarios, which envisioned that no successful intervention had occurred and, as a result, the welfare of the individual in question was much less favourable.

Contrasting type A and B cases were developed for the more hard-to-reach subgroups, such as teenage mothers, young offenders, young people leaving care (separate cases for male and female), young carers, young people with a cognitive disability (autism), and pupils disaffected with, and excluded from, school. In general, the extensive use of factual case studies made it possible to gain a more detailed calculation of the costs across the full life course, from leaving school through to retirement. It also allowed for the exploration and testing of the assumptions of welfare benefit costs made within the macroeconomic costing calculations of the aggregate lifetime cost of NEET.

Coles et al (2010) provided aggregate calculations, including low, medium and high estimates. The headline figures showed that the lowest estimate of lifetime public finance costs of NEET increased from £8.1 billion in 2002 to just short of £12 billion in 2009, while the high estimate in 2009 was just short of £33.5 billion. The increased cost between the two dates was largely due to an increased number of young people in NEET status at the end of 2008 compared to 2002. The average unit lifetime public finance cost of each NEET between the ages of 16 and 18 years (based on the lowest estimate) changed very little – rising only slightly from £52,000 in 2002 to just over £56,000 in 2009. The lowest estimates of resource costs, however, had risen from around £7 billion in 2002 to nearly £22 billion in 2009. This larger rise is likely to reflect not only the increased number of NEETs but also the growing gap between in-work pay and out of work benefits.

The Prince's Trust in the UK also attempted to estimate the cost of NEETs. This work estimated the cost of social exclusion for young people aged 16–24 years in the UK by using the estimated costs of youth unemployment, crime and educational underachievement. This exercise was originally carried out in 2007 and then repeated in 2010 (Prince's Trust, 2007, 2010). Once again, costs were calculated as direct costs of benefits, including the job-seekers' allowance (with its correlated benefits such as free school meals, health benefits, maximum council tax benefit, maximum housing benefit and certain social fund payments depending on the personal characteristics of young unemployed people), and as productivity loss to the economy. As calculated by the Prince's Trust (2007), the cost of youth unemployment was £20 million per week in job-seekers' allowance and over £70 million per week in productivity loss. Put together, the UK taxpayers paid a massive £90 million per week due to youth unemployment. When the exercise was repeated in 2010 in the context of the economic crisis, which hit young people particularly badly, estimates revealed that UK taxpayers paid £22 million per week in job-seekers' allowance and £133 million per week in productivity loss in terms of foregone earnings. Moreover, by using the average cost associated with each crime committed, together with information on the number of convictions in each UK region, the authors estimated that the UK paid over £1 billion a year in youth crime costs in 2007 and £1.2 billion a year in 2010. It is important to stress here that this estimation was based on convictions, which is not the same as crime. In fact, becoming a young offender can lead to further exclusion as young offenders are more likely to be unemployed than their peers and they are more likely to re-offend. Finally, the cost of educational underachievement was calculated in the report by using estimates, from the LFS, of the percentage of people with no qualifications, together with population figures to estimate the number of young people with no qualification in the UK. This was based on the assumption that each person suffers an average 10% loss on earnings over their lifetime (known as a 'wage scar'). From this estimation, the cost of educational underachievement to the UK economy was about £18 billion in the 2007 study and £22 billion in the 2010 study. The report strongly agreed with other research literature that education positively affects health; the 2007 report estimated that health costs in youth depression could cost the national health system between £11 and £28 million per year.

Computing the cost of NEETs across the EU

The studies discussed above reveal how consequences associated with the disengagement of young people from labour market and education represent an enormous monetary burden for the individuals, the economy and society. Furthermore, these consequences tend to worsen with time. Early interventions that help young people into jobs or stay on in education are vital for European countries as they represent excellent value for money given the massive costs associated with social exclusion.

This study aims to provide estimates of the monetary loss for economies caused by the labour market disengagement of young people aged 15–29 years in the NEET group, in 26 EU Member States. Only Malta is excluded, as no data were available for that country. As far as it is known, this is the first attempt to measure such costs in a European comparative framework.

It is important to stress again that the purpose of this analysis is not to commodify young people – the aim is not to put a price tag on a young person's life. Rather, it is to envisage what might be different if NEETs were re-engaged in the labour market, in relation to their potential contribution to the economy and the savings for welfare states. Estimating the monetary cost of the NEET group may be very effective in broadening understanding of the benefits accruing from re-engaging young people in employment and education and in stimulating governments and social partners to prevent the disengagement of young people from the labour market and education.

Calculating the economic cost of NEET is a complex exercise for several reasons. As seen in the previous section, potential costs are wide ranging and include direct and indirect costs. Direct costs gauge the costs to the state derived from paying unemployment insurance and other welfare benefits to NEETs, while indirect costs deal with the loss of income and output for the economy as a whole, and might also include social costs. While direct costs can be easily measured if administrative data are available, indirect costs are much more difficult (or even impossible) to calculate, as a monetary value may be assigned to them only on the basis of a strong set of assumptions. These assumptions must be even stronger if the analysis is extended from current costs to medium- and long-term costs, as in Coles (2010) and Godfrey et al (2002).

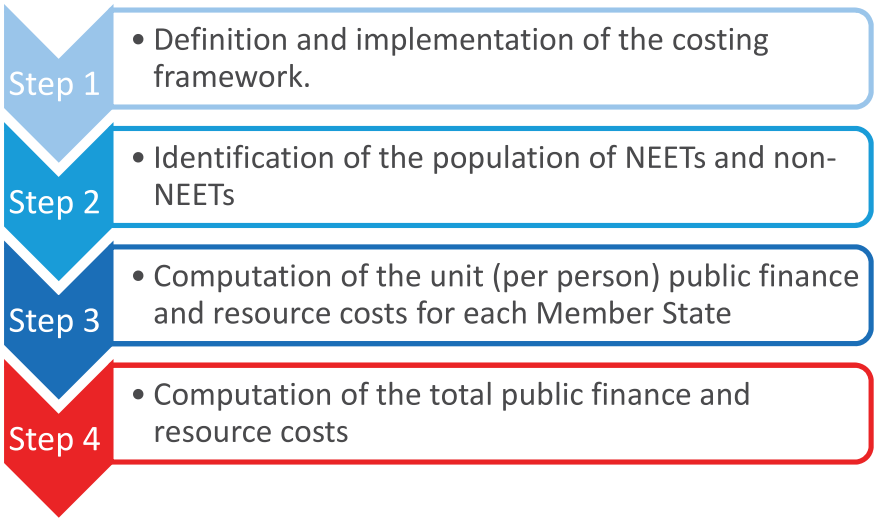
Data for measuring such costs may be scarce or missing or not accessible at all. Even for deriving direct costs, which may be computed through administrative data, one might encounter difficulties when such data are not always publicly available or up to date. If this is the case, direct costs need to be estimated through household surveys too, and they lose their comparative advantage. Moreover, it may not be possible to measure or monetise some indirect costs. This is the case, for example, regarding the social impact of unemployment on quality of life (Helliwell and Huang, 2011). For these reasons, the availability of data strongly drives what is included and what is excluded in the costing framework.

The methodological approach adopted for the estimation of the costs will inevitably affect the final results and their subsequent interpretation. In general, all calculations of the economic costs of NEETs have to be seen as very conservative, as it is not possible to include all possible costs. However, very simple methodological approaches may introduce a bias into the estimation as they could be based on assumptions that are too strong and unrealistic and may fail to describe the real situation.

All the difficulties described are amplified when the costs are computed in a European comparative framework. In particular, the availability of a common set of comparable data may be even more limited, which may undermine the entire exercise. In fact, at the European level, data availability on this topic differs considerably from country to country, and administrative data are not always accessible or even comparable. In this respect, the estimation of direct costs through administrative data may become unfeasible and alternative data sources, such as household budget surveys, should be considered.

With these factors in mind, the aim of this study is to calculate the economic loss faced by 26 Member States due to the exclusion of a large share of their young population – those aged 15–29 years – from the labour market and education system. The methodological approach taken is based on four steps, as illustrated in Figure 28.

Figure 28: Methodological approach for calculating the cost of NEETs



In the first step, the costing framework is defined and implemented; this includes defining public finance and resource incomes. In the second step, the population of NEETs is defined, using a longitudinal approach. A comparison group of non-NEETs is also defined. In the third step, the unit (per person) resource and public finance costs are estimated for each Member State using the statistical technique of propensity score matching, which permits the peculiar characteristics of the NEET population to be taken into consideration. Then, as a final step, the unit (per person) public finance and resource costs calculated in the previous step are multiplied with the size of the NEET population for each Member State. These results are then summarised and discussed to provide a picture for Europe. The picture provided is for 2008, and these results are then projected for 2011.

Defining and implementing the costing framework

Costs can be defined in a number of different ways to address different questions. The final result will be strictly dependent on the types of costs that are included in the costing framework of the analysis. The costing framework adopted here is inspired by the framework originally implemented by Godfrey et al (2002) and Coles et al (2010). In their work, the researchers focused on the costs associated with several consequences of NEET status by taking into consideration the loss of output, the additional welfare transfer, and costs related to health consequences and criminal activities.

The scarcity of available data at the international level limits the range of costs that can be included in this analysis. For example, no comparative European data are available concerning the additional costs derived from an increased risk of NEETs experiencing mental and physical health problems, being involved in criminal activities and substance abuse. Hence, the costs estimated in this study should be considered to be very conservative. Moreover, and in contrast to Godfrey et al (2002) and Coles et al (2010), the focus of this study is strictly on the current losses to the economy of 26 Member States in 2008 due to the disengagement of young people. In order to provide the most recent picture, these estimates are then projected to 2011 but any estimation of medium- or long-term costs is not performed.

Two types of cost are considered: (direct) public finance costs and (indirect) resource costs.

Based on the hypothesis that NEETs are more likely to receive higher transfers from welfare states than non-NEETs, public finance cost estimates gauge the costs to Member States of paying unemployment insurance and other welfare benefits to young people in the NEET group. In this framework, public finance costs are defined as all transfers and benefits from public benefits schemes received by a young person in the NEET group and which are in excess of what a non-NEET counterpart would receive. The public finance income received by NEETs is expected to be higher than that received by non-NEETs, given that the income of NEETs will predominantly come from social benefit schemes such as housing benefits, unemployment benefits or minimum income schemes. Public finance income may be directly observable through administrative data or it may be estimated through data from household surveys. To a degree, the estimation of public finance costs represents current policy expenditure to support the NEETs group and can be used as a measure of the most immediate consequences for the public finance of any increase of the NEET population.

The estimation of the public finance costs will be based on the difference between the public finance income received by NEETs and that received by non-NEETs. In other words, it represents the potential savings in public finance transfer if NEETs would be re-engaged in the labour market.

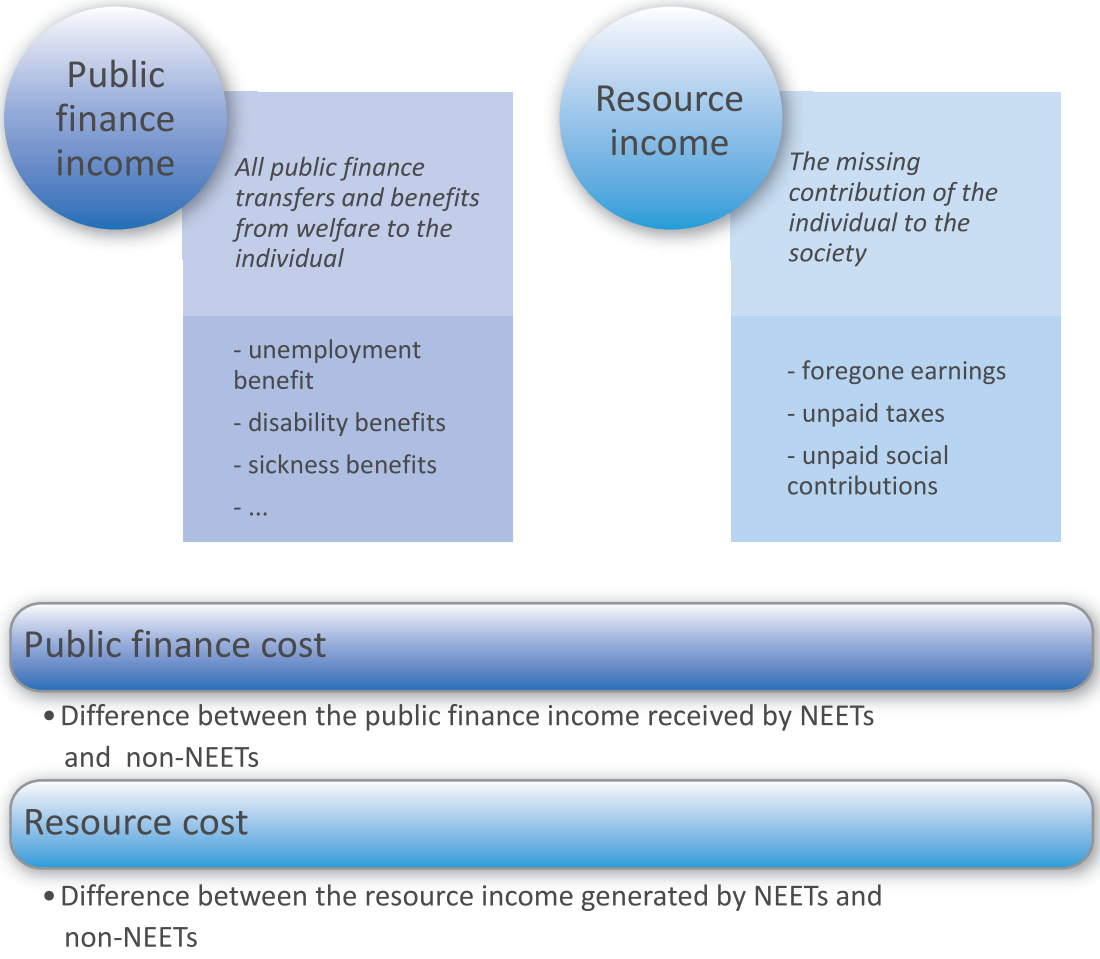
Resource costs are the indirect loss to the economy due to the lack of labour market participation of NEETs. Resource costs aim to capture the difference between potential and actual output, namely, resource income. They represent the missing economic contribution of the individual to the society; had the NEETs been gainfully employed, they would have contributed to the production of goods and services in the economy and, therefore, to growth. This loss in income includes the personal loss to those who are NEET but also to all others who would have benefited had this income been spent on goods and services throughout the economy. In other words, firms lose because of lost sales and profits, individuals and their dependents lose due to the general fall in their income, and the state loses due to lost sales and income tax revenue. It should be reemphasised that measuring resource costs as a loss of output is too narrow a measure of the costs of NEETs, because NEETs are not simply unutilised units of production. As seen previously, the NEET status brings numerous other non-pecuniary indirect costs that are not just apparent in the loss of income, but also in the deterioration of human capital and employability as well as an increase in certain crimes and health costs. The importance of such indirect costs is clearly understood, but their estimation is beyond the scope of this chapter.

Based on the hypothesis that NEETs are more likely to have a lower resource income than non-NEETs, resource costs are defined as the difference between resource income earned by NEETs and that earned by non-NEETs. Resource income is intended as individual gross income, which includes

unpaid taxes and unpaid contributions to social welfare. This allows us to quantify the productivity losses and losses in welfare contributions to the economy due to the unemployment or inactivity of a young person who is NEET.

Resource costs are not directly measurable as they are purely hypothetical, but they can nevertheless be estimated when comparing the income situation of a NEET to that of a non-NEET. The estimation of the resource cost will be performed as the difference between the resource income produced by NEETs and the potential income they would produce if re-engaged in the labour market. Figure 29 displays the costing framework schematically.

Figure 29: The costing framework



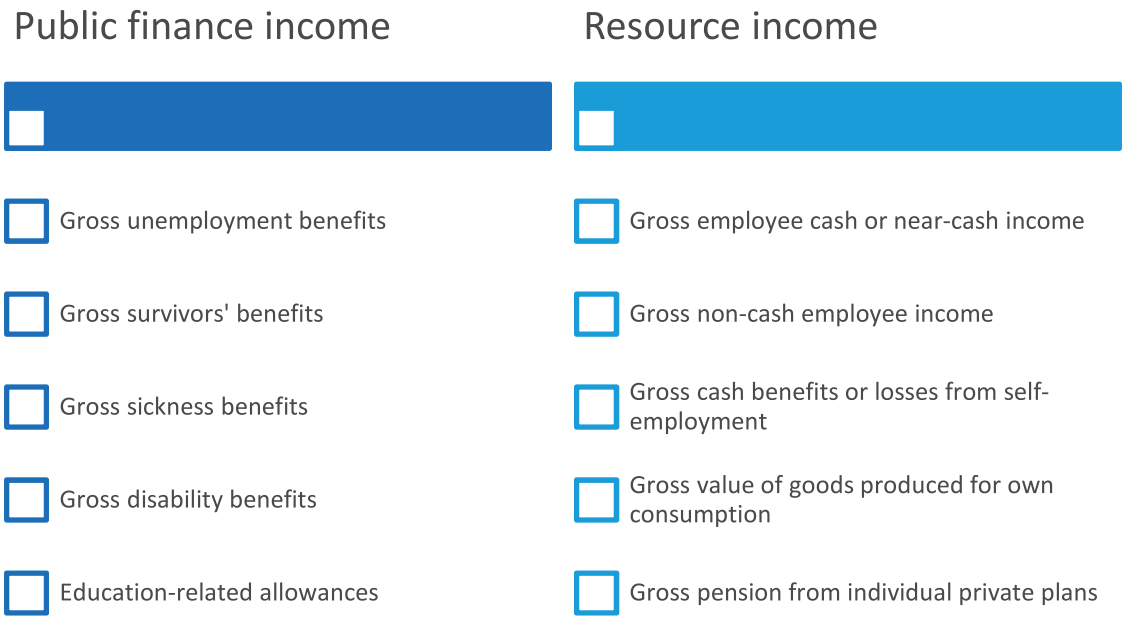
On the basis of this costing framework, the total cost of NEETs is equivalent to the lost gross earnings from market activity and the savings on transfer income realised if a NEET was in employment. These two costs partially overlap. In fact, in this approach it is recognised that the public finance costs may have a mitigating effect on the loss of income from unemployment and inactivity. For this reason, the two costs will be calculated and presented separately and aggregated together for illustrative purposes only.

Implementing the costing framework

In order to implement the costing framework defined above, problems of data availability arise. While administrative data are the best source for estimating public finance costs, these are not always available in a timely fashion or fully comparable at European level. For this reason, in this study the costing framework is implemented using a household budget survey, the 2008 EU Statistics on Income and Living Conditions survey (EU-SILC).

EU-SILC is an annual cross-sectional and longitudinal survey to monitor the living conditions of the population in private households across Europe. EU-SILC is coordinated by Eurostat and data are representative at the national level for EU Member States, ensuring a high level of comparability of results. In EU-SILC, personal income is taken to be all monetary income received by the individual, namely all income from work (employee wages and self-employment earnings), private income from investment and property, transfers between households plus all social transfers received in cash including unemployment benefits during the income reference year. Information on net or gross personal income is provided. For this analysis, gross income data were used, for the reasons listed above.

Figure 30: Implementation of the costing framework



The public finance income is operationalised in EU-SILC as income deriving from welfare benefits. This is recorded through five variables: unemployment benefits, survivors' benefits, sickness benefits, disability benefits and education-related allowances. Similarly, resource income is defined as income generated by the individuals themselves. This is measured through five items: employee cash or near-cash income, non-cash employee income, gross cash benefits or losses from self-employment, value of goods produced for own consumption and pension from individual private plans. The last category was included as it can be seen as a result of a person's savings from past resource-related income.

According to this framework, for each NEET and non-NEET the variables are aggregated at the individual level and turned into two new variables that represent the public finance and the resource income produced and received by NEETs and non-NEETs. The difference between the public finance income received by NEETs and non-NEETs will give the public finance cost of NEETs. The same holds for the resource costs.

Size of the NEET population

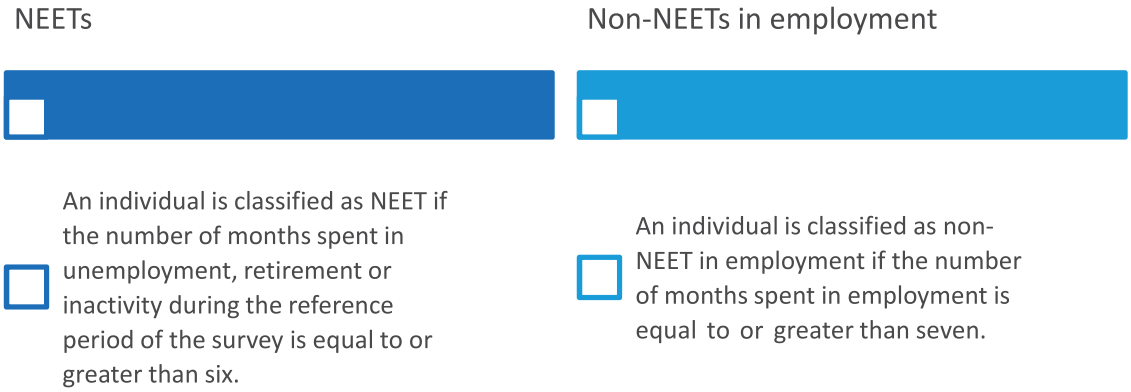
Once the costing framework has been defined and implemented using the 2008 EU-SILC, the population under study needs to be defined and identified using the same data source. Earlier in this report, the Eurostat definition of NEETs was adopted and then implemented using the cross-sectional European LFS. However, there is widespread agreement in the research literature that NEET status reflects the dynamics of young people's transitions and that it should be defined longitudinally in order to better capture the degree of their vulnerability and to make it easier to identify the most vulnerable. A longitudinal framework can use the length of time young people remain outside education, training or employment (Bynner and Parsons, 2002; Furlong, 2007). The length of this disengagement is especially important when computing the costs derived from NEET status. As highlighted in the previous chapter, NEETs are a heterogeneous population composed of several subgroups with very well-defined characteristics, some more vulnerable than others. The adoption of a cross-sectional definition does not allow for discriminating between short-term and long-term unemployment or between the more privileged NEETs who are more likely to spend shorter periods in NEET status than the discouraged workers. Hence, a longitudinal definition of NEETs, with people classified as NEET on the basis of the length of their disengagement enables a reduction in the heterogeneity of the NEET population, while focusing on the more vulnerable and by excluding those who pass temporarily through the NEET status as part of their labour market transitions.

NEETs are defined here as those young people who remained outside employment, education or training for 6 months or more during the previous 12 months. These six months do not need to be consecutive. This follows research done by Bynner and Parsons (2002), who defined NEETs as those young people aged 16–18 years who were outside employment, education or training for 6 months out of a 24-month reference period. A similar threshold has been chosen by others (Istance et al, 1994; Williamson, 1997). We have shortened the reference period from 24 to 12 months, as the definition chosen by Bynner and Parsons might be relevant to disengagement among 16–18-year-olds but cannot be true for the wide age category (15–29 years) that is the basis of this study. This age group may have more complex trajectories, where the same period of time might be read as normal transitions between education and labour markets or between jobs. Nevertheless, the identification of a precise cut-off point that allows the strongest discrimination between NEETs and non-NEETs is not obvious and is inevitably subjective.

The new threshold proposed here allows this research to capture only those who are more distant from labour market and education, while those who are unemployed briefly are more likely to be excluded. With this definition, the focus is on those who are in need of urgent policy interventions. In this way, the longitudinal definition adopted here helps to identify patterns of disengagement instead of catching a cross-sectional view or situation. The above definition is implemented with the 2008 EU-SILC database, using the monthly calendar of activities. Those young people who remained outside the labour market and education system for six months or more during the income reference period of the survey are classified as NEETs.

As outlined earlier, costs will be defined as any additional costs derived from NEET status, when compared to an alternative situation. Therefore, in order to evaluate the current cost of disengagement from the labour market, the public finance and resource income of young people who are NEETs must be compared with the income of a contrasting group of non-NEETs. Non-NEETs are defined as those young people who have been in employment seven months or more during the reference period of the survey. While in their original study Bynner and Parsons compared NEETs with those young people who remained in employment for the full period of 24 months, our definition allows for the inclusion of intermediate situations and less linear transitions from school to work. This group is easily identified in EU-SILC using the monthly calendar of activities. Young people in permanent education are not included as their status is one of investing in human capital development, and they are likely to be still supported by others while not generating income. The operationalisation of the groups and the variable used for the definition and identification of the NEET and non-NEET groups is shown in Figure 31.

Figure 31: Operational definition of NEETs and non-NEETs



On the basis of the definitions above, the composition of the NEET and comparison groups among those aged 15–29 years for each Member State is presented in Table 10. The table shows the size of the NEET group and the size of the comparison group of young people who are employed. The third group includes all young people not otherwise classified; young people in education fall into this category.

Table 10: Distribution of NEETs and comparison groups among young people aged 15–29 years, EU Member States, 2008

Country	NEETs	Comparison group	Not otherwise classified	Total
AT	193,936	812,496	469,592	1,476,024
BE	203,829	813,251	829,290	1,846,370
BG	468,390	736,718	476,296	1,681,404
CY	28,373	74,232	74,413	177,018
CZ	295,415	891,186	818,882	2,005,483
DE	1,211,803	5,907,100	6,271,097	13,390,000
DK	37,299	369,666	467,880	874,845
EE	38,234	131,945	112,114	282,293
ES	1,029,312	4,245,084	2,801,575	8,075,971
FI	126,270	440,560	343,701	910,531
FR	1,487,827	5,623,511	4,248,662	11,360,000
GR	416,331	788,008	696,217	1,900,556
HU	375,351	812,884	737,183	1,925,418
IE	179,457	443,567	369,811	992,835
IT	1,916,025	3,447,364	3,692,575	9,055,964
LT	61,847	310,310	334,153	706,310
LU	6,139	37,106	35,774	79,019
LV	68,430	230,389	164,950	463,769
NL	148,555	1,230,957	1,371,349	2,750,861
PL	1,360,377	3,637,356	3,341,108	8,338,841
PT	264,579	950,069	685,179	1,899,827
RO	706,647	2,010,275	1,602,064	4,318,986
SE	135,137	791,793	706,195	1,633,125
SI	34,513	128,772	205,170	368,455
SK	126,767	552,119	587,383	1,266,269
UK	1,067,489	4,480,567	5,041,944	10,590,000
Total	11,988,332	39,897,285	36,484,557	88,370,174

Notes: NEET = young people who spent six months or more in the NEET status.
Comparison group = young people who spent seven months or more in the labour market.
Source: Eurostat EU-SILC ad-hoc request and Eurofound calculation on 2008 EU-SILC rev. 2

Computation of the costs

In order to evaluate the current total cost of NEET status, public finance and resource incomes generated by those young people who are NEETs are compared with those generated by their employed counterparts, the comparison group. Following the hypothesis and the framework described above, the cost of a NEET is calculated as the difference between the public finance income received and the resource income produced by a NEET, and those received and produced

by those in employment. This is calculated for each Member State. Firstly, a unit (per person) cost estimation is performed and then this figure is multiplied by the incidence of NEET to estimate the total cost of NEETs in the Member States considered.

The most crucial part of this exercise is estimating the difference in public finance and resource incomes between NEETs and those in employment. Several methodological approaches can be adopted. A very simple method is the simple difference approach. With this method, the average welfare transfer received by a NEET is compared with that received by one young person in employment. The difference between the two averages is the public finance cost. The same applies to the resource cost; the difference between the average income generated by NEETs and non-NEETs is the resource cost of NEETs.

This method is indeed quite simple and often applied in the general literature. However, its main drawback is that it does not take into consideration the differences in the characteristics of the population of NEETs and of the comparison group. As shown in the previous chapters, NEETs and those in employment have very different characteristics. For instance, NEETs are more likely to have a lower educational level or to suffer from some kind of disability. In general, they are more likely to accumulate disadvantages when compared to non-NEETs. Given these characteristics, there is agreement in the literature that if NEETs were re-engaged into the labour market, their average potential earnings would be lower than the average earnings of those already in employment. In fact, income differences may depend on several factors, such as age, gender, education, ethnic background, health status, work experience and so on. These factors need to be taken into consideration while estimating the costs of NEETs. That is to say, there may be systematic differences in the background characteristics, which cause a bias. With the simple difference approach, none of these variables can be taken into consideration and, despite its simplicity, the cost calculated with this methodology is a biased estimation of the real cost to our societies – the potential earning power of NEETs is likely to be overestimated, while their welfare transfer is likely to be underestimated.

In order to remove this bias and to provide a more reliable estimation of the cost of NEETs, more sophisticated statistical techniques have to be applied. From a methodological point of view, the implementation of a randomised experiment is unfeasible. Observational studies use several statistical techniques to remove confounding effects. The most common method is probably regression modelling. However, the standard regression adjustment is limited because if groups differ greatly in their observed characteristics, estimates of differences between groups from regression models rely on model extrapolations that can be sensitive to model misspecification.

As an alternative, the propensity score matching methods, introduced by Rosenbaum and Rubin (1983) can be used. The propensity score is defined as the conditional probability of receiving the treatment (being a NEET) given a set of observed variables. The propensity score has the property that given any value of the propensity score, the subgroups of young people who fall within groups have the same joint distribution of the observed variables (Rubin, 1997; Rosenbaum and Rubin, 1983, 1984). Propensity score matching methods match subjects according to their propensity for group membership (in this case, to be a NEET) to balance the distributions of observed characteristics across groups. Propensity score matching methods do not guarantee that bias generated by unobservable confounding factors is removed. However, the untestable and sometimes controversial strong ignorability assumption implies that all biases can be removed by adjusting for differences in the observed variables. Under this assumption, within subpopulations homogeneous in the propensity score, there are no biases in comparisons between NEET and non-NEET units.

The idea behind propensity score matching is that the bias is reduced as the comparison of outcomes, namely income, is performed between treated (NEET) and control (non-NEET) subjects that are as similar as possible on observed variables such as age, sex, education, marital status, ethnic background and so on. In a nutshell, all the individuals who are NEET are compared with their statistical twins; that is, non-NEET subjects who have similar propensity score values, and therefore similar characteristics. The comparison of their income and welfare transfer is performed and the average difference in earnings and welfare transfer is computed and considered as the individual cost of a NEET.

More specifically, the method is conducted by estimating the propensity of each individual in the dataset to belong to the NEET group, regardless of whether or not they are actually in this group. For example, someone identified as NEET can have the same age, sex, education level, social background, type of household and health status as someone who is in regular employment. Therefore, both would have the same probability of being NEET; that is, the same propensity score. In this way, the non-NEET subject can be used to estimate the economic costs of the NEET, by showing the costs if they had been a non-NEET instead.

In order to compute the resource and the public finance costs, the propensity score method is applied individually for each country. In all models, the variables used for the determination of the propensity score are: age, gender, parenthood, household income, educational level, marital status, immigration background, deprivation index, and health condition. Interaction effects are included in order to improve the balance of the observed covariates across groups. The model is estimated using the STATA routine pscore (Becker and Ichino, 2002). The set of matching variables are common for both resource and public finance costs. The same model specifications are applied to most countries, while alternative specifications are used when the balancing property was not satisfied with the original model.

Total cost of NEETs in 2008

The costs of NEETs in 2008 were calculated based on the methodology described above, and the results are presented in Table 11. For each country, resource and public finance costs are presented as well as unit (per person) cost and total figures. All amounts are given in euro.

Affected by type of welfare model, the results show that unit public finance costs vary strongly between the Member States, ranging from €5,203 in Denmark to approximately €3 in Bulgaria. While a comparison is difficult due to differences in purchasing power in the various Member States, the individual cost of a NEET to public finance is limited in several countries, such as Greece, Italy and Slovenia, while it is bigger in countries such as Belgium, Finland, Germany and Ireland. Conversely, the unit resource costs show a lower degree of variability among the Member States; these vary from less than €2,000 in Bulgaria and Romania to over €18,000 in Luxembourg and the Netherlands.

As expected, the results of the analysis show that resource costs are much higher than public finance costs. This is true for all countries. In line with the different welfare models in different Member States, the share of public finance costs varies substantially between Member States. In Belgium, Denmark, Finland, Germany and Ireland, public finance costs represent more than 10% of the overall outlay. Conversely, in Bulgaria, Greece and Italy, public finance costs represent less than 1% of the overall cost.

In order to understand the extent of total losses to society of the disengagement of NEETs from labour market, the unit (per person) costs of NEETs have to be multiplied with the incidence of NEET for each Member State. On this basis, the loss for 26 Member States' economies in 2008 due to the lack of NEETs' labour market participation can be estimated to be €2.3 billion per week. Based on this calculation, the total estimated economic costs of NEETs in 2008 were approximately €119.2 billion. This figure corresponds to approximately 1% of the aggregated GDP of these 26 Member States.

At country level, the highest bill is paid yearly by Italy (€25 billion), France (€17 billion), Germany (€16.4 billion), the UK (€13 billion) and Spain (€10.7 billion). Conversely, small countries such as Latvia (€335 million), Lithuania (€223 million), Estonia (€210 million) and Luxembourg (€122 million) pay the lowest amount.

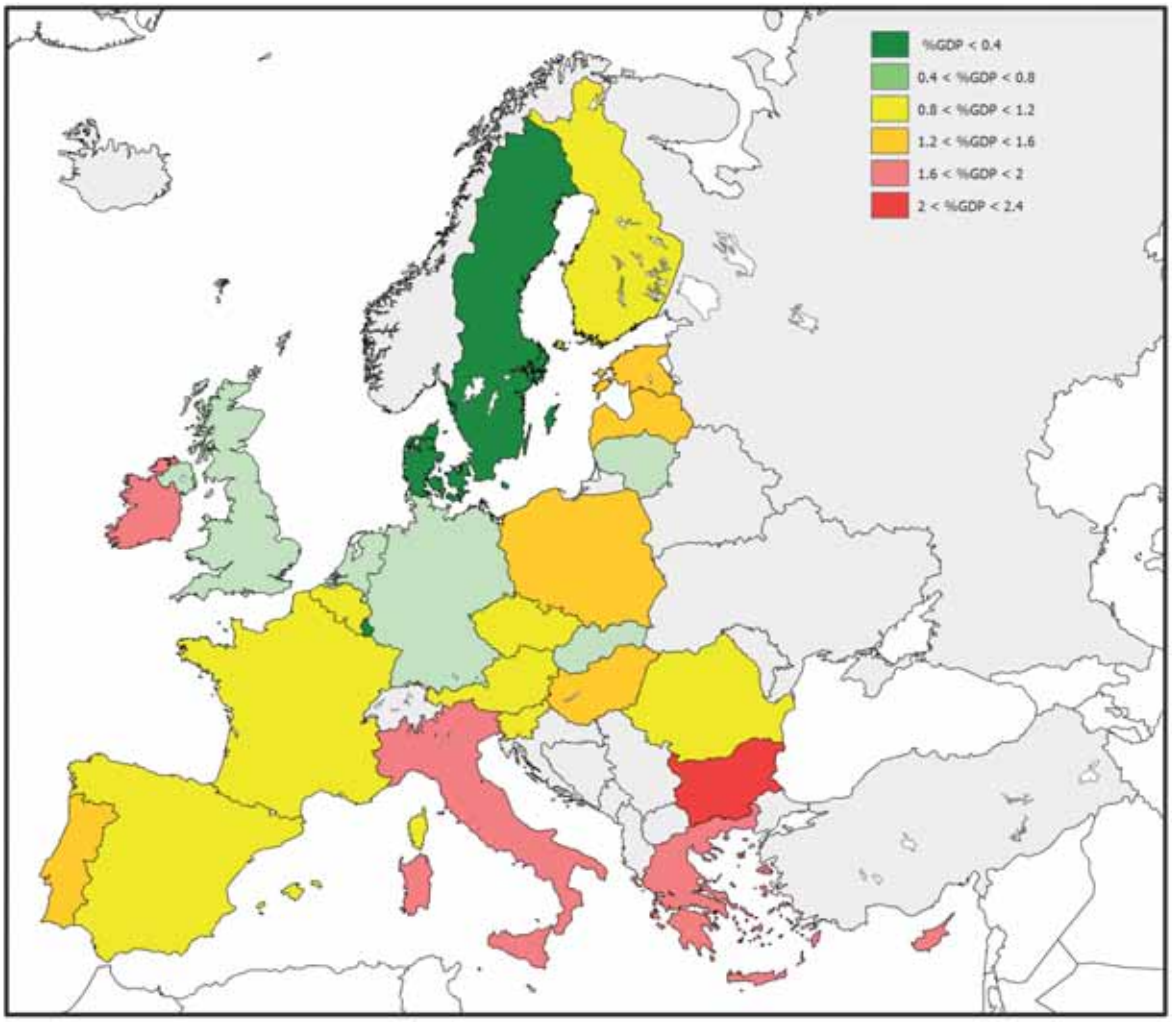
The total annual cost comprises €8.8 billion of public finance cost and €111.3 billion of resource costs. While on average the resource costs are 13 times higher than the public finance costs, due to the different welfare systems the situation is highly differentiated at the Member State level. In Belgium, Denmark, Finland, Germany and Ireland, resource costs are at most six times higher than public finance costs, while in Bulgaria, Greece and Italy, resource costs are at least 100 times higher than the public finance costs. It is interesting to know the economic losses in absolute terms; however, this information is not very informative for cross-country comparison. In fact, differences in the cost of living and the size of the population of NEETs greatly inflate or deflate the absolute figure and make such comparisons unfeasible. In order to perform such a comparison, the economic loss due to the disengagement of NEETs from the labour market is calculated as a percentage of GDP. In this case, the country that pays the highest bill is Bulgaria, with a loss equal to 2.36% of GDP, followed by Greece and Ireland (both at 1.74%), Cyprus (1.65%) and Italy (1.60%). The countries that pay the lowest bill are Luxembourg (0.31%), Denmark (0.33%), Sweden (0.36%), and the Netherlands (0.52%). These results are graphically presented in Figure 32.

Table 11: Cost of NEETs in 2008

Country	Unit public finance cost	Unit resource cost	Unit total cost	No. of NEETs	Total public finance cost	Total resource cost	Total cost	% of GDP
Austria	€1,129	€14,672	€15,800	193,936	€218,866,512	€2,845,367,514	€3,064,234,026	1.08
Belgium	€3,457	€16,509	€19,966	203,829	€704,693,314	€3,365,052,096	€4,069,745,410	1.17
Bulgaria	€3	€1,783	€1,786	468,390	€ 1,491,947	€835,084,428	€836,576,374	2.36
Cyprus	€385	€9,579	€9,964	28,373	€10,923,679	€271,784,190	€282,707,868	1.65
Czech Republic	€418	€ 4,635	€5,052	295,415	€123,397,209	€1,369,121,792	€1,492,519,001	0.97
Denmark	€5,204	€15,673	€20,877	37,299	€194,089,923	€584,603,489	€778,693,412	0.33
Estonia	€128	€5,372	€5,500	38,234	€4,902,586	€205,395,449	€210,298,035	1.29
EU26	€741	€9,204	€9,946	11,988,332	€8,886,025,690	€110,345,112,549	€119,231,138,239	0.96
Finland	€1,675	€11,302	€12,978	126,270	€211,520,812	€1,427,149,787	€1,638,670,598	0.88
France	€1,019	€10,887	€11,906	1,487,827	€1,516,497,873	€16,198,290,944	€17,714,788,817	0.92
Germany	€1,960	€11,611	€13,571	1,211,803	€2,375,021,304	€14,070,473,664	€16,445,494,967	0.66
Greece	€75	€9,637	€9,712	416,331	€31,120,527	€4,012,280,975	€4,043,401,502	1.74
Hungary	€215	€4,133	€4,348	375,351	€80,783,042	€1,551,297,907	€1,632,080,949	1.55
Ireland	€2,419	€15,020	€17,439	179,457	€434,126,439	€2,695,436,962	€3,129,563,400	1.74
Italy	€123	€12,993	€13,116	1,916,025	€234,893,495	€24,894,861,092	€25,129,754,587	1.60
Latvia	€124	€4,782	€4,906	68,430	€8,454,949	€327,251,831	€335,706,780	1.47
Lithuania	€124	€3,494	€3,618	61,847	€7,680,009	€216,107,779	€223,787,788	0.69
Luxembourg	€1,702	€18,187	€19,889	6,139	€10,448,547	€111,651,123	€122,099,670	0.31
Netherlands	€1,336	€19,500	€20,835	148,555	€198,464,474	€2,896,749,114	€3,095,213,588	0.52
Poland	€280	€3,672	€3,952	1,360,377	€381,230,187	€4,995,029,276	€5,376,259,463	1.48
Portugal	€443	€7,609	€8,053	264,579	€117,339,641	€2,013,292,311	€2,130,631,952	1.24
Romania	€48	€1,624	€1,672	706,647	€33,762,127	€1,147,772,732	€1,181,534,859	0.85
Slovakia	€159	€3,923	€4,082	126,767	€20,108,178	€497,358,662	€517,466,840	0.8
Slovenia	€114	€9,823	€9,937	34,513	€3,946,585	€339,020,868	€342,967,452	0.92
Spain	€899	€9,588	€10,487	1,029,312	€925,006,668	€9,869,362,543	€10,794,369,211	0.99
Sweden	€787	€8,096	€8,883	135,137	€106,341,807	€1,094,065,260	€1,200,407,067	0.36
UK	€872	€11,720	€12,592	1,067,489	€930,913,860	€12,511,250,762	€13,442,164,622	0.75

Source: Eurofound estimation

Figure 32: Cost of NEETs as share of GDP, 2008



Cost of NEETs in 2011

In 2008, the recession arrived. Since then, the labour market participation of young people has deteriorated considerably, with a dramatic increase in unemployment and NEET rates. Among young people aged 15–29 years, the number of unemployed increased from 6.4 million in 2008 to 8.6 million in 2011, corresponding to a relative increase of 34%. Moreover, according to Eurostat, the NEET rates of those aged 15–29 years increased from the 13.1% of 2008 to 15.4% in 2011, a relative increase of almost 18%, corresponding to an additional 1.8 million young people in the NEET group. For these reasons, it is expected that the annual loss faced by national economies due to the disengagement of young people from the labour market is considerably higher today than it was in 2008. While 2011 EU-SILC data are not yet available, an estimation of the costs for 2011 can be provided on the basis of the exercise performed for 2008, presented in the previous section.

In order to provide this estimation, two assumptions are made. Firstly, as with Godfrey et al (2002), the unit (per person) public finance and resource cost of NEETs are discounted to present values using a discount rate computed for each Member State on the basis of Eurostat data on harmonised consumer prices. On the basis of this assumption, the discount rate varies from 6% or less in the Czech Republic, Germany, the Netherlands and Ireland to 16% or more in Hungary and Romania.

Secondly, as 2011 EU-SILC data are not available, the proportional increase in the NEET population is assumed to be equal to that recorded by Eurostat using the European LFS. This assumption is very important as the definition of NEET applied to the EU-SILC data is longitudinal, while the definition used by Eurostat in analysing the LFS data is cross-sectional. While the differences between the two definitions are acknowledged, only the proportional increase of the NEET population recorded by Eurostat can be reliably used as an indicator for updating the size of the NEETs cohort in this study. On the basis of this assumption, the NEETs cohort increased by more than 40% since 2007 in Denmark, Greece, Latvia and Romania, while it decreased in Austria, Germany, Luxembourg, Malta and Sweden.

On the basis of these assumptions, Table 12 presents the unit cost, the discount rates and the total cost for each Member State.

Based on the discount rate and, particularly, on the increase in the NEET population, the weekly economic loss in Europe increased from €2.3 billion in 2008 to almost €3 billion in 2011. This amount corresponds to an annual loss of €153 billion in 2011. It represents the cost to the economy of not being able to re-engage young people into the labour market. The cost of NEETs in 2011 was almost €34 billion higher than it was in 2008, a relative increase of almost 28 percentage points.

In absolute terms, in 2011 the cost was highest in Italy, at €32.6 billion, followed by France (€22 billion), the UK (€18 billion) and Spain (€15.7 billion). Germany and Luxembourg saw a decrease in the annual cost of NEETs, while in Austria and Sweden the situation remained almost the same. In relative terms, the country where the cost of NEETs increased most in the period 2007–2011 was Romania (+78%), followed by Greece (+76%) and, surprisingly, Denmark (+62%). Spain recorded an increase of more than 45%.

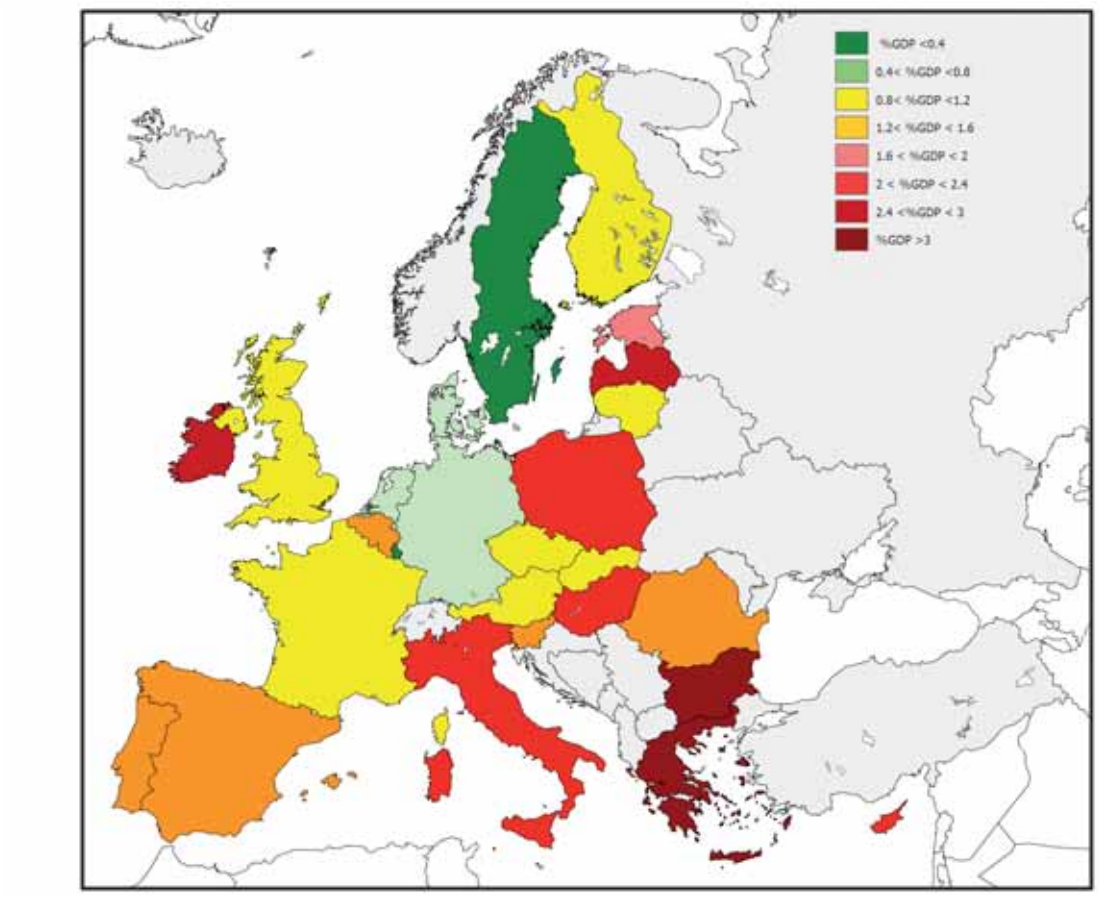
Table 12: Cost of NEETs in 2011

Country	Discount rate	Increase in NEET population (08/12)	Unit public finance cost	Unit resource cost	Unit total cost	Total resource cost	Total public finance cost	Total cost	% of GDP
Austria	0.09	-0.05	€15,939	€1,226	€17,165	€2,947,375,915	€226,713,028	€3,174,088,942	1.06
Belgium	0.11	0.15	€18,387	€3,851	€22,238	€4,310,081,055	€902,596,814	€5,212,677,869	1.42
Bulgaria	0.14	0.33	€2,039	€4	€2,042	€1,269,797,774	€2,268,598	€1,272,066,372	3.31
Cyprus	0.11	0.35	€10,667	€429	€11,096	€408,176,857	€16,405,637	€424,582,494	2.39
Czech Republic	0.06	0.14	€4,902	€442	€5,343	€1,650,980,500	€148,800,776	€1,799,781,276	1.16
Denmark	0.09	0.52	€17,045	€5,659	€22,705	€966,381,273	€320,841,169	€1,287,222,442	0.54
Estonia	0.13	0.30	€6,093	€145	€6,238	€301,824,037	€7,204,240	€309,028,277	1.93
EU26	0.08	0.18	€9,894	€757	€10,651	€142,138,918,501	€10,874,135,401	€153,013,053,902	1.21
Finland	0.10	0.12	€12,400	€1,838	€14,238	€1,759,287,850	€260,747,679	€2,020,035,528	1.07
France	0.07	0.17	€11,657	€1,091	€12,748	€20,280,506,010	€1,898,678,344	€22,179,184,354	1.11
Germany	0.07	-0.12	€12,382	€2,090	€14,472	€13,230,852,551	€2,233,297,714	€15,464,150,265	0.60
Greece	0.13	0.55	€10,888	€84	€10,973	€7,011,228,475	€54,381,317	€7,065,609,793	3.28
Hungary	0.17	0.12	€4,821	€251	€5,073	€2,027,363,729	€105,573,926	€2,132,937,655	2.12
Ireland	0.01	0.38	€15,105	€2,433	€17,537	€3,727,125,592	€600,289,965	€4,327,415,557	2.77
Italy	0.10	0.18	€14,337	€135	€14,472	€32,308,541,963	€304,844,695	€32,613,386,658	2.06
Latvia	0.13	0.42	€5,387	€139	€5,527	€522,261,901	€13,493,272	€535,755,173	2.67
Lithuania	0.16	0.27	€4,044	€144	€4,187	€316,782,755	€11,257,783	€328,040,537	1.07
Luxembourg	0.11	-0.28	€20,107	€1,882	€21,988	€88,550,875	€8,286,777	€96,837,652	0.23
Netherlands	0.07	0.20	€20,851	€1,429	€22,279	€3,703,522,681	€253,738,812	€3,957,261,493	0.66
Poland	0.15	0.22	€4,217	€322	€4,539	€7,001,572,547	€534,373,407	€7,535,945,953	2.04
Portugal	0.07	0.18	€8,136	€474	€8,610	€2,532,526,989	€147,601,918	€2,680,128,907	1.57
Romania	0.23	0.45	€1,998	€59	€2,057	€2,042,700,944	€60,086,745	€2,102,787,690	1.54
Slovakia	0.08	0.22	€4,255	€172	€4,427	€659,246,896	€26,653,309	€685,900,206	0.99
Slovenia	0.08	0.25	€10,642	€124	€10,766	€460,350,509	€5,358,998	€465,709,508	1.31
Spain	0.08	0.34	€10,400	€975	€11,375	€14,386,759,602	€1,348,400,012	€15,735,159,614	1.47
Sweden	0.08	-0.03	€8,717	€847	€9,565	€1,148,603,990	€111,642,905	€1,260,246,895	0.33
UK	0.15	0.18	€13,520	€1,006	€14,526	€17,076,515,231	€1,270,597,561	€18,347,112,792	1.05

Source: Eurofound estimation

As a share of GDP, the economic loss due to the non-participation of young people in the labour market, at European level, increased from 0.96% in 2007 to 1.21% in 2011. At the Member State level, the situation has deteriorated considerably in many countries. In Bulgaria and Greece, the cost of NEETs in 2011 was higher than 3% of GDP (3.3% and 3.28% higher respectively). Similarly, in Cyprus, Hungary, Ireland, Italy, Latvia and Poland, the annual loss due to NEETs was more than 2% of GDP. Conversely, in Denmark, Germany, Luxembourg, the Netherlands and Sweden, the cost of NEETs was below 0.6% of GDP, with Luxembourg achieving the lowest rate, at 0.22% of GDP. In Denmark, while the country experienced a substantial increase in the number of NEETs, this population is still quite small and did not have a great impact on the economy, at least in comparison to eastern and southern European countries.

Figure 33: Cost of NEETs as share of GDP, 2011



Conclusion

The aim of this chapter was to show the benefits of reintegrating young people into the labour market by providing an estimate of the loss incurred by national economies when a large share of the young population are NEET. The calculation of such losses is a complex exercise, especially when performed at European level. In order to estimate these costs, the 2008 EU-SILC dataset was used. The costs considered were restricted to the excess of welfare transfer and the lost contribution of the individual to society, through the lack of earnings tax and social contributions. These costs did not address the increased risks faced by NEETs of experiencing mental and physical health

problems and of pursuing dangerous lifestyles; for this reason, estimates have to be interpreted as very conservative.

Despite being conservative, the estimated loss due to the labour market disengagement of young people is substantial. In 2008, the 26 Member States lost almost €120 billion, corresponding to almost 1% of European GDP. When the recent economic crisis and the increase in the NEET population between 2008 and 2011 is taken into account, it is likely that this loss has been even greater. Due to the unavailability of required data from EU-SILC 2011, further calculations used the LFS 2008–2011 to estimate the cost of NEET in 2011. It was estimated to be €153 billion, corresponding to more than 1.2% of GDP in Europe. While this cost varies a great deal between Member States, a considerable deterioration of the situation was observed in Bulgaria, Cyprus, Greece, Hungary, Ireland, Italy, Latvia and Poland. In all these countries, the loss in 2011 due to the disengagement of young people from the labour market was equal to 2% or more of each country's GDP.

A natural criticism of this study is that the hypothetical scenario is unrealistic, in the sense that not all NEETs can be re-engaged with the labour market. In fact, even if governments did aim to include all NEETs in the labour market, the number of job vacancies clearly would not cater for all NEETs. Furthermore, not all NEETs would be willing or able to work; some are unavailable as they have family responsibilities, some are engaged in alternative activities, while others simply do not want to be in the labour market. This criticism is definitely valid. Therefore, Europe will not be able to save the entire cost of €153 billion. However, using the unit cost of each NEET, the analysis shows that if enough vacancies were created in Europe to reintegrate 10% of NEETs into the labour market, this would provide a saving of more than €15 billion per year. If 20% of NEETs could be reintegrated, the saving would rise to €30 billion. This is also valid at the Member State level: if Italy, for example, was to reintegrate half of its NEET population, it could save €16 billion. Conversely, an increase of 10% in the NEET population in Italy would lead to an increased loss of €36 billion. These examples illustrate how the findings should be read.

Bearing in mind the very conservative nature of these estimates, the results of this investigation into the cost of NEETs in Europe show the extent of the potential added value of young people to the economy and the benefits of re-engaging young people in the labour market. This underlines the urgency of gaining a better understanding of the problem and for immediate policy intervention, in order to avoid a generation of discouraged and scarred young people and to fully enable young people to realise their potential. This sense of urgency is amplified by the fact that the consequences of a lost generation are not merely economic but are also societal, with the risk of young people opting out of democratic participation in society. The societal cost of NEETs will be the central topic of the next chapter.

6 Societal costs of NEETs

European societies are facing the daunting economic consequences of being unable to reintegrate young people into the labour market. However, the economic costs are just one part of the price that Member States are paying for their excluded youth. As already discussed, the adverse consequences of being NEET are numerous and affect not only the individual and their family, but also society as a whole. It is an established fact that being excluded both from the labour market and the education system heightens the individual's risk of social exclusion and their likelihood of engaging in asocial behaviour; this affects both the individual's well-being and their relationship with society.

In contemporary societies, paid employment represents 'the entrance ticket' to the consumption of goods and services, and at the same time influences the individual's skills, abilities and social standing. With a low or even no income, NEETs must relinquish the possibility of participating in many activities and of purchasing goods. In addition, they are excluded from the relationships and social networks created in the work or educational environment (Bay and Blekesaune, 2002). As a result of these monetary and non-monetary barriers to participation in society and a daily confrontation with structures and institutions, young people who are NEET are more likely to accumulate traumatic experiences, which may turn into a general disaffection with and resentment against society as a whole and the governments that represent it. In this respect, serious concern has been raised by policymakers about the potential consequences of NEET status on the democratic engagement and civic participation of young people. In fact, it is strongly perceived that there is a danger that some young people may opt out of participation in civil society or may engage at the extremes of the political spectrum. There is indeed cause for justified concern: when the quality of a political system is perceived to have decreased and conflict occurs between society's definition of a social situation and that of the individual, the individual can react in three possible ways, as described in Albert O. Hirschman's seminal treatise *Exit, voice, and loyalty* (1970). The person can remain loyal to society by accepting its definition of the social situation ('loyalty'); they may challenge society by raising their voice and thereby risk being exposed to its sanctions ('voice'); or, alternatively, they can withdraw from it and create their own (subcultural) world, either alone or with a group ('exit'). Recent examples of youth demonstrations in Italy, Spain and the UK and the growth of extreme political movements in Scandinavian and central European countries should ring alarm bells in this respect.

The active participation of young people and NEETs in the democratic processes of society is a key element in the sustainability of society. In fact, one of the fundamental principles of modern liberal democracy is that all social groups should participate on an equal basis in the political process (Verba, 2003). Citizens are expected to participate politically for their own interests and to enable equal participation of all social groups; everyone's interests are at least partly taken into account (Delli-Carpini and Keeter, 1996). If the majority of citizens from certain social groups, such as young people or the unemployed, do not vote in elections, political leaders are able to ignore the needs of these social groups, the government lacks legitimacy, and those social groups may become alienated and lack trust in the democratic process (Verba, 2003).

It has been said that young people as a social group are losing out on public resources in comparison to the baby-boom generation (Willetts, 2010). One of the possible explanations for this is that there are fewer young people in Europe today due to lower birth rates, leading to a smaller voting cohort and a lower level of participation in traditional forms of politics. This decreases their voice. The difference in levels of engagement between the younger and older generations has been exacerbated by the decline in opportunities for young people, for example in terms of employment and secure retirement (Willetts, 2010). This conflict for resources between generations has been amplified by

the economic crisis and the realisation that high levels of public sector spending are no longer affordable in much of Europe. It has been suggested that the economic recession in Europe has hit two groups particularly badly – the young and the poor (often those who are unemployed or poorly educated or both). These groups are exactly the groups most disengaged from the traditional political process and are therefore less able to support their groups' interests. Young people who are NEET are a subgroup of those who are most likely to be both young and poor (Robson, 2008). This places them at very high risk of breaking with their loyalty to their society and may induce them to raise their voice to claim their rights, or to exit from the society as a whole, hence becoming at risk of political marginalisation.

The size of the NEET cohort and the fact that most of them are likely to have had traumatic experiences during the economic crisis make their marginalisation a source of concern. While it is healthy for a society if a particular group raises its voice within legal boundaries in order to claim their rights, the withdrawal from democratic and civic engagement and the political alienation of a social group are sources of serious concern. In fact, when a well-defined group does not take part in the democratic process, the government concerned may start to lose its legitimacy and the seeds of instability can spread. The lack of identification with the main political actors and the resentment against them due to a lack of answers to everyday problems place members of this subgroup at greater risk of becoming involved in irregular political activity and of expressing their alienation through vandalism and conflict. They might even be recruited into politically extreme groups that do not reject the use of illegal and violent methods in order to achieve their ends (Cochrane and Billig, 1983).

This chapter aims to investigate the effect of NEET status on disaffection and political marginalisation. Are NEETs really withdrawing from democratic participation? Are they more politically marginalised in comparison with other young people? And is this behaviour the same across all of Europe?

Following the approach developed by Bay and Blekesaune (2002), this chapter attempts to answer these questions by comparing the level of trust, political engagement and civic participation among NEETs with the rest of the young population. Three hypotheses will be tested:

- NEETs have less trust in democratic institutions than non-NEETs;
- NEETs are less politically engaged than non-NEETs;
- NEETs have a lower level of social and civic participation than non-NEETs.

These hypotheses are first investigated at European level. Countries are then grouped into five clusters and the analysis is repeated for each cluster. Given the heterogeneity of the NEET population, three broad subgroups are identified and levels of trust, political and civic engagement are investigated at the subgroup level.

Trust, political engagement and social participation

While some empirical research has been conducted on the political marginalisation of unemployed people, very little quantitative or comparative research has been conducted on the democratic outcomes and disaffection of NEETs. The research that does exist is mostly qualitative. One exception is Robson's 2008 study, which analysed the relationship between NEETs and social capital in Europe using the longitudinal European Community Household Panel (ECHP) data. For her analysis, she used the question 'Are you a member of any club, such as a sport or entertainment

club, a local or neighbourhood group, a party, etc.?' She compared the effects of being NEET in one year with participating in any club in the subsequent year. Her results showed that being NEET in the first year only affected participation in a club in the second year in Greece and Spain. However, it should be noted that asking someone if they are a member of any club, including sport and entertainment, and even taking into account the research literature on social capital, these activities are very far from political and democratic engagement. As Robson (2008) observed, it could be that these young people simply had more time to socialise than those in work.

In order to avoid such pitfalls, this chapter examines more political and democratic forms of engagement using data from the European Values Study (EVS) and the European Social Survey (ESS) 2008. In particular, following Bay and Blekesaune (2002), three main dimensions are investigated: trust, political engagement and civic participation.

The combined consideration of these three elements is in fact fundamental for the sustainability of democratic systems, as together they represent a guarantee against disaffection and instability in society. Trust, particularly in relation to institutions, is a central theme in the study of political behaviour and disaffection, as representative democracy is based on its members expressing confidence in its institutions. Furthermore, participation in politics and in elections is one of the key elements of a representative democracy. Individuals remain loyal because of their confidence that their voice is heard by government, which can then react to their demands and needs and which is open to interacting with civic society and interest groups. Finally, social and civic participation can be seen as a school of democracy, as an opportunity to learn cooperative behaviour, as a tool for accumulating social capital and thus enhancing social cohesion. A decrease in trust levels and in political and civic engagement may represent a crucial problem for the sustainability of societies.

Trust

Trust is a central component of democracy, a crucial element of political participation and a key factor in societal stability. Trust allows social and functional bonds to develop. It establishes links that are fundamental for maintaining and improving a society and for allowing progress and efficient administration and preventing conflict. Trust is the glue of a society and the fundamental element of social relations; without trust, everything we take for granted would probably not be possible (Good, 1988).

The various types of trust, in turn, determine levels of social capital in a society. For example, Putnam (2000) distinguishes between 'thick trust', which is 'embedded in personal relations that are strong, frequent, and nested in wider networks', and 'thin trust' of '"the generalised other", like your new acquaintance from the coffee shop'. For Putnam, 'thick trust' is less important than 'thin trust' because the latter 'extends the radius of trust beyond the roster of people whom we can know personally'. As societies develop, they move away from thick trust towards thin trust, which allows people to function in broader or more institutional contexts. Thin trust is beneficial for modern democracies, as is the related issue of bridging social capital, which is formed by cooperation and solidarity (Anheier and Kendall, 2002). Thin trust is involved in the formation of institutional trust, which requires trust in people we don't know personally but on whom we can rely, based on a collective memory of an institution and its performance (Hoskins, 2003).

In this respect, representative democracies are based upon the fact that the members of electorates express confidence in eliciting their opinion. A general high level of trust in institutions may act as a discouragement to abrupt changes in regimes and may ensure the stability necessary when

governments need to introduce unpopular reforms. In recent years there has been a proliferation of research on trust (for example, Putnam 1993, 2000; Fukuyama, 1995; Inglehart, 1997; Seligman, 1997; Sztompka, 1999; Misztal, 2001). Among others, Norris (1999) demonstrates a stable and high level of institutional trust in Western countries. However, the number of people who are critical of the performances of Western democracies has increased in recent years. According to Norris, this might emerge through those who express an increasing lack of faith in politicians' ability and powers to act, while other authors link this with contemporary processes of de-institutionalisation. This relates to the declining significance of traditional institutions and structures (McDonald, 1999), which is empirically associated with the decline in trust in governments across advanced Western nations (Dalton, 2005; Papadakis, 1999; Pharr and Putnam, 2000; Tranter and Skrbis, 2007).

At a global level, literature shows that concerning institutional trust, the feelings of young people are similar to those of the general population (Page and Chastenay, 2003; Nazzari, 2008; Bendit and Han, 2008). However, it is natural to assume that young people who are NEET, and particularly those who are long-term unemployed or disengaged, are likely to have built up a lack of faith in the authorities, in policymakers and in the institutions they represent. NEETs may tend to believe that the representatives of the institutions lack the ability or will to solve their problems, and become politically disillusioned (Bay and Blekesaune, 2002). For this reason, the distrust of a large share of young people spending time involuntarily in a status of disengagement from labour market and education may contribute to undermine the legitimacy of political leaders, political parties and institutions in the society.

Political engagement

Political participation in a democracy includes all the actions taken by groups or individuals aimed at influencing government decisions. It is one of the key elements of representative democracies. Individuals have confidence that their voice is heard by their government, which is able to react to their demands and needs. An increasing abstention from political participation may undermine the basis of societies and stir the seeds of political instability.

A flourishing democracy requires the equal participation of all social groups in political decision-making, so that all interests are represented in policy decisions. If young people today do not engage in traditional politics as much as the 'baby boom' generation, there is a risk that resources will be channelled towards the older generation. This can put young people, in the context of the economic crisis, at risk of poverty and alienation from the political system. Those who are young, unemployed and not in education and without economic and social supports are particularly vulnerable. Many of these young people have a real need of government support, but the evidence so far suggests that they might participate in politics less than the total population of young people.

As the level of political participation of young people decreased sharply in recent years in Western countries, research on this issue has proliferated. Recent evidence shows that in many advanced democracies young people are voting at ever-decreasing levels (Putnam, 2000; Wattenberg, 2002, 2006; see also Norris, 2002, p. 90; Phelps, 2005, p. 482; Fieldhouse et al, 2006). Young people are particularly unlikely to become political party members. Youth sections of political parties, once very important, are now on the brink of disappearing (Hooghe, 2004, p. 332) and evidence suggests that young people are opting out of party membership in Canada (Blais, 2002, p. 8) and Europe (Haerpfer et al, 2002).

The debate about the political participation of young people seems polarised between a pessimistic 'disaffected citizen' perspective and a more upbeat 'cultural displacement' discourse (Loader, 2007). The former emphasises young people's mistrust of politicians, disenchantment with political institutions, political apathy and more general disengagement from the public sphere. It suggests that these trends are likely to lead to the weakening of democratic citizenship. In contrast, the cultural displacement perspective is predicated upon the assumption that traditional political activity is no longer considered appropriate by young people for addressing the concerns associated with contemporary youth culture (Brooks, 2009). In this regard, Dalton (2009) claimed that young people are changing the norms of engagement, by moving towards volunteering, social movements and protest activities and away from voting, engagement with political parties and trade unions. Such research is supported by Inglehart and Welzel (2005), who argue that through the process of modernisation, individuals born in more recent generations are gradually becoming more self-expressive and protest-oriented in terms of their engagement. If it was not for the fact that governments continue to make policy decisions on taxation resources, to be elected and to be based on political parties, this change in norms would be less problematic. However, it is expected that young people are less likely to vote in the future, and that this will reduce their voice in existing political decision-making processes.

Focusing on traditional forms of political participation, it is widely agreed that an individual's level of trust in institutions is of great importance in shaping their political participation and involvement. However, trust is not the only factor influencing the decision to participate. Structural and institutional trends, as well as individual predisposition, all affect political participation (Dahl, 1961; Verba et al, 1978). Paid employment and attending educational institutions can be mobilising factors for the individual as they stimulate political opinion. They enable shared experiences with colleagues and fellow students, and foster political participation directed at improving local situations.

Given the fact that work and education provide strong stimuli for political participation, there is reason to expect that those young people who are NEET may be less involved in politics than their counterparts. In this framework, most studies that investigated the political behaviour of young unemployed people found a general lack of political interest (Jackson and Hanby, 1982; Breakwell, 1982; Carle, 1997). However, the opposite may also be true: as unemployment may be a political issue, it is possible to expect a response that involves political participation (Banks and Ullah, 1987). Disengagement from the labour market may have exceptional potential for mobilisation (Bay and Blekesaune, 2002).

Social and civic participation

Voluntary participation in different kinds of associations is understood as being a tool for accumulating social capital and thus enhancing social cohesion (Mascherini et al, 2010). As Adam points out, 'associational participation is seen as a school of democracy, as an opportunity to learn cooperative behaviour. The strength of voluntary associations – forming an intermediary sphere – is also understood as an indicator of developed civil society and as a sign of the self-organizing capacity of a given community or society' (2008, p. 165).

Putnam (1993, 2000) and other researchers (Woolcock, 2001; Adler and Kwon, 2002; van Oorschot and Arts, 2005; Mascherini et al, 2010) suggest that not all kinds of participation are conducive to the same positive results in terms of social capital. They distinguish between bridging (or inclusive) and bonding (or exclusive) social capital. Nonetheless, the civic engagement of young adults is

important to the health and performance of democracy. It also has important effects relating to personal growth and identity formation during the transition to adulthood.

When young people have a voice in community affairs and want to contribute to their communities, they can help to stabilise democratic societies by directing their discontent into constructive channels. They can also be a force for political change, by bringing new perspectives on political issues and offering fresh and alternative solutions. Most importantly, engagement in civic and social organisations in adolescence predicts civic engagement in adulthood (Verba et al, 1995). Those who begin to practise active citizenship and volunteering during childhood and adolescence are more likely to have a stable pattern of civic engagement once they have settled into their adult roles (Hoskins and Mascherini, 2009).

The personal benefits of civic engagement for young adults include fulfilment of the human need to belong; it may also reinforce identity construction. Civic activities, such as participating and volunteering in organisations, enable a sense of connection to others, and increase understanding of public goods and values and the advantage of solving problems collectively. Engaging with fellow members of a community-based group also helps young people form social networks, build social capital, and connect to educational and occupational opportunities (Flanagan and Levine, 2010).

The positive effects of social and civic engagement are well documented in the research literature. Responding to these findings, Verba et al (1995) investigated factors influencing civic participation. Three factors were identified: resources, motivation and recruitment. In this framework, Flanagan (2008) reports that according to a 2006 report from the National Conference on Citizenship (NCoC), those with a college education are far more likely than those with second-level qualifications to participate in a wide range of civic activities. Moreover, young people living in disadvantaged areas and poor communities may have fewer opportunities to participate in comparison with those living in other areas. This is because their schools offer fewer extracurricular and learning activities, while their communities may offer fewer organised activities.

Young people who are NEET may have more time to be involved in social and civic participation. However, they may lack opportunities and resources to do so, which may lead to a lower level of social and civic participation in society.

Data and methods

In this study, the heightened risk of disaffection of NEETs is explored by investigating their level of trust, political engagement and civic participation in relation to those who are non-NEETs. This is achieved on the basis of a set of indicators drawn from two data sources: the 2008 ESS (European Social Survey) and the 2008 EVS (European Values Study).

The ESS is an academically driven social survey designed to chart and explain the interaction between Europe's changing institutions and the attitudes, beliefs and behaviour patterns of its diverse populations. It is a high-quality cross-national survey carried out in 20 to 30 countries every two years. The project started formally in 2001 but was many years in the making. The ESS was initiated and seed-funded by the European Science Foundation, the body representing almost all of Europe's main national academic funding agencies. By adopting rigorous approaches to probability sampling, question-testing, event-recording, translation and response rate enhancement, the ESS has become an authoritative source of information on changing social values in a changing Europe.

The ESS comprises all adults aged 15 years or more in 29 European countries. For the purposes of this research, the 2008 wave of the ESS was used. The total sample comprised 56,752 persons and is representative at national level, but this analysis was restricted to the population of young adults aged 15–29 years living in Member States of the EU. As a result, the sample was limited to 8,867 people living in 22 Member States (no data were available for Austria, Italy, Lithuania, Luxembourg and Malta). Young people were classified as NEET if they were unemployed (looking for a job or not), looking after children or other persons, retired, permanently sick or disabled, or were categorised as 'other inactive'. Conversely, they were classified as non-NEET if they were in paid work or in education. The respondents reported these statuses in response to the question 'What is your present situation?' On this basis, the NEET sample comprised 1,264 individuals, while 7,603 were classified as non-NEET.

The EVS is a large-scale, cross-national and longitudinal survey research programme on basic human values. It provides insights into the ideas, beliefs, preferences, attitudes, values and opinions of citizens all over Europe. It is a unique research project exploring how Europeans think about life, family, work, religion, politics and society. The EVS was initiated by the European Value Systems Study Group (EVSSG) in the late 1970s, at that time an informal grouping of academics. The first round started in 1981, when 1,000 citizens in the EU Member States of that time were interviewed using standardised questionnaires. Since then, the survey has been repeated every nine years in an increasing number of countries. A rich academic literature has been created around the original and consecutive surveys, and numerous other works have made use of the findings.

The fourth wave of the EVS was used for the current study. This wave took place in 2008 and the sample included 67,786 people aged 15 years or more. The sample is representative at country level, covering no less than 47 European countries or regions, from Iceland to Azerbaijan and from Portugal to Norway. The analysis for the current study was restricted to the population of young adults aged 15–29 years living in the 27 EU Member States. This subgroup comprised 7,334 individuals. In the EVS, young people were classified as NEET by using the same criteria adopted in the ESS. On this basis, the NEET population accounted for 1,214 individuals while 6,120 were classified as non-NEET.

The set of indicators describing the three dimensions identified above – trust, political engagement and social and civic participation – are investigated by means of descriptive statistics, and differences between NEETs and non-NEETs are highlighted. Given the heterogeneity of these two populations, the indicators are used to study subgroups in the NEETs and non-NEETs groups. Due to the limited sample, NEETs are disaggregated into three subgroups: unemployed, unavailable due to family responsibilities, and 'other NEETs'. The non-NEETs are disaggregated into two groups: young workers and students.

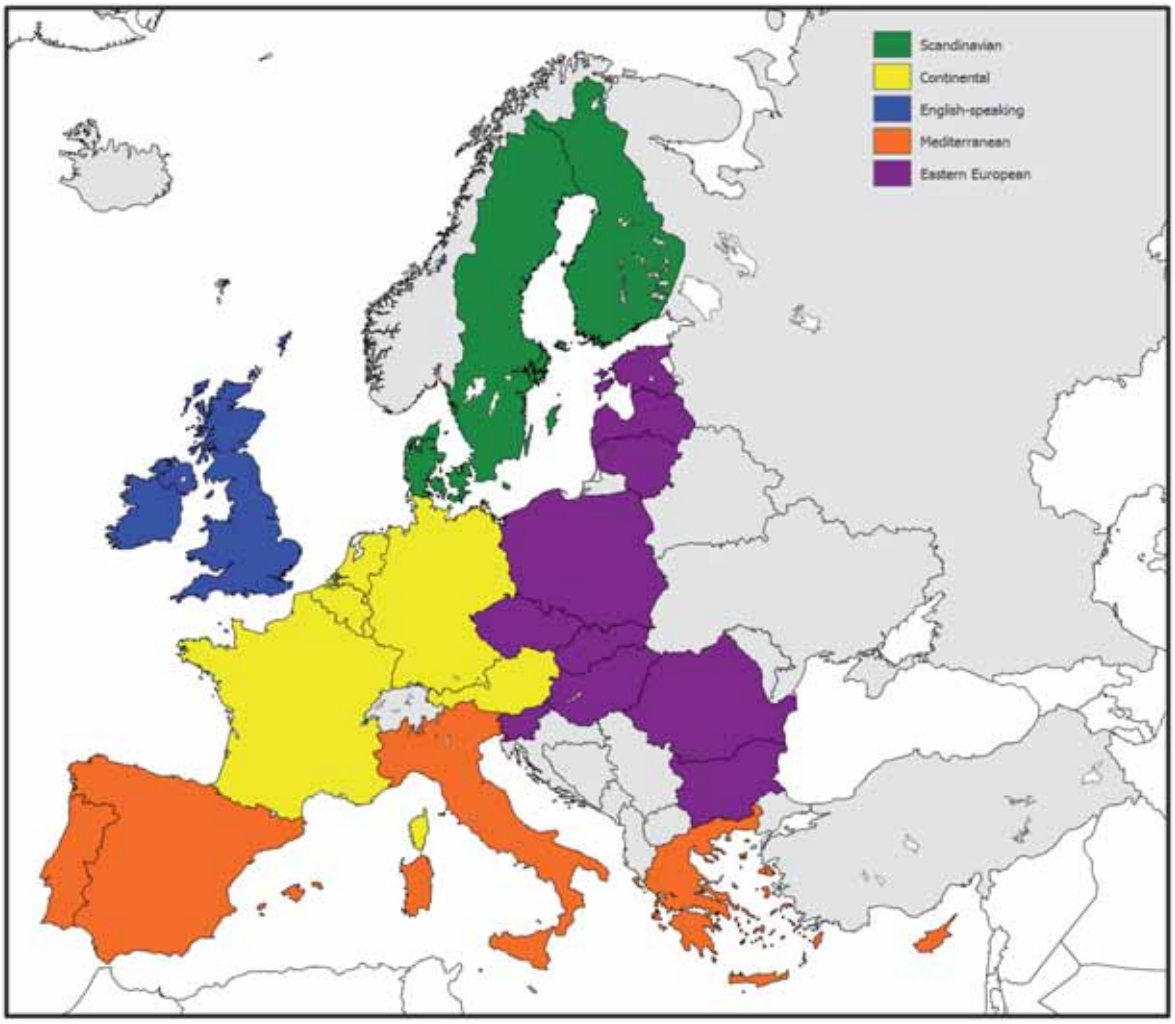
The aim of this analysis is to investigate the democratic effect of being NEET. Descriptive statistics just provide a partial picture; other variables, such as the socioeconomic situation of the individual and their family can drive the phenomenon and need to be taken into account. For example, as described above, education and economic resources can act as determinants of trust and participation. In particular, quantitative studies (Lipset, 1959; Putnam, 2000; Hoskins et al, 2011) have shown that education, measured by years and levels, increases levels of civic engagement and trust.

To investigate the effect of disengagement from the labour market and education on trust, political and civic participation, various demographic and socioeconomic variables need to be taken into account. Statistical models need to be applied to control for the effects of these variables. In this study, all indicators are investigated by applying a wide range of multivariate statistical models, which take into account a large set of demographic and socioeconomic variables that are related to the situation of

the individual and their family. In particular, the set of variables used in this model include a mix of individual and family-level variables, such as age of the respondent, gender, educational level, living arrangements, health status, immigration background, religiosity, household income, educational level of parents, unemployment history of parents and divorce of parents. The multivariate statistical models were first applied to the entire sample in order to paint a European picture. Dummy variables for countries were included in the model as fixed effects for controlling for national variations, and observations were weighted. The investigation was performed for NEETs versus non-NEETs, then those categories were disaggregated and the analysis was repeated at the subgroup levels.

Country-level analysis was not possible due to the reduced size of the samples. Given the huge variability regarding the extent of the NEET phenomenon observed at country level and the general agreement in literature on the mediating role of different welfare state models (Marshall, 1950; Esping-Andersen, 1985, 1990), clusters of countries were identified, and the statistical modelling was then performed for each of these clusters. While every clustering exercise for countries can be criticised for its artificiality and its subjective nature, this study adopted the traditional groupings of Member States in five clusters: Nordic countries, continental countries, English-speaking countries, Mediterranean countries and eastern European countries. The composition of clusters is described in Figure 34.

Figure 34: Country clusters adopted in the analysis



Results of the analysis

Trust

The dimension of trust was investigated using the ESS. The survey investigates trust on the basis of 10 questions. These relate to level of trustfulness, fairness, helpfulness of other people, and level of trust in national parliaments, politicians, political parties, the legal system, the police, the European Parliament and the United Nations. These are classic questions for investigating generalised 'thin trust' (Putnam, 2000). All the answers were recoded using a 10-point scale.

Analysis of patterns of correlation in these 10 variables shows that they measure two latent dimensions that are rather different from each other. The first three variables measure interpersonal trust, which relates to generalised trust in other people. The remaining seven variables explore institutional trust: trust in political, national and intergovernmental institutions as well as traditional hierarchical institutions, namely the police and legal systems. The existence of two latent factors is also confirmed by a factor analysis. On the basis of these findings, two new indicators have been identified: interpersonal and institutional trust. The two indicators take the value of the mean level of a respondent's trust (using the original 10-point scale) across all items measuring interpersonal and institutional trust.

Table 13: Trust by age group

Type of trust	Age group		
	Under 30 years	30–64 years	65+ years
Interpersonal trust			
Most people can be trusted	4.8	4.8	4.8
Most people try to be fair	5.4	5.4	5.7
Most people are helpful	4.6	4.6	4.9
Institutional trust			
Trust in national parliament	4.4	4.3	4.3
Trust in politicians	3.4	3.3	3.4
Trust in political parties	3.5	3.4	3.4
Trust in the legal system	5.1	4.9	4.8
Trust in the police	5.7	5.9	6.3
Trust in the European Parliament	5.1	4.4	4.1
Trust in the United Nations	5.6	5.1	4.9
Interpersonal trust	4.9	4.9	5.1
Institutional trust	4.7	4.5	4.5

Source: ESS data, Eurofound elaboration

Young people, the general population and trust

In line with the literature, the average level of trust in institutions among young people is similar, or even slightly higher, than that of other age groups (Table 13). This holds for all the seven questions with the exception of trust in the police; here, young people's average level of trust is lower than that of other age categories. In particular, in comparison with the other age groups, young people have a

considerably higher level of trust in intergovernmental institutions such as the European Parliament and the United Nations. Conversely, older people recorded a slightly higher-than-average level of interpersonal trust in comparison with other age groups. Young people and adults score lower than older people regarding their trust in the fairness and helpfulness of other people. This is in line with the finding that the level of interpersonal trust increases with age (Bay and Blekesaune, 2002).

Effect of being NEET on trust

NEETs aged 15–29 years have a considerably lower level of trust in comparison with their non-NEET counterparts in all the variables considered (Table 14). Their levels of institutional and interpersonal trust are on average 0.6 points lower than those of their counterparts. The lowest levels of trust are felt towards politicians and political parties for both populations and are considerably lower compared to the other items. At the cluster level, the Scandinavian countries have the highest level of trust, while the Mediterranean and eastern European clusters have a lower level of trust in institutions. However, the difference in the level of institutional trust among NEETs and non-NEETs is limited in these two clusters, while it is quite large in the Scandinavian, continental and English-speaking clusters.

Table 14: Trust by NEET and non-NEET status

Type of trust	Non-NEET	NEET	Non-NEET subgroups		NEET subgroups		
	Overall average	Overall average	Workers	Students	Unavailable	Unemployed	Others
Most people can be trusted	4.9	4.4	4.8	5.2	4.3	4.3	4.5
Most people try to be fair	5.5	4.8	5.3	5.8	4.8	4.8	5.0
Most people are helpful	4.6	4.1	4.5	4.9	4.3	4.0	4.4
Trust in national parliament	4.5	3.9	4.2	4.8	4.0	3.9	4.2
Trust in politicians	3.5	3	3.3	3.9	3.1	2.9	3.3
Trust in political parties	3.6	3.1	3.3	4.0	3.3	3.1	3.4
Trust in the legal system	5.2	4.6	4.9	5.5	4.8	4.4	5.0
Trust in the police	5.7	5.2	5.7	5.9	5.7	4.8	5.2
Trust in the European Parliament	5.1	4.5	4.9	5.5	4.7	4.5	4.9
Trust in the United Nations	5.6	5	5.5	5.9	5.1	5.0	5.1
Institutional trust							
Europe	4.8	4.2	4.5	5.1	4.4	4.1	4.3
Continental countries	5.2	4.4	4.9	5.6	4.4	4.3	4.9
Scandinavian countries	6.2	5.5	5.9	6.4	6.0	5.6	5.7
English-speaking countries	4.9	4.4	4.7	5.4	4.6	5.0	3.9
Mediterranean countries	4.5	4.2	4.4	4.7	4.8	4.0	4.6
Eastern European countries	3.9	3.8	3.8	4.1	4.2	3.3	4.0

Type of trust	Non-NEET	NEET	Non-NEET subgroups		NEET subgroups		
	Overall average	Overall average	Workers	Students	Unavailable	Unemployed	Others
Interpersonal trust							
Europe	5	4.4	4.9	5.3	4.5	4.4	4.6
Continental countries	5.2	4.7	5.0	5.5	4.9	4.4	5.1
Scandinavian countries	6.2	5.8	6.2	6.2	6.3	5.8	5.7
English-speaking countries	5.3	4.8	5.2	5.6	4.8	4.7	4.9
Mediterranean countries	4.9	4.5	4.8	5.1	4.1	4.7	4.4
Eastern European countries	4.4	3.9	4.2	4.7	3.8	3.8	4.1

Source: ESS data, Eurofound elaboration

As the NEET and non-NEET populations are characterised by a high degree of heterogeneity, it is interesting to investigate differences between the five subgroups: workers, students, those who are unavailable due to family responsibilities, the unemployed and other NEETs. This shows that unemployed people record the lowest score in all the items, particularly in relation to institutional trust. This is in line with the academic literature that shows young unemployed people are more likely to have built up a lack of trust in policymakers and in the institutions they represent. This is because they may tend to believe that the representatives of these institutions lack the ability or the will to solve their problems.

Before drawing any definitive conclusions, it is important to investigate whether the differences found in the descriptive statistical analysis are confirmed when controlling for other variables, such as education, income and immigration background. It is well known that these variables may act as a determinant for the construction of institutional and interpersonal trust.

Multivariate statistical models were applied to the aggregated indicator of institutional and interpersonal trust. They confirmed that at European level, NEETs have a significantly lower level of institutional trust than non-NEETs (Table 15). While controlling for the other variables, being disengaged from the labour market and the education system has a negative effect on the level of institutional trust when compared with the non-NEET. The analysis at the subgroup level reveals that those in education and those who are unavailable due to family responsibilities tend to have a significantly higher level of trust in comparison to those who are in employment. Conversely, unemployed young people have a level of trust that is significantly lower than the other subgroups.

As expected, the findings vary at the cluster level. In the Scandinavian, English-speaking, eastern European and Mediterranean countries, no significant difference is recorded in the level of institutional trust between NEETs and non-NEETs, or between their relative subgroups. For this reason, in these clusters, NEET status does not affect the individual level of trust in institutions, which is mainly determined by the control variables. In the continental countries, being NEET lowers the level of trust significantly. There, being unemployed has a particularly significant negative effect on the level of institutional trust.

Table 15: Regression analysis results on institutional trust

	Non-NEET	NEET	Workers	Students	Unavailable	Unemployed	Others
	Reference category		Reference category				
Institutional trust							
Europe		-0.142**		0.256***	0.297**	-0.292***	0.116
Continental countries		-0.413***		0.362***	-0.427**	-0.329**	0.142
Scandinavian countries		-0.299		0.392	-0.051	-0.206	0.038
English-speaking countries		-0.127		0.203	0.004	0.075	-0.522
Mediterranean countries		0.116		0.092	0.844**	-0.169	0.671***
Eastern European countries		0.091		0.282**	0.758***	-0.312	0.319
Interpersonal trust							
Europe		-0.267***		0.303***	0.007	-0.285***	-0.041
Continental countries		-0.328***		0.499***	0.363*	-0.359***	-0.045
Scandinavian countries		-0.188		-0.031	-0.273	-0.230	-0.013
English-speaking countries		-0.369**		0.131	-0.043	-0.820***	-0.075
Mediterranean countries		0.034		0.240*	-0.162	0.233	-0.063
Eastern European countries		-0.289**		0.154	-0.140	-0.416**	0.034

*Notes: *** = p<0.01; ** = p<0.05; * = p<0.1*
Control and dummy variables not presented. Coefficients of the regressions
Source: ESS data, Eurofound elaboration

Results of the regression analysis show that, at European level, the lower level of interpersonal trust among NEETs in comparison to non-NEETs is statistically significant. Controlling for the effect of the other variables, those who are NEET have an average level of interpersonal trust that is lower than the non-NEETs. At the subgroup level, young unemployed people have a significantly lower level of interpersonal trust than young workers, while students have a higher level. The effects for the other categories are not statistically significant.

At the cluster level, being NEET only has a significant negative effect on interpersonal trust in the continental and English-speaking countries. The effect of being unemployed is negative and significant in continental, English-speaking and eastern European countries. No significant difference was found in the Scandinavian and Mediterranean countries.

Summary of results on trust

At European level, young people in general show a level of institutional trust similar to those of other age categories. However, the level of institutional trust among NEETs is considerably lower than the rest of the young population. This difference is statistically significant. It seems to be driven by those who are unemployed, the subgroup that recorded the lowest level of institutional trust. This result was found to be significant in the continental countries; no statistically significant difference was found for the other clusters.

In line with the research literature, young people show a lower level of interpersonal trust in comparison with other age groups. At the European level, NEETs have a lower level of interpersonal trust than non-NEETs. This difference is statistically significant. Again, this relationship is driven by those in unemployment, who recorded the lowest level of interpersonal trust. This effect was found to be significant in the continental, English-speaking and eastern European countries. No statistically significant difference is recorded in the Scandinavian and Mediterranean cluster.

Political engagement

Political engagement was investigated here through four indicators based on questions drawn from the EVS. The first question asked respondents to state their disposition towards voting at a national election if held tomorrow. This question was asked of all the survey respondents, regardless of whether or not they had the right to vote. The second indicator concerned respondents' interest in politics. Levels of interest were recorded on a 4-point scale: not at all interested, not very interested, somewhat interested and very interested. For the purpose of this study, answers to these questions were aggregated in two categories: interested and not interested. The third question investigated how often respondents discuss politics when they are with friends. Three response options were given: frequently, occasionally and never. In the analysis, answers were aggregated into two categories: do not discuss and discuss. The latter category includes those who talk about politics occasionally or frequently. In fourth question, respondents were asked whether they were a member of and participated in a political party; for this question, respondents could answer yes or no.

Young people, the general population and political engagement

In line with the findings of the general literature and the results of the descriptive statistical analysis, Table 16 shows that young people are far less politically engaged than the rest of the population. They score lower than the other age groups in all indicators considered. If elections were held tomorrow, 73.9% of young people would like to vote in comparison with 81% of adults aged 30–64 years and 84.2% of older people. In addition, just 38.9% of young people are (somewhat or very) interested in politics compared with approximately 50% of other age categories. Furthermore, while 63.8% of young people discuss politics (occasionally or frequently), this proportion increases to 75.4% for adults and to 68.1% for older people. Finally, young people are far less engaged in political parties: just 3.3% declared themselves to be a member of or to do voluntary work for a political party. This compares with approximately 5% or more among the other age categories.

Table 16: Political engagement by age group

	Age group		
	Under 30 years (%)	30–64 years (%)	65+ years (%)
I would vote tomorrow *(yes)*	73.9	81.0	84.2
I am interested in politics *(very much* and *somewhat)*	38.6	49.5	51.4
I discuss politics with friends *(frequently* and *occasionally)*	63.8	75.4	68.1
I am involved with a political party *(belonging* and *volunteering)*	3.3	4.8	5.6

Source: EVS data, Eurofound elaboration

Effect of being NEET on political engagement

Descriptive statistics for people aged 15–29 years show that NEETs are substantially less engaged in politics than the rest of the young population (Table 17). At EU level, almost 65% of NEETs declared a disposition to vote, compared to more than 75% for non-NEETs. Young workers and students recorded similar percentages. The lowest rate was found among NEETs who were unemployed, at only 62.4%. At the cluster level, the English-speaking countries recorded the lowest share of unemployed young people who would participate in elections, at 32.9%. A high proportion of young unemployed people said they would participate in elections in the Scandinavian and Mediterranean countries, at 93.8% and 74.4% respectively.

Approximately 40% of non-NEETs are interested in politics, compared to 28.7% among NEETs; among NEETs, the lowest rate was found among those who were unavailable due to family responsibilities, at 22%. At the cluster level, the lowest proportion of NEETs interested in politics was found in English-speaking countries, at 20.6%. In the Mediterranean and Scandinavian clusters, 37% or more of young unemployed people were interested in politics compared to 26% in eastern European and 22.8% in English-speaking countries.

Discussing politics seems more common for non-NEETs; at least 65% of young workers and students occasionally or frequently engage in political discussion with friends. Among NEETs, this proportion decreases to just 52.8%. Again, it is among those with family responsibilities that the lowest score is found: 49.3%. Large differences occur between clusters. It is common to talk about politics for 60% or more of young unemployed people in the Scandinavian and Mediterranean countries. This figure drops to 35.1% in the English-speaking countries and to 50% in the eastern European countries.

While the share of those who are involved with a political party is low for both groups, those who are non-NEET are more than twice as likely to be involved in one. At European level, the proportion of young people who participate in a political party reaches almost 4% among young workers and almost 3% among students. Conversely, only 1.3% of young unemployed people are involved with a political party. At the cluster level, in the Scandinavian countries, 13% of non-NEETs and 6.7% of NEETs are engaged in a political party, a proportion well above the EU average. The corresponding percentage of young unemployed people in the continental, English-speaking and eastern European countries is marginal – below 1%.

Table 17: Political engagement of NEETs and non-NEETs (%)

	Non-NEETs	NEETs	Non-NEET subgroups		NEET subgroups		
	Overall average	Overall average	Workers	Students	Unavailable	Unemployed	Others
I would vote tomorrow							
Europe	75.4	64.9	74.9	76.5	68.8	62.4	65.8
Continental countries	84.3	71.4	84.4	83.9	62.7	72.7	81.3
Scandinavian countries	91.7	88.6	91.8	91.4	94.0	93.8	80.1
English-speaking countries	72.4	40.4	71.0	81.3	53.9	32.4	45.8
Mediterranean countries	78.4	73.9	76.5	82.4	78.6	74.4	34.1
Eastern European countries	65.5	61.3	65.5	65.7	71.0	52.9	60.6
Interested in politics							
Europe	40.3	28.8	40.0	41.3	22.4	30.9	34.6
Continental countries	51.8	36.5	48.9	57.5	26.0	33.3	59.1
Scandinavian countries	48.8	34.2	49.1	47.8	25.0	37.9	30.6
English-speaking countries	34.3	20.6	35.8	30.0	18.4	22.8	13.1
Mediterranean countries	39.4	33.5	36.2	46.7	23.1	37.0	38.6
Eastern European countries	34.0	24.4	36.4	30.2	22.3	26.0	25.5
Discusses politics							
Europe	65.4	52.8	65.0	66.6	49.3	54.0	55.6
Continental countries	74.8	61.0	72.6	79.3	53.7	58.9	76.8
Scandinavian countries	79.6	66.2	77.5	82.8	50.0	67.7	65.1
English-speaking countries	48.7	28.7	49.6	48.2	21.4	35.1	11.2
Mediterranean countries	63.4	56.3	61.9	66.8	42.1	61.3	58.5
Eastern European countries	61.7	52.5	63.7	58.5	57.5	50.0	46.9
Involved with a political party							
Europe	3.6	1.6	3.9	2.9	1.6	1.3	2.3
Continental countries	3.3	1.9	4.2	1.6	4.7	0.0	3.5
Scandinavian countries	13.0	6.7	13.9	10.2	0.0	7.3	6.4
English-speaking countries	2.1	0.9	2.0	2.2	2.5	0.0	0.0
Mediterranean countries	4.5	2.1	3.6	6.4	1.9	2.3	0.0
Eastern European countries	2.3	0.8	2.8	1.4	0.5	0.9	1.2

Source: EVS data, Eurofound elaboration

In order to determine whether the differences recorded above still hold when controlling for demographic and socioeconomic variables, multivariate statistical models were performed for each indicator (see Table 18). Given the dichotomous nature of the indicators, logistic models were applied.

At European level, being disengaged from the labour market and education system has a significant effect on reducing the probability of being inclined to vote. In particular, those who are NEETS are 26% less likely to vote compared with non-NEETs. However, if the population of NEETs and non-NEETs is disaggregated into subgroups, it becomes apparent that this effect is mainly driven by two factors: students are 24% more likely than young workers to participate in elections, while young unemployed people are 35% less likely to vote. No significant difference was found for the other variables.

At cluster level, similar results are found in the English-speaking, continental and eastern European groups. In all these clusters, NEETs have a lower likelihood of participating in the next election and this effect seems to be driven by the subgroup of young unemployed people. Being unemployed in these clusters negatively affects the probability of participating in elections. In the Mediterranean and Scandinavian clusters, no significant difference was found between NEET and non-NEET status regarding the probability of voting.

The lower level of interest in politics among NEETs was found to be significant at European level, where NEETs are 25% less likely to be interested in politics in comparison to non-NEETs. By controlling for other variables, it was found that this difference is mainly driven by students and those who are unavailable due to family responsibilities. In fact, students are significantly more likely to be interested in politics than young workers, while those with family responsibilities are less likely than young workers to have this interest. This result was confirmed for the continental, English-speaking and eastern European clusters. No significant difference was found for the other groups that could be explained by the control variables. Conversely, in the Mediterranean cluster, unemployed people were more likely to be interested in politics; this result seems to indicate a political association with unemployment in this cluster.

At European level, NEETs are less likely than non-NEETs to discuss politics with friends. The difference is statistically significant. Controlling for socioeconomic variables, NEETs are 20% less likely to talk about politics in comparison to their non-NEET counterparts. At the cluster level, being NEET significantly reduces the likelihood of talking about politics in continental and eastern European countries. Confirming the political connotation of unemployment, in the Mediterranean cluster the opposite holds: NEETs are more likely to talk about politics and this effect is driven by the subgroup of unemployed people. Again, no significant effect was found in the Scandinavian cluster.

Finally, NEETs are far less likely to participate and do voluntary work for a political party than non-NEETs. Specifically, while controlling for other variables, at European level NEETs are 40% less likely than non-NEETs to be part of a political party. Moreover, the subgroup of unemployed people is 70% less likely to be engaged in a political party than those in employment. No statistical difference is found for the other subgroups. For this indicator, it is not possible to perform the analysis at cluster level, as the number of NEETs engaged in a political party is too limited to permit a meaningful analysis.

Table 18: Results of regression analysis of political engagement

	Non-NEETs	NEETs	Workers	Students	Unavailable	Unemployed	Others
	(Reference category)		(Reference category)				
I would vote tomorrow							
Europe		-0.296***		0.218**	0.084	-0.436***	-0.224
Continental countries		-0.749***		0.088	-1.066***	-0.770**	0.035
Scandinavian countries		0.175		-0.681	n.a.	1.431	-1.085
English-speaking countries		-1.203*		0.880	1.302	-2.396**	1.085
Mediterranean countries		-0.119		0.570*	0.209	0.032	-1.590
Eastern European countries		-0.194		0.114	0.331	-0.533***	-0.180
Interested in politics							
Europe		-0.293***		0.490***	-0.431**	-0.121	-0.043
Continental countries		-0.559***		0.925***	-0.577	-0.398	0.061
Scandinavian countries		-0.599		-0.227	n.a.	-0.913	-0.335
English-speaking countries		-0.306		2.777***	0.072	0.504	0.704
Mediterranean countries		0.226		0.570***	-0.314	0.516**	1.038
Eastern European countries		-0.367**		0.114	0.331	-0.533***	-0.180
Discusses politics							
Europe		-0.212**		0.410***	-0.218	-0.054	-0.162
Continental countries		-0.392*		0.968***	-0.212	-0.303	0.288
Scandinavian countries		-0.302		0.482	n.a.	0.265	-0.359
English-speaking countries		-0.161		-0.290	-0.706	0.450	0.330
Mediterranean countries		0.394*		0.557**	-0.167	0.764***	0.617
Eastern European countries		-0.358***		0.127	-0.236	-0.449**	-0.239
Involved in a political party							
Europe		-0.561*		-0.068	-0.049	-1.215**	-0.298

*Note: *** = p<0.01; ** = p<0.05; * = p<0.1*
Control and dummy variables not presented.
n.a. = not available
Source: EVS data, Eurofound elaboration

Summary of results on political engagement

In line with the general literature, young people show a much lower level of political engagement than other age categories. In this context, NEETs present an even lower level of engagement. Being NEET reduces the likelihood of being politically engaged, and this effect is significant at European level for all the indicators included in the analysis. When compared with young workers, those in education are more likely to be politically engaged, while this seems far less likely for those unavailable due to family responsibilities. However, at the cluster level, interesting differences arise. In the continental and eastern European countries, NEETs are less likely to be engaged, as this category's subgroup of unemployed people tend to be less likely to vote and to discuss politics less. In the Mediterranean countries, unemployment seems to acquire a political association. Probably driven by the high rate of NEETs and unemployment, these young unemployed people are more likely to be interested in politics and to talk about politics than their employed counterparts. No significant difference in voting is found among the subgroups. Conversely, in the eastern European and continental countries, being NEET and being unemployed seem to lead to a disengagement from and apathy towards politics.

Social and civic participation

Social and civic participation were investigated here using data from the EVS. The EVS explores social and civic participation in 15 types of organisation: religious, cultural, welfare, trade union, political party, local community, human rights, environmental, professional association, youth, sports, women's, peace movement, voluntary health and 'other'. For each of these types of organisation, the respondent is asked if they belong to or have done some voluntary work for them.

While it is important for young people to be socially engaged, it is widely agreed in the literature that not all kinds of participation are conducive to the same positive results in terms of social capital and social cohesion. This is, for example, the classical Putnam axiom that distinguishes between bridging (or inclusive) and bonding (or exclusive) social capital. The first includes the outward-looking bodies or associations that encompass people across diverse social issues, while the second is characterised by inward-looking bodies or associations that tend to reinforce exclusive identities and homogeneous groups (Putnam, 1993, 2000).

Following the empirical approach adopted in Mascherini et al (2010), the pattern of correlation regarding participation in the 15 types of organisation was investigated. The results show that they can be classified along three latent dimensions. The first two in some sense reflect the bridging and bonding social capital concept of Putnam (2000), while the third group represents organisations aiming at the personal artistic, cultural and physical leisure of the individual.

Table 19: Grouping of organisation types

Types of organisation	Macro group
Welfare organisations	Outward
Local community groups	
Human rights and third-world development bodies	
Environmental groups	
Women's groups	
Peace movements	
Voluntary health organisations	
Religious organisations	Institutional
Trade unions	
Professional associations	
Political parties	
Other organisations	
Cultural organisations	Leisure
Youth recreation organisations	
Sports and recreation organisations	

The 15 types of organisation are divided into three groups on the basis of the results of cluster analysis (Table 19). The first group, the 'outward' group, is generally characterised by people with different backgrounds who are more likely to participate for the benefit of society at large. It includes local community organisations, human rights groups, environmental bodies, voluntary health organisations, women's groups, peace movements and welfare organisations. The second, 'institutional', group includes well-defined institutions such as the church, political parties, trade unions and employers. Participation in this type of organisation is characterised by a well-defined identity among participants regarding the organisation they represent. Finally, the third, 'leisure', group identifies the types of participation directed at the personal leisure and self-enhancement of the individual. It includes sport, youth, recreational and cultural organisations.

Young people, the general population and social participation

Young people are far from having the lowest levels of social participation. According to the results of the EVS, 43.8% of young people participate in at least one of the organisations cited above (Table 20). This is higher than the proportion of older people who get involved with organisations (42.7%) and is not far from the proportion of people in the 30–64 age group who do so (46.7%). This is not surprising as it is in line with Glaeser et al (2002), who propose a concave relation between general participation in formal networks and age: with age, networks first increase and later decrease.

The situation changes if participation rates are analysed within the three categories of organisations. In this respect, young people's highest participation is in the leisure group (28.9%), which is not unexpected as young people are more likely to participate in sport and youth recreation organisations. Conversely, and in line with the general literature (Putnam 2000, 1993), young people have the lowest share of participants in both the outward and institutional types of organisation. The difference between young people and the other age groups regarding institutional organisations is particularly remarkable. Here, just 17.2% of young people are engaged with at least one organisation, compared with at least 26% of the other age categories.

In line with the research literature that identified a polarisation along the north–south axis (Mascherini et al, 2010; Hoskins and Mascherini, 2009), huge differences were observed at the cluster level. The Scandinavian and continental countries recorded the highest share of participation, followed by the English-speaking countries. The Mediterranean and eastern European countries recorded the lowest share of participation among young people in Europe.

Table 20: Social and civic participation rates by age group

	Age group		
	Under 30 years (%)	30–64 years (%)	65+ years (%)
General participation in any type of organisation	43.8	46.7	42.7
Participation in outward organisations	12.1	16.5	18.6
Participation in institutional organisations	17.2	27.2	26.0
Participation in leisure organisations	28.80	22.50	13.50

Source: EVS data, Eurofound elaboration

Effect of being NEET on social participation

At European level, young non-NEETs have a much higher general social participation rate than that of NEETs: 46% against 26.7% (Table 21). However, while those who are unavailable due to family responsibilities and those who are unemployed record extremely low participation rates (18.6% and 25.1% respectively), the share of participation among those who are NEET for unspecified reasons ('other NEETs') is even higher than found among those who are non-NEET, at 49.7%.

A small difference occurs between NEETs and non-NEETs regarding participation rates with outward organisations, at 9.9% and 11.6% respectively. In particular, the highest rate was found for the subgroup of other NEETs, at 16.5%, compared to 12% for young workers, 10.6% for students and 8% for those who are unemployed or unavailable to participate in this type of organisation. Remarkably, in the Mediterranean countries, more NEETs than non-NEETs participated in outward organisations, at 12.2% and 7.9% respectively. In both the Scandinavian and Mediterranean clusters, at least 11% of unemployed people participated in outward organisations, decreasing to just 4.4% in the eastern European cluster and to approximately 8% in the English-speaking and continental clusters.

A bigger difference occurs between NEETs and non-NEETs with regard to participation in institutional organisations; 19% of non-NEETs take part in this type of organisation, against 9.6% of NEETs. However, heterogeneity emerges here as well: participation is around 9% for NEETs who are unemployed or unavailable, approximately 17% for those NEETs categorised as 'Other', 15% for students and 20% for young workers. At the cluster level, participation in this type of organisation is limited for NEETs in continental, Mediterranean and eastern European countries, where at most it involves half of the non-NEET population. In eastern European and Mediterranean countries, around 6% of young unemployed people participate in institutional organisations. In continental countries, it ranges from 8% among unemployed people to 24.5% among young workers. While 31.9% of non-NEETs participate in leisure organisations, this share decreases to 13.5% among NEETs. NEETs categorised as 'Other' have a comparatively high level of participation here, at 28%, while the rate among those who are unemployed and those who are unavailable is considerably lower, at 13.8% and 6% respectively. At the cluster level, only 10% or less of NEETs take part in this type of organisation in the eastern European,

Mediterranean and English-speaking clusters. This percentage rises to 22% or more in the continental and Scandinavian clusters. In all clusters, the over-performance of the NEETs categorised as 'Other' is confirmed, while a very low level of participation is found among the unemployed and, in particular, those who are unavailable due to family responsibilities.

Table 21: Social and civic engagement among NEETs and non-NEETs

	Non-NEET	NEET	Non-NEET subgroups		NEET subgroups		
	Overall average (%)	Overall average (%)	Workers (%)	Students (%)	Unavailable (%)	Unemployed (%)	Others (%)
General participation in any type of organisation							
Europe	46	26.7	44.5	49.3	18.6	25.1	49.7
Continental countries	61	33.8	63.8	57.6	24.1	34.7	44.1
Scandinavian countries	87	57.2	88.1	83.4	50	52.0	64.3
English-speaking countries	44	23.2	41.8	50.5	26.7	22.7	11.2
Mediterranean countries	28	18.9	26.4	33.0	16.1	17.4	58.5
Eastern European countries	42	25.9	38.6	47.5	15.8	24.5	52.3
Participation in outward organisations							
Europe	11.6	9.9	12.0	10.6	8.0	7.9	16.5
Continental countries	19.2	11.8	20.4	17.0	15.5	8.2	17.2
Scandinavian countries	19.7	13.3	20.5	17.9	50.0	11.3	13.9
English-speaking countries	12.6	6.0	14.2	7.9	4.3	7.8	0.0
Mediterranean countries	7.9	12.2	8.1	7.8	10.7	11.0	39.5
Eastern European countries	7.7	6.5	7.7	7.3	5.3	4.4	14.9
Participation in institutional organisations							
Europe	19	9.6	20.6	15.6	6.4	9.3	17.3
Continental countries	20.3	9.7	24.5	12.4	13.4	8.0	9.6
Scandinavian countries	59.0	34.8	61.6	53.9	0.0	31.9	41.5
English-speaking countries	24.8	13.9	27.1	18.4	11.5	13.9	31.2
Mediterranean countries	12.9	6.5	12.3	14.1	6.3	6.5	7.1
Eastern European countries	12.3	6.7	13.8	9.5	3.4	6.7	14.1
Participation in leisure organisations							
Europe	31.9	13.5	29.3	37.1	6.0	13.8	28.0
Continental countries	49.9	22.4	50.4	49.3	10.5	24.4	32.2
Scandinavian countries	47.1	29.3	44.8	51.2	0.0	24.3	39.0
English-speaking countries	33.0	8.5	31.5	37.4	6.2	9.4	15.7
Mediterranean countries	19.7	9.2	17.6	24.5	7.0	9.0	24.9
Eastern European countries	25.5	10.5	21.2	33.4	4.3	11.1	23.6

Source: EVS data, Eurofound elaboration

Logistic regression analysis confirms some of the differences observed in the descriptive statistics (Table 22). At European level, NEETs have a significantly lower likelihood of participating in any kind of organisation than the non-NEETs. This is particularly true when compared with young workers, for those who are unavailable due to family responsibilities and those who are unemployed. No significant difference was found for the other subgroups. These results are confirmed for all clusters, with the exception of the English-speaking countries, where no significant difference was recorded.

The investigation of the effect of being NEET on the participation of the three different types of organisation reveals interesting results. Despite the differences observed in the descriptive statistics, no significant difference is found for the outward organisations. This implies that the differences observed in the descriptive statistics are explained by the control variables. Being disengaged from the labour market and the education system does not in itself constitute a reduction in the chances of taking part in these kinds of organisation. Moreover, no significant difference was identified for the different subgroups of NEETs and non-NEETs. This result holds for all clusters, with the exception of the Mediterranean countries; here, NEETs have a higher probability of participating in outward organisations. This effect is driven only by those who are unavailable due to family responsibilities.

Participation in institutional organisations is completely different. In this case, at European level, there is a highly significant difference between NEETs and non-NEETs. When controlling for the set of sociodemographic variables, NEETs are 45% less likely to be engaged in these kinds of organisations. While the extent of the effect of being NEET varies across the clusters, this result holds for all of them, with the exception of the English-speaking countries. Analysis at subgroup level reveals that those who are unavailable due to family responsibilities and those who are unemployed are far less likely to be involved in institutional organisations in comparison to those young people who are at work. Being part of these subgroups reduces the probability of being engaged in this type of organisation by approximately 50%. Conversely, no significant difference is recorded for the other groups. Again, this result is found in all the clusters, with the exception of the English-speaking cluster.

Analysis of the participation in leisure organisations reveals that at European level, being NEET has a strong negative effect on one's chances of being involved with this type of organisation. Holding for the control variables, being disengaged from the labour market and the education system reduces the probability of participating in this type of organisation by 55%. At the subgroup level, those who are unavailable and those who are unemployed are less likely to participate than those in employment, by 70% and 60% respectively. No significant difference is found for the other subgroups. NEETs are significantly less likely to be participating in this type of organisation in the continental, Mediterranean and eastern European clusters. In all these clusters, unemployed people are less likely than young workers to be engaged in these types of organisation. For those who are unavailable due to family responsibilities, the difference is only statistically significant in the continental and eastern European clusters.

Table 22: Results of regression analysis on social and civic participation

	Non-NEET	NEET	Workers	Students	Unavailable	Unemployed	Others
	Reference category		Reference category				
General participation in any type of organisation							
Europe		-0.531***		0.034	-0.752***	-0.608***	0.114
Continental countries		-0.785***		-0.246	-1.345***	-0.796***	-0.566
Scandinavian countries		-1.216**		-0.626	n.a.	-3.367***	0.403
English-speaking countries		-0.132		2.267	-0.394	0.794	-1.514
Mediterranean countries		-0.283**		-0.212	0.123	-0.577**	1.542
Eastern European countries		-0.532***		0.325**	-0.786***	-0.503**	0.220
Participation in outward organisations							
Europe		-0.073		-0.297	-0.141	-0.255	0.154
Continental countries		-0.148		-0.036	-0.098	-0.647	0.631
Scandinavian countries		-0.081		-0.716	n.a.	-0.374	-0.221
English-speaking countries		-3.038		1.629	-1.685	-2.046	1.102
Mediterranean countries		0.648**		-0.710	0.989*	0.289	1.493
Eastern European countries		-0.478		-0.250	-0.403	-0.915	-0.191
Participation in institutional organisations							
Europe		-0.589***		-0.146	-0.730***	-0.732***	-0.247
Continental countries		-0.644**		-0.427*	-0.553	-0.868*	-0.681
Scandinavian countries		-0.723*		0.181	n.a.	-1.464**	0.040
English-speaking countries		-0.334		1.211	0.198	-0.398	0.578
Mediterranean countries		-0.708**		0.195	-0.154	-0.871**	0.383
Eastern European countries		-0.613***		-0.187	-1.339***	-0.312***	-0.249
Participation in leisure organisations							
Europe		-0.815***		0.191*	-1.313***	-0.883***	-0.051
Continental countries		-1.106***		-0.233	-2.786***	-1.122***	-0.481
Scandinavian countries		-0.550		0.559*	n.a.	-1.215*	0.353
English-speaking countries		-0.748		0.763	0.243	-1.943	0.122
Mediterranean countries		-0.758**		-0.215	-0.448	-0.875**	0.040
Eastern European countries		-0.698***		0.466***	-1.233***	-0.575*	0.176

*Note: *** = p<0.01; ** = p<0.05; * = p<0.1*
Control and dummy variables not presented.
Source: EVS data, Eurofound elaboration

While some differences have to be taken into account, these results are in line with the existing literature; as suggested by Verba et al (1995), unemployment is often described as possibly having the strongest disincentive to participation. In this respect, Fidrmuc and Gërxhani (2005) have shown empirically that being unemployed translates into more limited access to both informal and formal networks, while being employed has the opposite influence. This is indeed particularly true for the institutional organisations. The very low rate of participation among those young people who are unavailable due to family responsibilities can also be explained by their lack of time and limited access to formal and informal networks.

Summary of findings on social participation

Among the different age groups, the share of participants in organisations generally follows a concave trend, and young people have a rate of participation that is comparable to that of older people. However, there are huge differences between the types of organisation with which young people engage and those of other age categories. In comparison to those aged 30–64 years, a very low share of young people participate in outward and institutional types of organisation. On the other hand, a higher proportion of young people join leisure organisations. The participation rate of young people varies strongly across the different clusters, with Nordic and continental countries reporting a higher participation rate than English-speaking and, especially, eastern European and Mediterranean countries.

In general, NEETs participate less than non-NEETs. However, when participation is disaggregated into three groups, NEETs are found to participate less than the non-NEETs in the institutional and leisure organisations, while no difference is statistically significant for the outward forms of participation. More specifically, those NEETs who are unemployed or unavailable to work due to family responsibilities are considerably less likely to participate in the institutional and leisure organisations. These differences are statistically significant in the continental, Mediterranean and eastern European clusters, while no difference is recorded in the Scandinavian and English-speaking ones.

Discussion and conclusion

This chapter has investigated the risk of disaffection and political marginalisation of NEETs and non-NEETs. Three dimensions were analysed: trust, political engagement and social participation. These dimensions were investigated through 34 indicators drawn from the 2008 ESS and the 2008 EVS. A total of 120 multivariate statistical regressions were performed.

The first result is that, in general, young people in Europe have a limited level of interest in politics. While the level of trust in institutions is similar to that of other age categories, young people on the whole are less interested in politics; they are less likely to discuss politics with their friends and to vote in elections. In addition, they tend to participate less than other age groups in organisations that do not involve art, culture or sport. Combating this political, social and civic apathy and fostering a greater involvement of young people in society is a big challenge for European democracies.

Secondly, while access to paid employment and education is not sufficient in itself to prevent political indifference and disaffection among young people, the situation among NEETs is strikingly different. At European level, NEETs distinguish themselves by having a substantially lower level of political and social engagement and a lower level of trust when compared with non-NEETs. This

implies that they are not just disengaged from the labour market and education system but are also at high risk of being politically and socially alienated from their societies.

The huge diversity of the NEET population is confirmed in this analysis. In fact, the results outlined above do not apply at the same level to all NEET subgroups. While those unavailable to work due to family responsibilities are not interested in politics, those who are unemployed distinguish themselves by having a low level of trust in institutions, a lower disposition to vote, and a lower level of social and civic engagement. It is through their non-participation and distrust of institutions that the unemployed express their disappointment in and frustration over the attempts of the authorities to address their situation. It is difficult to say in which direction this disaffection and political marginalisation will be directed. Some earlier studies on political marginalisation among unemployed people have concluded that they tend to have more radical political attitudes, but this hypothesis was not tested here.

Analysis of the variation between clusters shows substantial differences and complicates any conclusions. In the continental cluster, and to a lesser degree the English-speaking and eastern European clusters, those who are unemployed are also the most disaffected, with lower levels of trust in institutions and of political and social engagement. In the Mediterranean cluster, however, the opposite holds true. In this cluster, unemployment seems to have a more defined political connection; those who are unemployed tend to have the same level of institutional trust and a higher level of political engagement. They are more likely to vote and to talk about politics with friends than the other subgroups. It is notable that this higher engagement is not formally translated into a higher level of formal participation in a political party or an institutional organisation. This indicates a lack of identification with the main actors of the political arena.

As pointed out by Bay and Blekesaune (2002), this might be explained by the different selection process for being unemployed in continental and Mediterranean countries. As the continental cluster is characterised by a general low youth unemployment rate, the low level of trust and political engagement among the unemployed may be a result of the fact that unemployment in this cluster is largely unusual. In this context, unemployment amplifies what is already a marginalised and disengaged social situation for young people. Conversely, in Mediterranean countries, where youth unemployment rates are among the highest in Europe, the unemployed are drawn more broadly and go beyond the lower strata of society. The large size of the cohort indicates that this problem is structural in the Mediterranean cluster, which may have fostered the creation of an identity for this group and enabled the frustration to reach a level of political expression.

Finally, no particular differences between NEETs and non-NEETs were found in the Scandinavian cluster. There is reason to believe (Esping-Andersen, 1985, 1990) that the well-developed and inclusive welfare system of these countries may counteract the fact that unemployment leads to marginalisation and ensures that people may function as citizens without having paid employment.

More in-depth research would be needed in order to draw more precise conclusions. Notwithstanding this, on the basis of the evidence presented, the preliminary impression is that the five clusters can be classified differently on the Hirschman framework. The political behaviour of NEETs in the Scandinavian cluster, for example, could go under the label of 'loyalty', as no significant differences were found between NEETs and non-NEETs. The lower level of political and civic engagement among NEETs in the English-speaking, continental and eastern European clusters, on the other hand, indicate that they come under the 'exit' label. Finally, given the positive effect of NEETs being

politically engaged, the political behaviour of NEETs in the Mediterranean cluster seems to go under the label of 'voice'.

This study has confirmed that the consequences of being NEET are not just economic and that NEETs are at considerable risk of disaffection. Despite the differences and the different dynamics observed at the cluster level, the concern of policymakers is widely justified. Young people who are disengaged from the labour market and the education system are withdrawing from political and social engagement in their societies. Given the size the NEET population has reached in Europe, the economic and social consequences associated with NEET status call for new policy action in support of the reintegration of young people into the labour market and the education system. The efforts and the initiatives implemented by the Member States to support young people in their pathway to employment will be the focus of the next chapter.

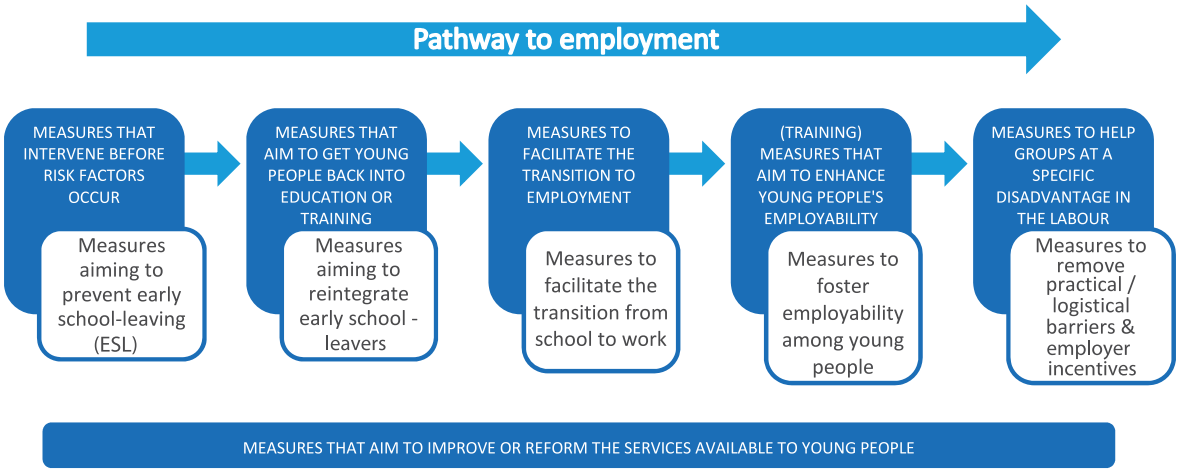
7 Reintegrating young people into the labour market and education

Fostered by increasingly high youth unemployment rates and the economic and societal consequences associated with NEET status, there is a renewed sense of urgency to develop and implement policies to bring young people (back) into employment, education or training across Europe. Governments aim to both reduce the great economic and social costs and to give every young person the chance to realise their potential and to prevent scarring through a protracted NEET experience.

As a consequence, in recent years EU Member States have been actively engaged in designing and implementing policy measures aimed at increasing the employability of young people and promoting a higher level of employment participation among them. As already noted, the population of young people who are disengaged from the labour market and from education is extremely heterogeneous and composed of several subgroups, each with its own characteristics and needs. In this regard, governments have rightly set their interventions by disaggregating the NEET category and identifying the characteristics and needs of the various subgroups that require distinct forms of policy intervention in terms of, for example, welfare or training provision.

The policies implemented by Member States to ensure a greater participation of young people in education and employment involve a wide range of different initiatives. These policies often intervene at different points along the pathway to employment, which describes young people's journey through formal education and their transition into the labour market and employment.

Figure 35: Pathway to employment



Source: Eurofound, 2012b

For many young people, this pathway from education to employment is not straight, and those who become NEET have gone astray somewhere along the way. Policies tackling the NEET problem are therefore either preventative interventions that keep young people from leaving this pathway or interventions that tackle the issue of bringing young people 'back on track' to continue their way, develop their skills and participate actively in society. As illustrated in Figure 35, some youth employment policies seek to intervene in the early stages of the pathway with the particular goal of tackling the risk factors linked to potential disengagement from education and training. This is because young people with no or low-level qualifications have a higher chance of experiencing

unemployment than their skilled peers. Other policies intervene at later employment-related stages of the young person's pathway to employment.

These policies can be grouped into broad five categories, which may partially overlap:

Measures to prevent early school-leaving recognise that there are supports that can be provided within the school environment, at home or through holistic support measures that can improve students' chances of staying in education or training.

Measures to reintegrate early school-leavers seek to provide timely support for those who have just made the decision to drop out by encouraging and enabling them to continue their previous studies or to find other, more suitable training alternatives.

School-to-work transition policies intervene at a slightly later stage of the pathway as their primary goal is to ease young people's transition 'from learning to earning' and therefore to ensure that public investment in education and training is maximised.

Measures to foster employability and *measures to remove practical and logistical barriers to employment* are policy interventions that intervene closer to the labour market entry point. The former seek to address gaps in transversal and job-specific skills and competences (as well as other labour market abilities and aptitudes), while the latter aim to address specific barriers faced by young people from vulnerable backgrounds in particular.

Governments have been very active in promoting policies for re-engaging young people in the labour market and the education system. However, a question remains in relation to how effective these measures have been in meeting their targets. The strengths and weaknesses of different approaches also remain to be seen. In view of the current economic climate and increasing levels of youth unemployment, an evaluation of the effectiveness of such policy measures is essential in order to identify promising approaches and to find out 'what works' when it comes to engaging young people on their pathway to employment. Moreover, as funds available for policy delivery are increasingly limited, investments that are made must be seen to provide value for money.

The extent to which an evaluation culture has developed varies across individual EU Member States, with differing levels of commitment, resources, capacity, and a range of institutional cultures in place. With specific reference to youth activation measures, it seems there is a general lack of rigorous evaluation in most EU countries. Approaching evaluations from a comparative supra-national perspective, as this study does, is a way of identifying promising policies and distinguishing the strengths and weaknesses of particular approaches. This provides a learning opportunity for both the country of origin and other EU Member States.

As part of the project 'Youth employment: Challenges and solutions for higher participation of young people in the labour market', Eurofound published a comparative analytical report entitled *Recent policy developments related to those not in employment, education and training (NEETs)* (Eurofound, 2012a) and a report entitled *Evaluation of the effectiveness of policy measures implemented by Member States to increase the employability and to promote a higher employment participation of young people in Europe* (Eurofound, 2012b). Both studies investigate the policy responses to the NEET problem at Member State level. The latter looks specifically at the effectiveness of selected policy measures for re-engaging young people in their pathway to employment.

This chapter presents a condensed summary of the findings of these two studies. In particular, it provides an overview of policies that have been introduced by Member States to re-engage young people into the labour market and education system. Policies are organised into the five categories described above. For each category, the chapter discusses what kind of policies have been introduced at Member State level, where they intervene along the pathway to employment and what they are trying to achieve. It then outlines selected measures and gives an indication of their effectiveness. Finally, it discusses the strengths and weaknesses of different policy approaches. It concludes by presenting the general lessons learnt about the implementation principles and key characteristics of good practices.

Preventing early school-leaving

The best point to tackle any problem is before it evolves. The pathway to employment starts with education and, as noted earlier in this report, there is widespread agreement that educational attainment is a strong predictor of future labour market outcomes (O'Higgins, 2010). Education is often described as a shield against unemployment (ILO, 2012a).

An education system that helps children and young people from all backgrounds to realise their full potential is vital for continued prosperity and to reduce labour market exclusion among young people (OECD, 2010). The European Commission recognises the importance of education for individual and societal well-being. Among the five headline targets of Europe 2020, the European Commission prescribes an increase in the share of people with tertiary education to 40% across the EU as well as a reduction in early drop-out rates to 10% (European Commission, 2010a).

In this framework, Member States have implemented several policy measures that take a preventive approach to early school-leaving. Early school-leaving is no longer seen as an individual problem caused by the young person and their environment. Instead, it is acknowledged that the reasons leading to young people dropping out of school early are manifold and cumulative; often it is a combination of problems with existing mainstream education and more complex personal needs. It is therefore an issue that can be averted in a collective effort that involves the education system, schools and society (Eurofound, 2012a).

Overview of the policy measures

There is no single approach to prevent young people from leaving school early. This study finds that Member States rely on various prevention measures, including measures aimed at identifying potential early school-leavers, policies focusing on specific vulnerable geographical areas, the provision of alternative learning environments and increased career guidance and personal assistance. Some Member States have also created financial support mechanisms and aim at greater parental engagement.

Diagnostic measures

Research shows that clear signs that someone is losing interest in school usually present about one to three years before a young person drops out (Bridgeland et al, 2006). Therefore, the first important step in preventing early school-leaving is to identify which young people are at risk of dropping out and for what reasons (Dynarski et al, 2008). One effective way of ensuring a timely intervention is to set up a monitoring and early warning system. Such systems not only provide information to school and education authorities on how many students have dropped out of school and why; more importantly, they help to identify those students at risk of doing so.

Diagnostic measures enable authorities to gather information on early warning signs of school-leaving, such as data on absences or academic achievements. Indeed, in recent years, these diagnostic policies and practices have been introduced in various countries including Belgium (Wallonia), Denmark, Finland, Ireland, Latvia, Lithuania, the Netherlands and Norway. For example, Denmark, Ireland and the Netherlands have had electronic registration systems in place for some years (Eurofound, 2012a). In all three Baltic states, recent legislative measures have focused on tackling absenteeism. In Lithuania, an online system called 'Your School' has been introduced as a platform for schools, teachers, parents and students to share information about school life and to inform parents about the progress of their children in schools (including grades and absenteeism).

Area-based policies

Closely linked to identifying students at greatest risk of leaving school early is the realisation that students in some disadvantaged areas are at heightened risk of abandoning school. Hence, some Member States have implemented measures aimed at preventing early school-leaving by targeting specific disadvantaged areas and channelling additional support towards them. These are often referred to as area-based priority zones. In Greece, for example, schools in 'educational priority zones' (EPZs) are granted additional funds, have new teaching methods implemented and have specially trained teachers recruited. Particular attention is also paid to Roma students and repatriated Greeks. Results from similar programmes in Cyprus and Portugal show that participating schools not only have witnessed considerable reductions in early school-leaving, they also resulted in other positive outcomes such as improvements in literacy and academic achievement. Improved classroom discipline, fewer conflicts at school and better quality learning were also seen. In Hungary, a similar education programme for disadvantaged children, which is entirely privately funded, offers additional funding for schools to spend on infrastructure, while volunteers work to raise aspirations of disadvantaged students. The programme operates in the most disadvantaged parts of the country and is supported by volunteers from local businesses. Additional support can be introduced in innovative ways, such as in the case of the Learning Communities programme in Spain, which involves whole communities in fostering educational success and promoting high expectations among young people.

It is important to stress that these types of measures are highly dependent on the availability of additional funding. If this funding is spread too thinly, it will be unlikely to produce a significant impact. At the same time, it is important that funds focus especially on those students facing the most acute difficulties. For example, in France the Priority Education programme aims at helping students in the most socially and economically disadvantaged areas to succeed in education by providing greater pedagogical support. It reaches a large number of young people (almost one out of five students in France during the 2010–2011 school year); however, the scheme may have been too diluted to have any type of measurable impact on the schools with students most in need. Nevertheless, despite the lack of formal evaluation of the performance gaps between priority education and non-priority education areas, priority education is considered to have inspired many small-scale examples of good practice on the ground and to have generated several positive qualitative outcomes (Eurofound, 2012b).

Alternative learning environments and innovative teaching methods

In order to address the problems with mainstream education that lead young people to leave school early, many Member States have implemented measures that offer alternative learning environments and teaching methods within the existing public education systems.

The most important feature of alternative learning environments is that students still belong to the same public school, but are physically in a separate location or classroom, doing alternative activities for a specific period of time. Such programmes usually use different and innovative teaching pedagogies and often involve teaching in non-classroom environments to boost the motivation of young people to learn. These programmes have been implemented in Finland, France, Germany and Luxembourg, among other countries. In Luxembourg, 'mosaic classes' (*classes mosaïque*) give schools the opportunity to temporarily remove students at risk of leaving school early from their regular classes for a period of 6 to 12 weeks. During mosaic classes, students can get personalised help. The programme is thought to be very effective; between 2005 and 2009, three-quarters of participating students were reintegrated into their original class, and just over half showed an improvement in handling the problems that led to them being moved into the mosaic class (Eurofound, 2012a).

Member States have implemented a series of initiatives aimed at making the school curriculum at secondary level more varied, stimulating and relevant to the lives of young people. This is implemented using a wide range of approaches, such as introducing new teaching methods (Hungary and Malta), updating and making the curriculum more relevant (Romania), having better teachers who keep classes interesting (Greece), improving standards (Latvia) and having smaller classes with more one-on-one training sessions, involvement and feedback (Sweden). In most Member States the curriculum-specific reforms have also included the initial VET system. In Sweden, for example, the government decided in 2011 to implement a reform of its vocational secondary education system to make it more attractive for both employers and students. Students in this programme spend half their study time in a workplace. Vocational and work-based learning are commonly used to offer an alternative environment for students at risk of leaving school early. This is the case in Germany and Norway. The recently established school and work alternation programme in Italy also has a special focus on work-based learning as it provides an alternative route to achieving formal qualifications. It gives students (aged 15–18 years) the opportunity to pursue their second-level studies by alternating between periods of work and study, thereby enabling them to acquire transferable work skills and put the theoretical knowledge they have acquired at school into practice in a work environment.

Career guidance and educational assistance

Effective career guidance provision is essential to support pupils during transition periods, especially in the course of their education. Students are relatively vulnerable at transition points. For example, the transition to a higher level of education brings significant changes, both in terms of the curriculum and the school environment. This may put them at risk of dropping out from education. Member States have as a consequence introduced several bridging programmes and 'pick-and-mix' taster opportunities in order to support students towards successful transitions. These measures have been introduced in Austria, Finland, Germany, Hungary, Luxembourg, Norway and Sweden. In Germany, many measures aim at supporting pupils in making an informed choice about their career, and a number of national programmes have been set up over the past few years to help ensure successful transitions. For example, 'Qualifications and connections' is a four-year programme that aims to ensure that students make a smooth transition to their next level of education and do not end up leaving school without a qualification. Pupils in grades seven or eight participate in an analysis of their potential, interests and aspirations. They also receive occupational guidance. Students in their penultimate school year profit from mentoring and oversight until the completion of their first year in vocational training. In Finland, a similar programme, 'Occupational start' (Ammattistartti), offers young people who are unsure about their educational trajectory and career direction an alternative programme during which they can find out about different occupations.

Poor academic achievement is one of the top reasons identified for leaving school early (Bridgeland et al, 2006). Supplementary tuition and teaching assistants can help to tackle achievement problems before they increase the risk of leaving school early. This is especially relevant for those groups most at risk. To support these students, teaching assistant posts have been created in recent years in the Czech Republic, Malta and Slovakia. In some countries teaching assistants have been employed in schools with a high numbers of students from disadvantaged backgrounds (Czech Republic), while in others they may provide specific support to children from migrant backgrounds or to Roma children (Slovakia), as well as focusing their support on pupils with special educational needs (Malta). Specific programmes providing additional academic support for under-performing students can be found in France, Hungary, Slovenia and Spain. In Hungary, a network of centres called Tanoda has been created to provide help to disadvantaged children and young people (of whom most but not all are Roma). It provides the extra support that other children would normally receive at home. The centres help children with homework, organise art and sport activities, and provide mentoring.

Financial incentives and parental engagement

In some countries, early school-leaving tends to be associated with household poverty, with many children dropping out of school due to financial difficulties. In these countries, financial support mechanisms are introduced in the form of subsidies (such as subsidised study books in Poland), free school meals, allowances and scholarships (all of which are provided in Italy, Poland, Portugal and Slovakia). In some countries, school meals and books have been free of charge for a long time, either for all school-aged students or students in primary schools. In others, this approach is new (for example, Bulgaria and Romania). Certain countries have recently made free school meals available for children from disadvantaged backgrounds (Slovakia, for instance). In some countries, financial support for children and their families is used as an incentive for continued school attendance. For example, a scheme of free school meals and books in Slovakia is tied to the children's attendance in school.

Other initiatives create disincentives for children to drop out of school. For example, in 2005 the Czech Republic introduced the rule that early school-leavers risk losing their access to unemployment benefits, which reduced the rate of early school-leavers. Other initiatives may provide disincentives for parents whose children play truant or drop out of school. For example, Hungary introduced a measure in 2010 whereby families with children may lose some state assistance if their children of compulsory school age do not attend school. Similarly, in Greece sanctions can be imposed on parents and guardians who fail to enrol their children in school and to make sure they attend school regularly. In the Netherlands, schools are targeted, through financial incentives, with the aim of reducing the number of early school-leavers. Furthermore, some Member States seek to strengthen the communication between schools and parents through greater parental involvement. For example, in Luxembourg the national early school-leaving policy recognises the importance of including parents in activities. Closer parental involvement is also one of the objectives of the Home School Liaison Scheme in Ireland, which seeks to reduce school failure by establishing partnerships between parents and teachers in the interest of children's learning. In the Czech Republic, there are several local programmes that seek to educate parents about the importance of education.

Increasing the scope of compulsory education

The scope of compulsory education has been increased in a number of countries in recent years, as there is a broad agreement that raising compulsory schooling age can help to prevent early

school-leaving and ensure that pupils do not leave school without having obtained a basic set of skills and competencies. Some countries have chosen to increase the age for compulsory education (for example, Italy, England and Portugal), while others have lowered the age threshold at which children must start education. Some have introduced the requirement to have a certain level of qualification before a young person may leave school (Poland, for instance).

Learning Communities, Spain

Target group: Pupils and school communities in disadvantaged areas. The target group also includes volunteers from the wider community, such as university students, NGOs, family members or other local residents that form part of the learning community.

Aims and objectives: The policy aims at supporting schools in disadvantaged areas, mainly through the development of alternative pedagogical approaches. These approaches are to be developed by whole communities, through a bottom-up approach. For most communities, specific goals include reducing drop-out rates, improving school atmosphere, reducing discrimination and enhancing community cohesion.

Description: Learning Communities have been introduced in a number of regions in Spain, and are mostly located in low-income areas. Currently, 103 schools participate in the programme, which covers different school types from nursery to second-level schools, as well as public and private schools. Learning Communities are associated with pedagogic innovation, and are based on the assumption that mainstream schooling can have a negative effect on early school-leaving. The programme develops alternative ways to keep young people in the education system.

A key feature of Learning Communities is its bottom-up approach, which aims at involving the whole community with setting targets, and designing and implementing a plan to foster educational success. Learning Communities involve the promotion of high expectations among young people. Each initiative usually starts with a consultation period, during which schools, students, parents and the wider community decide on the goals of their community. Once a plan is in place, the wider community is engaged to offer voluntary support to the school, which can involve university students, older students, local NGOs or other members of the wider community. The activities that are then implemented include innovative teaching methods, including a book club to foster reading and literacy, interactive group teaching, and regular meetings between staff, students, parents and the wider school community. An essential part of this measure is this strong collaboration between the education authorities, parents' associations and the local community, with the shared goal of reducing school drop-outs.

Effectiveness: Due to the local focus of this measure, it is difficult to assess its global effectiveness. Learning Communities have not yet been formally evaluated. However, all individual communities have reported positive results, including significant improvements in academic performance and improved relations between members of the educational community (Elboj and Niemela, 2010; Garcia et al, 2010; Prieto and Santa Cruz, 2010). Looking at the effectiveness of individual learning communities, a longitudinal study has shown that the La Paz Learning Community recorded an increase in the average reading competence from 1.4 to 2.7 (out of 5) between 2006 and 2008. Absenteeism dropped from 30% in 2006–2007 to 10% in 2007–2008. Stakeholders who are familiar with the measure regard it as very positive and emphasise its universality and transferability to other contexts.

Strengths and weaknesses

All implemented policies share the goal of trying to keep young people in the education system by identifying and tackling their problems with mainstream education. They do so by offering additional support to stay in mainstream education, such as guidance or educational assistance, or by providing alternative learning environments. Some countries have also introduced financial incentives for staying in school and aim for greater parental engagement.

These measures have two main strengths. Firstly, they take a preventative approach to the NEET problem by tackling the issue at a very early stage in a young person's life, before cumulative disadvantage can unfold. They are therefore typically more cost effective in preventing social exclusion than reactive measures later in a young person's life (Eurofound, 2012b). Secondly, by addressing young people's problems with mainstream education, these policies approach the fundamental issues that underlie early school-leaving. In this way, they do not try to provide a quick fix, but acknowledge that non-mainstream ways of learning might be more appropriate for some.

The way in which policies to prevent early school-leaving are designed can also have some obvious weaknesses. Area-based policies, in particular, such as Priority Education in France, may carry the risk of support being too thinly spread and of overlooking those groups that are at specific risk. It is questionable whether the financial support from area-based policies is enough to eliminate the cumulative disadvantages of certain areas and, more importantly, whether the additional support benefits those most in need within the targeted areas. Additionally, those receiving customised support might become accustomed to non-mainstream education with subsequent difficulties for reintegration. Consequently, the difference between those with special support needs and those attending mainstream education deepens further.

Making alternative learning forms acceptable to young people, parents and employers can be a major challenge. Without a change in thinking and the acknowledgement that education can be delivered in many ways, the value of such measures can be limited. If projects remain niche projects and participation becomes stigmatised, disadvantage might increase rather than be resolved.

Table 23: Strengths and weaknesses of policy tackling early school-leaving

Type of policy	Strengths	Weaknesses
Diagnostic measures	Provide information on how many students leave school early and why, and identify those at risk of doing so, while informing and involving parents.	Rely on improved and extensive administrative capacities.
Area-based policies	Acknowledge that some areas are subject to multiple disadvantages. Target additional funding or more human resources to deal with the specific problem of youth exclusion, so that policies are focused on the 'right target group'.	Funding can be too thinly spread to make a significant impact. Despite focusing on the right target group or target schools, may not always reach the students most in need.
Alternative learning environments and innovative teaching methods	Address the issues from a long-term perspective. Can help to address the characteristics of mainstream education that were turning off young people. Foster the motivation to learn among young people at risk of early school-leaving	Can be costly and require significant cultural change and investment in training of staff involved in delivery. New qualifications may not be understood, recognised or valued by young people, their parents, and employers, without significant efforts to build up their reputation.
Career guidance and educational assistance	Address a vulnerable point in young people's lives, which has been somewhat overlooked by public policies in the past.	Young people may become accustomed to the tailored, intensive support they receive through these measures.

Type of policy	Strengths	Weaknesses
Financial incentives and parental engagement	Recognise that many children may leave school early due to household poverty and financial difficulties. Financial support is used as an incentive for continued school attendance.	Rely on available funding. May not reach the most disadvantaged pupils.
Increasing the scope of compulsory education	Ensures that all children leave school with a set of basic skills and remain in education longer.	To be effective, needs to be implemented alongside measures providing targeted support to those most in need or most disadvantaged.

Reintegrating early school-leavers

Even when there are policies in place to prevent early school-leaving, there will always be young people that fall through the safety net. Some students may not have profited from the types of preventive measure described earlier, while others may have needs too complex to be addressed in the standard education environment. This can be highly problematic since these young people lack the basic qualifications needed in the labour market, which will need even higher skills in the future. According to the European Commission (European Commission, 2010a), 16 million more jobs in Europe will require higher qualifications by 2020. Not least for this reason, the reintegration of early school-leavers is seen as an essential step in combating drop-out rates and in reaching the Europe 2020 headline target.

Dropping out of school does not have to be a dead end on the pathway to employment. Many policies implemented in Member States aim to offer early school-leavers a second chance and to bring them back into the education system in order to acquire the skills and qualifications for sustainable employment in the future.

Overview of the policy measures

Reasons for dropping out of school are varied, and different subgroups will need different policy responses. Therefore, reintegration measures tend to offer flexible instead of rigid pathways and are usually tailored according to the needs of the participants. For those who simply need a second chance to acquire a formal qualification, these policies offer alternatives to mainstream education. Those with greater support needs and complex personal issues often receive holistic counselling services and support from a broad range of specialists, which facilitate reintegration. By offering the opportunity to gain soft skills, such reintegration measures specifically address young people with more complex needs and issues of self-esteem, confidence and personal development, amongst others (Eurofound, 2012a).

Tracking services

Before one can go about integrating early school-leavers in programmes, they have to be identified and tracked. Denmark, Finland, Luxembourg, the Netherlands, Norway and England have introduced tracking or 'catch-up' services to identify, support and monitor inactive young people. For example, in the Netherlands, the Regional Registration and Coordination Institutes monitor and keep records of young people who do not have basic qualifications and ensure that those who are inactive are contacted and supported in their efforts to find a training place or a job. In Luxembourg since 2003 a record of the status of every single early school-leaver is collected on a monthly basis by the Ministry of Education.

Second-chance opportunities and alternative teaching formats

Once early school-leavers have been identified, many policies offer non-mainstream ways to acquire a formal qualification. Examples include providing second-chance opportunities and creating a more motivating learning environment, which tends to be practically oriented and includes elements of non-formal learning.

Several countries have established initiatives to give young people the chance to re-enter education, optionally combined with practical training. In France, for example, 'second-chance schools' offer young people aged 18–25 years training in basic skills for a period of 9 to 12 months. Dedicated second-chance schools also operate in Greece; there, they provide opportunities to study at a flexible pace during non-traditional school opening times.

Second-chance opportunities can take many forms. Sweden has a formal and non-formal adult education opportunities scheme in place, ensuring that there are enough places for young early school-leavers. In Belgium and Germany, students can take a second-level exam without having completed the associated studies. Evening schools exist in Cyprus, Latvia and Romania, while distance-learning opportunities are provided in Hungary. Finally, a mobile education system in Portugal aims to support early school-leavers from the Traveller community.

Some of the main second-chance opportunities in Cyprus, Portugal and Spain are vocationally oriented. In Spain, new Initial Vocational Qualification Programmes (Programas de Cualificación Profesional Inicial, PCPI) are intended as an option for young people aged 16 years and over who left school early. They provide the opportunity to enrol in training courses to gain a professional skills diploma or a compulsory secondary education qualification, after which students can enrol in a regular VET course. Similarly, the New Opportunities Initiative (Iniciativa Novas Oportunidades) in Portugal provides diversity in training courses and increased in the number of places available in dual-certification courses. Here, greater emphasis is put on practical training and extending social support to secondary education. During the economic downturn in Estonia, greater emphasis was put on increasing the qualification levels of young people who left their VET studies before completing the course. Following this, new VET study places for former early school-leavers were created, and a media campaign to inform unemployed young people about the opportunity was launched.

The validation of informal skills is another way of providing second-chance opportunities. Many young people have acquired useful skills and competences outside the classroom. Validating them is seen as an opportunity to reintegrate early school-leavers in Estonia, Latvia and Romania. For example, in Estonia, the APEL (Accreditation of Prior and Experiential Learning) programme allows a person to take their study and work experience and convert them into study results (credits) when continuing or entering education.

As discussed earlier, many early school-leavers have problems with mainstream schooling, teaching formats and methods. They need an alternative approach to learning, in line with their specific situation and needs. The pilot programme Springboard in Hungary aims to give a second chance to young people who left education as soon as it was legally possible or who did not successfully complete vocational school. The programme aims to create a motivating learning environment and to fill any skill gaps that may hinder students' performance when they re-enter vocational school.

Addressing more complex personal issues

Some young early school-leavers will need greater support than just the provision of a second-chance opportunity. A 'whole-child' approach to reintegration is suitable for young people with the most complex personal or social issues. It aims to identify and address the full range of barriers and issues the young person faces. Reintegration measures under this category rely on an intense level of support offered by a range of professionals from education, social and health sectors. They tend to start with the basics, such as helping young people to re-discover an interest in learning and to learn how to live a structured life with boundaries. Such measures include reintegration schools (Établissements de réinsertion scolaire, ERS) in France, youth workshops in Finland, the Youthreach programme in Ireland, youth schools in Lithuania, second-chance schools (L'École de la deuxième chance) in Luxembourg, the REACH School Drop-outs Project in Malta, the Voluntary Labour Corps in Poland, the Second Chance programme in Romania, the Project Learning for Young Adults (PLYA) in Slovenia, and other schemes in the UK.

These types of reintegration programme are usually built around a concept of small learning communities, with more individualised attention than teachers in mainstream schools could grant to students. Following participation, students are expected to take up education or training in a mainstream setting. For example, in France, reintegration schools are designed for young students between 13 and 16 years who have been excluded from school. Students are sent to the special school for one year, before their situation is reviewed. They are eventually reintegrated into the mainstream school system. The curriculum at a reintegration school is adapted to the student's individual situation.

Financial incentives

Financial incentives to encourage the re-engagement of early school-leavers were identified in Italy, Malta, Sweden and the UK. In Sweden, for instance, in the period 2011–2013, unemployed young people aged 20–24 years who do not have an upper second-level qualification receive a higher-than-normal level of student aid to enable them to finish their formal qualifications. In the UK, the Activity Allowance pilot project was run in eight areas between 2006 and 2011, offering an allowance of £30 per week to NEETs (aged 16–17 years) in exchange for their agreement to participate in a personalised plan to re-engage them in learning.

Youthreach, Ireland

Target group: Early school-leavers aged 15–20 years, who are divided into two priority groups. The first group comprises young school-leavers aged 15–20 years, who have left school, are unemployed and have no or incomplete qualifications from the Junior Cycle in secondary school. The second target group are young people with more complex needs, such as lone parents, referrals from the rehabilitation board, trainees released from detention, Travellers and young people who have appeared before the drug court.

Aims and objectives: To provide early school-leavers with the knowledge, skills and confidence required to participate fully in society and progress to further education, training and employment.

Description: Youthreach is a state-funded second-chance education and training programme aimed to deliver and develop basic education, personal development, vocational training and work experience. It is generally a full-time programme and lasts one to two years. The course takes place at dedicated centres.

Youthreach offers an integrated approach addressing the needs of unqualified young people who have left full-time education and who find it particularly difficult to gain a secure foothold in employment. It entails the development of individualised education plans, career counselling, as well as arrangements for work programme placements and apprenticeships. The curriculum is very flexible in terms of adapting to individual and local needs. It focuses strongly, however, on the development of literacy and numeracy skills, personal development and health promotion, as well as sports and vocational subjects.

Effectiveness: It has been stated that the programme is particularly effective in attracting the target cohort of learners (Department of Education and Science, 2008). An evaluation (Department of Education and Skills, 2010) found that 'practically all learners were experiencing success to some degree in the centres visited, whether from an academic, personal or social viewpoint'.

It is especially important to look at the destinations of learners following the programme, as one of the aims is to foster progress to further education, training and employment. In 2010, 46% of young people who took part in the programme in the previous year were still active in the programme, 15% were in employment, 11% were unemployed, 4% were in a FÁS training centre, and 6% were in further education (Department of Education and Skills, 2010). An earlier study concluded that 61% of participants go on to further education, training or employment. Around 20% to 30% leave the programme early, of whom 32% leave for employment, further education or training (Forfas, 2010).

Stakeholders are generally very positive about the programme's performance. It is said to provide positive learning experiences for young people who have experienced problems in the past, and to offer a positive and encouraging learning environment. It was seen as equally positive that beneficiaries were involved in efforts to improve the programme and that the programme features well-qualified, dedicated teachers from a variety of professional and vocational backgrounds. However, progression from the centres to more promising options was identified as a challenge.

Strengths and weaknesses

Even where preventive measures are in place, there will always be some young people who drop out of education early. These early school-leavers are at a disadvantage in the labour market due

to their lack of formal qualifications. Here, initiatives to reintegrate young people into education or training have been broadly grouped in two categories: policies that provide young people with a second or alternative chance to acquire a qualification, and policies that address young people with a higher level of support needs. Some countries also offer financial incentives to reintegrate early school-leavers.

Similar to policies preventing early school-leaving, policies to reintegrate young drop-outs by providing alternative learning environments show some obvious advantages. They revitalise young people's interest in education, for example by providing a more practically oriented curriculum with hands-on experience, or by reducing class size. Equally, holistic programmes for those with greater needs can offer personalised social and pedagogical support. Their strength is that they offer targeted guidance for those who are very removed from the labour market and who experience multiple disadvantages or barriers to social integration.

Policies to reintegrate early school-leavers can have similar weaknesses as preventive measures. It is important to decrease the stigma attached to attending such programmes and to ensure that these alternative pathways to employment are valued and recognised by employers. Therefore, a close cooperation with employers and their representatives concerning programme design is desirable. Additionally, holistic programmes targeting the full range of issues faced by young drop-outs can be costly and may lead to soft rather than hard quantifiable outcomes. Furthermore, the young participants may become accustomed to such measures and special treatment, which is why a strong focus should be put on encouraging self-responsibility and emphasising long-term developments.

Table 24: Strengths and weaknesses of policies to reintegrate early school-leavers

Type of policy	Strengths	Weaknesses
Tracking services	Track early school-leavers in order to provide focused support when the risk of social exclusion increases.	Additional administrative capacity may not be available in the most disadvantaged areas.
Second-chance opportunities and alternative teaching formats	Revitalise the interest of learners who have rejected formal education.	Qualifications obtained may not always be valued or recognised by employers.
Addressing more complex personal issues	Seek to address the root causes and the broad range of personal and educational challenges young people face. Can help to prevent social exclusion (and associated costs). Involve long-term actions and results.	Can be costly, even though the costs are often thought to be outweighed by the potential costs of not acting. Harder to measure the results, outcomes and impact
Financial incentives	Can reengage early school-leavers when money is an issue.	Can be costly.

Supporting school-to-work transitions

It is a good thing when many young people complete their pathway through education with a formal qualification. Unfortunately, in today's labour markets, even for those who have successfully completed their education, the transition between school and work is not always smooth or easy. The first job, which is such an important stepping stone in a young person's working life, may be difficult to find. Numerous factors may make transitions difficult: sometimes young people have not yet decided on their career; they may lack work experience; or they may have a low qualification level (Eurofound, 2012a). There can be a mismatch between their skills and those required by employers.

It is normal for the transition between education and the first job after education to take some time. However, if such a period is too protracted, it can have a long-term negative impact on the future career of the individual. This may lead to some young people being in danger of getting lost in transition, with the risk of permanent scars regarding their future labour market outcomes.

Overview of the policy measures

Member States have implemented a number of policies to keep this transition phase as short as possible and to limit the danger of scarring effects. There are four major types of policies that intervene at this stage of the pathway to employment. The first category incorporates those which aim at shortening the transition phase by improving public services available for young job-seekers. They aim at simplifying service delivery, for example through the set-up of one-stop shops for young job-seekers, or they guarantee a job, study placement or other activation measure within a short time period. The second category includes policies that aim to offer information and guidance to young people in order to make informed career decisions. The third category includes policies that provide young people with work experience opportunities and skills development to smooth the transition between education and their first job. Finally, the fourth category includes policies that aim at fostering self-employment among young people by providing training or start-up funding in order to support entrepreneurial dreams.

Improving service delivery and offering youth guarantees

One important measure to simplify the provision of services to young people is the set-up of one-stop shop services, which address diverse needs of young people in a single agency. Such centralised provision was, for example, implemented in the now phased-out Connexions programme in England and the pilot Navigator Centres in Sweden. While Navigator Centres focus on the hardest-to-reach young people, Connexions was intended to be a universal service for all young people, as well as tackling specific issues such as the NEET rate.

Other related measures aim at shortening the time period a young person spends in unemployment. In the European context, the European Parliament proposed, in a resolution passed in 2010, that the Council and Commission devise a European Youth Guarantee. This European Youth Guarantee takes inspiration from youth guarantees initiatives already existing in some Member States such as Finland or Sweden. The European Youth Guarantee would give every young person in the EU the right to a job, an apprenticeship, further training or a job combined with training if they have been out of work for four months (European Parliament, 2010). Furthermore, in its Employment Package 2012, the European Commission emphasised the necessity of providing timely support to young people, ensuring that all are guaranteed a place in education, employment or training within four months of leaving school. Indeed, the European Council committed to this in 2006, and upon reiterated calls from the Commission, in January 2012 the informal European Council committed to the objective that within a few months of leaving school, young people should receive a good quality offer of employment, continued education, an apprenticeship or traineeship (European Commission, 2012).

Youth guarantee initiatives have been in place in Finland, the Netherlands and Norway for several years but similar examples can also be identified in Austria, Denmark, Germany, Poland, Spain and Sweden. The aim of these guarantees is to establish a personalised development plan with the young job-seeker and to ensure that they will have a job offer, an educational offer or some other type of opportunity within a specified timeframe after leaving education or their place of employment. In Finland, for example, all unemployed people under 25 years of age are offered a

job, an educational opportunity or some other activation measure via a personalised activation plan within three months of registering with the public employment service. An evaluation of the Finnish guarantee (Eurofound, 2012a; Eurofound, 2012c) argued that this measure improved the relationship between the authorities and the young person, representing an important feature in preventing disengagement and in rebuilding young people's trust in institutions.

In Austria, the Project Future Youth (AktionZukunftJugend) could also be categorised as a youth guarantee scheme as it aims to decrease unemployment among 19–24-year-olds by providing every person in that age group who has registered with the public employment service with a qualification measure or employment within six months of registering. Similarly, in the Netherlands, the social partners have made arrangements to offer internships in various sectors (for example, construction and metal sectors) for young people who have been inactive for three months.

Providing information, guidance and counselling

In other countries, the focus of school-to-work transition measures is on the provision of information, guidance and counselling to help young people to identify the next step in their post-school careers. The focus of these measures tends to be on supporting young people in their job search efforts, which might be through the provision of guidance or job-matching services.

Career counselling helps young people to better set their expectations and understand their options in the labour market. It enables them to find out about study opportunities and it gives them better knowledge about the job-seeking process, as it can provide advice on how to behave in interviews and how to write CVs and motivational letters. Some of these guidance and counselling services are offered within the school environment.

For example, in Austria, schools are required to provide specific career and educational guidance courses, which are compulsory (one lesson per week) for students in the seventh and eighth year of school. In Slovenia, the About Professions in a Different Way project focuses on informing young people about various professions, in particular those where there is a shortage of labour. Programme activities, which are organised by external providers, include courses and visits to enterprises. In Portugal, guidance provided within schools is intended to accompany the student along their school journey, providing support in the identification of interests and skills, intervening in case of difficulties, facilitating the development of the young person's personal identity and helping them to build up a life project.

The provision of information, advice and guidance does not necessarily have to be carried out by schools. In Luxembourg, for example, there are several measures undertaken mainly by the public employment service and the Local Action for Young People (Action Locale pour Jeunes). These aim to motivate all students to begin planning their professional development well ahead of leaving school and to introduce them to possibilities as well as practicalities of their future professional lives. In Germany, the Occupational Orientation Programme seeks to improve occupational orientation courses in the training centres and to support the transition of students – especially those from basic secondary schools – from school to working life. Participants analyse their own skills, abilities and career choices and have the chance to consider at least three different occupations during an internship. A personalised approach, delivered by a multidisciplinary team, is identified as one of the success factors of the Maltese Youth Employment Programme. This programme has been designed to support young people to enter employment by equipping them with the motivation and

skills needed to enter the labour market and retain work, while also assisting them in developing an individualised action plan, which includes initiatives to pursue education and training.

Job search assistance is the focus of measures in Bulgaria, the Czech Republic, Ireland, Latvia and Sweden, among others. This type of support can be offered in person or by electronic means. The Irish state training and employment agency (FÁS) provides guidance and resources for job-seekers, with access to job vacancies, online CV profiling for employers from all over Europe, and CV-to-job matching. Such job search assistance service can be offered to all unemployed persons or can be offered specifically to young people. In Lithuania, youth employment centres provide a range of services to assist young people in developing a better understanding of their social environment and to help them to find employment. In Slovakia, young people have been granted the status of 'disadvantaged group' in the labour market, which provides them with privileged access to employment services and preferential inclusion in active labour market measures. In Cyprus, young people are eligible for support from employment counsellors, who offer a more personalised service.

Websites and web-based tools can also provide information and advice. This is an effective way of bringing together a wide variety of information and reaching out to large numbers of young people at a low cost. An example is the Latvian education and career internet portal (www.prakse.lv), which brings together young people, employers and education institutions. It offers consultations on education and employment issues for young people, as well as information on job and placement vacancies and educational opportunities. Employers are invited to use the website to provide information about practical aspects of employment in their enterprises and to recommend professions and higher education institutions.

Finally, other preparatory-type measures bring students and potential employers together. In Estonia, Greece, Lithuania and Slovenia career days and employment fairs are considered particularly important in providing pupils with information on the different opportunities in the labour market, thereby helping them to make more informed decisions regarding their future. In Austria, rather than holding events within schools, an alternative approach is to hold so-called 'job-practical days', during which young people are given the opportunity to visit companies providing apprenticeship opportunities or vocational and higher schools.

Work-experience opportunities and skills development

Another measure that can help young people to make decisions about their future career and to develop useful skills for the labour market is the provision of work-experience opportunities. Work experience gives students an insight into working life and enables them to learn by doing. Fundamentally, it provides young people with practical experience.

In Slovakia, the 'graduate practice' programme is considered to be an efficient tool to support the transition of young people from school into the labour market. It is a work experience programme for school-leavers that aims to tackle their lack of practical experience by giving them an opportunity to spend between three and six months with an employer. In the Netherlands, 'learn-work jobs' are offered by recognised 'learning companies'; through them young people can gain experience while receiving a salary. The programme is administered via a website (www.stagemarkt.nl), on which the learning companies must provide a clear profile, so that students can consciously choose the job that fits their needs. In this way, vacancies are filled more quickly. In Malta, the Job Shadowing Exposure Scheme places students with an employee at a particular workplace for a week. There, students have the opportunity to ask questions about the work and to attend an interviewing-skills session, which serves as preparation for future job-seeking.

Some countries aim to tackle the very core of the problem of school-to-work transitions by identifying and addressing other reasons employers do not recruit young people who have recently completed their educational trajectories. This approach seems to be more common among eastern European countries. For example, in Estonia and Poland, the approach taken is to improve the provision of vocational training. Other measures focus on enabling young people to gain those skills and qualities that are recognised as important by employers and are in demand on the labour market. In Malta, the focus of school-to-work transition measures is on assisting students and job-seekers to gain the skills needed for employment, with a particular emphasis on soft skills and transferable skills. In Romania, the Transition from School to Active Life scheme aims to increase the employability of individuals while they are still in VET by supporting them to develop practical skills and work habits. Some measures focus on ensuring that the skills and competences young people develop, and the information and guidance they receive, actively help them towards employment in sectors where there is a demand for workers. For example in the Netherlands, the XXL Jobs initiative offers young people jobs in sectors where the retirement of older workers will lead to a shortage of skills and knowledge. It is intended that the older employees will transfer their skills to the young people and that the young people will receive strong guidance in their transition to the labour market.

Entrepreneurship support

Some countries (such as Bulgaria, Cyprus, Greece, Italy, Romania, Slovenia, Slovakia and Spain) introduced specific measures to promote youth entrepreneurship and self-employment. Young people willing to set up their own business are provided with special services in order to promote alternative routes into the labour market. For example, in Slovenia unemployed people wanting to set up a business are offered advice and support on how to prepare a business plan and workshop training on entrepreneurship. Similar services are offered in Greece, where special youth entrepreneurship support structures have been established to provide consultancy services to young people interested in entrepreneurship and in setting up their own business. These young Greeks can also make use of counselling provided by a network of collaborating professionals. In Cyprus and Slovakia, young people are offered grants to promote their integration in the labour market through entrepreneurship.

Job guarantee for young people, Sweden
(En jobbgaranti for ungdommar)

Target group: All unemployed young people aged 16–24 years who have been registered with the public employment services over three months. At the time of introduction, it was estimated that the measure would involve 30,000 young people in 2008. Since then, the number of participants steadily increased, reaching 114,474 in 2010. In fact, 48% of all young unemployed people in Sweden participated in the scheme in 2010.

Aims and objectives: The policy aims to minimise the time young people spend without a job, education or training. Public employment services have to act quickly to help young people to find a job or to enrol in the regular education system. This should improve their long-term chances on the job market, reducing 'scarring' and 'wage penalties'.

Description: The youth guarantee was introduced in 2007. In essence, the policy sets a deadline for the provision of support to young people registered with the PES. If a young person is registered with the public employment services for over three months, they have access to special labour market activation measures. The focus of the programme lies on job search activities such as guidance and coaching, work internships, apprenticeships and other work experience placements.

The young job-seeker registers with the public employment services. Over the next three months, an in-depth assessment of their needs and aspirations is carried out. After three months of unemployment, the job search activities are intensified and combined with active labour market measures, such as work placements, traineeships, support in accessing education and training, and start-up funding.

Effectiveness: The programme did not set any quantitative targets against which its performance could be assessed. However, it is known that in 2008 and 2009 just under one third of the participants went on to find a job or study place and in 2010, out of 115,500 participants, 46.1% were integrated either into employment or education. The lower results in 2008 and 2009 might be partially due to a less favourable economic climate.

These results are in line with assessments of previous versions of the youth guarantee, which were administered at municipal level until the end of 2006. In that year, 42% of the participants were able to find a job within three months of ending the programme, while 36% found a job within 30 days of finishing the programme (Arbetsmarknadsstyrelsen, 2006).

Finally, an evaluation carried out by the Institute for Labour Market Policy Evaluation (IFAU, 2011) showed that unemployed 24-year-olds participating in the scheme managed to find a job quicker than a comparable group registered with the regular PES. However, this effect was short lived. Within one year of participating in the programme, the probability of participants being unemployed proved to be the same as that of other people.

Generally, the effectiveness of the measure has been criticised by some stakeholders as being a short-term fix rather than a long-term solution for many young people. The measure is said to be more suitable for the more 'work-ready' as it does not address the structural concerns of the target group: lack of skills and qualifications. Some stakeholders would like greater emphasis placed on training and up-skilling.

Youth guarantee, Finland
(Nuorten Yhteiskuntatakuu)

Target group: Unemployed young people under the age of 25 (from 2013 this will also include young graduates under the age of 30). It only includes those who have registered as unemployed with the PES.

Aims and objectives: The policy aims to minimise the time young people spend without a job, education or training. Public employment services have to act quickly to help young people to find a job or enrol in the regular education system. This should improve their long-term chances on the job market, reducing 'scarring' and 'wage penalties'.

Description: The youth guarantee was introduced in 2005, revised in 2010 and will be revised again in 2013. Similar to the Swedish youth guarantee, the policy sets a deadline for the provision of support to young people registered with the public employment service. Generally, the service is obliged to provide young people with a job, study placement or activation measure in their first three months of being registered as a job-seeker. Firstly, the public employment service develops a personal development plan for the job-seeker. They then carry out a needs assessment of what support is needed to find employment. After that, the public employment service offers them a job, study place (academic or vocational) or another activation measure that can help their employability; this might involve training, coaching, counselling, subsidised work or start-up funding.

Effectiveness: In general, the measure is seen to be very successful. Upon initiation of the measure, the output target was to draw up a tailor-made employment plan for every young job-seeker within one month of them registering as unemployed. This was changed in May 2010, with employment plans to be provided within two weeks. During the measure's initial years, it could not reach this target. In 2010, plans were drawn up for around 61% of young job-seekers, increasing to 77% in 2010. Anecdotal evidence suggests further improvement. In the early years of the measure, 100% coverage may seem like an unrealistic goal. However, it may raise awareness.

Regarding outcomes, 83.5% of young job-seekers received a successful intervention within three months of registering as unemployed in 2011. This result met the target set by the Finnish PES and indicates a positive development since 2010, when a successful intervention was found for 79.2% of young job-seekers. Statistical evidence confirmed that the Finnish youth guarantee had accelerated the pace at which personalised plans were drawn up, and had resulted in a reduction in unemployment (leading either to employment or further training). The measure performed well in comparison to other measures for young people not being covered by the guarantee, i.e. those aged 25–30, of whom only 30.5% were successfully placed in the same time period.

It should however be noted that the programme struggled under the impact of the economic crisis. Before 2010, the workload for public employment service advisers under the scheme became barely manageable, as the number of customers per adviser increased to 700. A budget increase helped to ease the situation in 2010, by enabling the recruitment of more staff and the creation of more training and support places for young job-seekers.

Strengths and weaknesses

There are many policies supporting the school-to-work transition of young people. Most policies aim to keep the transition phase short by improving the public services for young job-seekers, providing information and guidance to young people in order to make informed career decisions or smoothing the transition through the provision of work experience opportunities.

The main strength of such measures is that they help shorten the time spent outside the labour market, thereby reducing the risk of 'scarring effects' or 'wage penalties'. In the case of youth guarantees in particular, this is done by focusing the attention of public employment services on young people and by providing immediate action to avoid long-term consequences. Programmes that provide information, advice and guidance are good at enabling young people to make informed career choices and often encourage them to plan their career from very early on. Specialised job search assistance services can be especially useful for young people who don't know how to tackle the next step of getting their 'first job'. Equally, work experience opportunities can be an important way of finding out what career a young person wants to pursue.

All these policies bear the risk of being more appropriate for those who are ready to work. They could be described as aiming to reduce matching inefficiencies by bringing employees and employers together. 'Hard-to-reach' groups might be easily overlooked in this process. Moreover, the success of such initiatives may often depend on other public policies being in place and the macroeconomic situation. More specific criticism has been raised by some social partners who are calling for even shorter waiting periods and faster processes – in the case of youth guarantees for example.

One important criticism of such measures may be made, which is that they tempt public employment services to provide quick fixes rather than long-term solutions. Rather than encouraging the transition to the 'right place', they might enforce the transition to 'somewhere'. Greater emphasis should be put on up-skilling and training rather than providing young people with any job, which might be of little advantage for their long-term development.

Table 25: Strengths and weaknesses of school-to-work transition schemes

Type of policy	Strengths	Weaknesses
Improving service delivery and offering youth guarantees	'Forces' public employment service to focus on young people. Provides a one-stop shop and bundles different agencies relevant to the needs of young people. Encourages immediate action to address youth unemployment, before disengagement sets in. Avoids long-term consequences or scarring effects of youth unemployment. Is particularly effective for young people who are work-ready.	Money is not always attached to youth guarantees, thus the impact can be minimal (significant variation occurs across countries). The success of public employment service depends quite strongly on other public policies (such as the availability of student places) and the broader labour market situation in the country. Social partners think that even the new shorter waiting periods are too long – the public employment service should have an obligation to help young job-seekers as soon as they are registered. Less effective for hard-to-reach groups, who may require cooperation between social and health services. It does not solve structural problems.

Providing information, guidance and counselling	Enables young people to plan their careers from the outset and to make informed career choices, thereby reducing later drop-outs and dissatisfaction. May go beyond career issues to look at personal and social barriers to participation. Can bring together employers and young people.	Provisions can be too thinly spread (not available to all young people, especially during the economic downturn). Only appropriate for those who are most work-ready.
Work experience and skills development	Smoothes the transition between education and employment. Enables young people to make more informed choices about their future career by providing them with hands-on experience. Equips young people with practical skills relevant to future employment.	This can often give only a short glimpse of the world of 'real work'. It may lead to adverse effects with employers relying on cheap labour rather than hiring people for more permanent positions.
Entrepreneurship support	Provides young people with a foothold in the labour market and valuable work experience. Can be relatively low cost.	Success depends quite strongly on other public policies (such as additional support or training offers) and the broader labour market situation in the country (whether employers are able to offer jobs, for instance, and whether the business environment is favourable).

Fostering employability of young people

Closely linked to measures that smooth the transition from education to employment are measures aiming to foster the employability of young people. Sometimes it is not a matter of lacking information or guidance to make an informed career decision, but a lack of the qualities, attitudes, skills or competences that are important to the employer that prohibits young people from finding employment (Eurofound, 2012b). Employers frequently describe difficulties in filling their vacancies due to the lack of skilled workers, which is caused by a mismatch of skills (Eurofound, 2012a). These skills can be either formal skills relevant to the profession or more general, basic and soft skills.

Overview of the policy measures

Member States have developed a number of policies to help young people develop work-related skills. Most identified policies aim to improve employability through specified training programmes; this can be vocational training, work experience gained during internship, or specific skills acquired in dedicated training courses. These measures also emphasise providing skills that are required in the current labour market and recognised by employers in a way that combines classroom-based education with real-life work experience. A common critique of traditional forms of education is that they do not necessarily equip young people with the skills sought in the labour market.

Apprenticeships and vocational training

Apprenticeships and other dual education training schemes appear to be an efficient tool for fostering employability, as they successfully equip young people with relevant work experience and specialised skills greatly needed by the labour market. Lack of work experience and practical knowledge often hinders young people in finding their first employment after education. This is recognised at European level: the European Commission refers in its Youth on the Move flagship initiative (European Commission, 2011b) to the fact that early workplace experience is essential for young people to develop the skills and competences required at work. It calls for at least five million young people in Europe to be involved in apprenticeship training by the end of 2012. Furthermore, the Employment Package 2012 recognises that apprenticeship-type training performs favourably compared to school-based VET and tends to increase employment opportunities in early working lives. Such changes are also identified as being more responsive to changing skills demands than school-based VET (European Commission, 2012).

Apprenticeship schemes have proved to be an extremely successful measure to smooth the transition into work for young people. During the crisis, the so-called 'apprenticeship countries' (Austria and Germany) managed to keep their youth unemployment down (OECD, 2010) and several European Member States (including Austria, Bulgaria, Estonia, France, Germany, Ireland, Italy, Lithuania, Malta, Romania and Finland) have recently implemented or strengthened their apprenticeship programmes. In Germany, a successful apprenticeship system has been in place for decades and is continuously adjusted in order to respond to latest labour market developments.

In Italy, a new higher-level apprenticeship scheme was introduced in 2003. The scheme links apprenticeships to the educational system, enabling young people (aged 18–29 years) to gain higher-level qualifications (upper secondary and tertiary education) through combining training and paid employment. Moreover, the apprenticeship contract is a paid labour contract, and apprentices enjoy the protection afforded by normal contracts, such as pension contributions, holidays and social protection.

In many places, however, the economic crisis has had a negative impact on the number of apprenticeships on offer, or has led employers to make existing apprentices redundant. In Ireland, a number of measures have been taken to address this problem. For example, under the Redundant Apprentice Placement Scheme 2011, FÁS can place certain redundant apprentices with eligible employers and help the employers meet the employment costs of these apprentices. The scheme applies to apprentices in certain trades in specific sectors (construction, electrical, engineering, printing and paper manufacturing) and provides on-the-job training for up to 1,000 apprentices. In Austria, young people who cannot find suitable apprenticeship places in a company after leaving compulsory school can get a 'supra-company apprenticeship training' (ÜBA), which offers practical training in apprenticeship workshops in specialised facilities.

In addition to representing an opportunity to take first steps into the labour market and acquire relevant working experience, many initiatives promoting youth employability focus on the acquisition of those skills most sought after by employers. In Ireland, for example, two measures to foster employability focus on providing the young unemployed or labour market entrants with relevant skills for the labour market. The first, FÁS traineeships, provide pathways into occupations by alternating periods of on-the-job and off-the-job training. The second measure, the Vocational Training Opportunities Scheme, works with the long-term unemployed and aims to prepare them for employment or other learning opportunities leading to paid employment. As one of the target groups of the measure is low-skilled young people aged over 21 years, the scheme helps participants to improve their general level of education, gain certification and develop their skills. They also prepare for employment, self-employment or further education and training through a range of education-led, vocationally oriented and progression-focused second-chance learning opportunities. The courses are full time and range from basic education and training to more advanced vocational training.

Training courses

Training courses can equally help young people to improve their employability, even if they are provided for a shorter time period. Many of these training courses have a practical or vocational focus, or they prioritise the cross-cutting skills valued by employers. In Malta, for example, short courses and training programmes are offered as part of the 'I Can' employability programme.

In addition to proving relevant content, it is important for these training measures to provide flexible solutions both in terms of practical aspects, such as the timing and location of the training, and the mode of delivery. For example, breaking a course down into smaller units or modules can present

a more flexible opportunity for early school-leavers, who may only need to fill in certain knowledge gaps rather than taking a course in full. This approach is used in Germany, for example; there, training modules were introduced in the vocational training context.

Some countries offer financial support to individuals wishing to undertake training. In Italy, for example, some of the regions allocate individual funds called endowments as an incentive to training. The beneficiaries can only use these funds if they undergo reintegration programmes, which are managed and designed by acknowledged institutions.

Internships

Internships are a good opportunity for young people to improve their employability. In fact, when properly designed and used, such placements can give young people the chance to develop practical skills and to become accustomed to the work environment, as well as to gain valuable experience in their chosen career. Several countries have recognised this and have developed recent initiatives focusing on internships.

In Denmark, for example, it was recognised that the number of available places has fallen since the economic downturn and additional funding has been allocated to maintain and create internship places. Some internship initiatives are specifically designed for those with tertiary education and promote employability via a partnership with private companies and NGOs. In Sweden, the Young Potentials Programme (YPP) is a collaboration between some of Sweden's largest companies and the Swedish Public Employment Service. It offers 1,000 academics aged 25–29 years internships lasting three to six months in companies such as IKEA or TeliaSonera, followed by one month of work experience in an NGO. In Romania, the START internship programme, which is based on a public–private partnership, aims to help higher education graduates to improve their employability by familiarising them with their role as future employees and to reduce the gap between the knowledge acquired through education and the demands of an actual workplace. NGOs can offer valuable work experience to young people, as can be seen in Latvia, Malta and Sweden. In some countries, placements or internships are offered in the public or third sectors. Some internship programmes are also led by social partners, as in Ireland, where the Irish Business and Employers' Confederation (IBEC) runs its own internship scheme called Gradlink. This scheme provides work experience for recent graduates. In Portugal, the Inov Export programme offers internships in SMEs for young people aged up to 35 years old with tertiary education and who specialise in international trading.

Despite internships having the great potential of providing valuable work experience, it is important to acknowledge that there are also risks associated with them. In France, for example, there is growing concern over the so-called 'internship generation' of young people, who have completed several internships and cannot find their way into paid employment. The risk associated with internships is that employers can use them to replace a paid, possibly permanent position; thus they reduce the number of paid opportunities available to other job-seekers on the labour market. This is of particular concern for young people who do not have the financial means to take on any unpaid placement and are in need of paid work opportunities. Therefore, it is also important that any work experience or internship measures are well structured and monitored, to ensure that young people are able to achieve the intended learning outcomes. Despite these risks, well-organised internships enable young people to gain valuable experience in their chosen career.

Higher-level apprenticeship scheme, Italy

Target group: Young people aged 18–29 years. The pilot engaged 1,000 people.

Aims and objectives: This measure aims to provide an opportunity for people aged 18–29 years to acquire a second- or third-level qualification through a combination of off-the-job training (courses and lectures in schools, universities or higher education institutions) and paid employment. Recently, the scheme has been expanded to enable young people to acquire a doctoral degree as well.

Description: The higher-level apprenticeship scheme is an experimental approach enabling young people to acquire a diploma or degree through a combination of training and paid employment. The measure represents the first time that apprenticeships have been linked to the educational system; prior to this, apprenticeships were regarded mainly as labour contracts (ISFOL, 2011).

The programme has been rolled out in two pilot phases (2004–2008 and 2010). It is administered on a regional level, and regulation as well as duration of the scheme is negotiated by the regions in collaboration with the trade unions, employer organisations and universities or higher-education institutions. The scheme entails economic incentives for employers to take on apprentices.

Any higher-level apprenticeship is based on a written agreement. This includes a definition of the type of work the apprentice is expected to do, an outline of an individual training plan and a specification of the qualification (such as diploma, first or higher degree) that will be awarded on its completion. Any apprenticeship contract is automatically turned into an open-ended employment contract upon completion of the programme, except in the case of dismissals (ISFOL, 2012).

Effectiveness: It has been found that the measure is successful and well received by the stakeholders. The effectiveness of the pilot was analysed using an ad-hoc survey of the beneficiaries. It found that 70.9% of the apprentices were still employed with the same company two to three years after the completion of training (ISFOL, 2011), and around 21% were employed elsewhere (ISFOL, 2012). Only 7.9% had interrupted their apprenticeship; often these people did so to go on to better and higher paid positions. Companies seemed satisfied and keen to capitalise on the investment they made during the training period.

Stakeholders reported a high level of general satisfaction with the programme. They emphasised its strong impact on employment. Equally, they expressed satisfaction with the level of practical and theoretical competences acquired by the participants. Universities saw the apprenticeships as an opportunity to introduce new didactic methodologies, to consolidate their links with companies, and to react to the demands of the labour market.

However, the programme only covers a very small number of young people in Italy and calls have been made to expand it. This has proven to be difficult due to the economic downturn.

Supra-company apprenticeships, Austria
(ÜberbetrieblicheAusbildung, ÜBA)

Target group: Young people who are unable to find regular apprenticeship places. Other more specific target groups include 'older' young people, who have been searching for an apprenticeship placement for more than a year, low-skilled young people and young people facing particular social problems.

Aims and objectives: To provide an alternative form of apprenticeships as a 'safety net' for young people unable to find apprenticeships in companies. It aims to overcome the significant gap between supply and demand of apprenticeship places.

Description: The policy enables young people who are unable to find a traditional apprenticeship to complete an alternative full apprenticeship in a vocational training centre. This alternative apprenticeship includes work experience with different employers. There are two forms of ÜBA. ÜBA 1 allows young people who are unable to find a placement at company level to complete a full apprenticeship delivered by an accredited provider. ÜBA 2 places greater emphasis on practical work experience and training in a company, which is combined with time spent in training with an accredited provider.

ÜBA is generally preceded by a period of vocational guidance and coaching (Berufsorientierung und Coaching, BOCO). This enables young people to make informed career choices and select a realistic pathway for their future.

ÜBA provides regular curricula in the dual system. It combines classroom learning with fixed amounts of time in employment settings. It also provides additional individualised support to address any further barriers to integration.

Effectiveness: The measure is generally seen to be effective in engaging its target group. The number of participants in the programme has increased significantly over the years; some 16,107 young people participated in 2008–2009.

Although no specific targets to test the effectiveness of the policy and the produced outcomes have been set, observed outcomes are generally positive for the target group. The labour market integration rates of young people completing the programme in 2010 were 58% after three months and 63% after 12 months. However, drop-out rates are relatively high, with 23% of ÜBA and IBA programme participants leaving before the end of the measure (Bergmann and Schelepa, 2011). Some of these early drop-outs leave for employment- and company-based apprenticeships. For those without alternative destinations, however, the labour market prospects are poor; two thirds end up unemployed or out of the labour market 12 months after leaving the measure.

Generally, stakeholders are satisfied with the measure, although labour market integration rates are lower than for company-based apprentices. It is said that the measure could possibly be more effective by increasing the length of time spent in workplace placements and widening the breadth of qualifications.

Strengths and weaknesses

Skill mismatches, a lack of transversal competences and a lack of work experience can all hinder young people's attempts to find adequate and stable employment. Measures to foster employability are designed to support young people to improve their employability, either by acquiring specific

vocational skills through work-based learning, or by improving their general level of education and skills in preparation for employment.

Vocational training, work-based training programmes and internships equip young people with a skill-set that is relevant to employers, thereby addressing issues of skills mismatch. Additionally, they provide young people with work experience, which decreases their labour market disadvantage in comparison to older workers. Particularly successful vocational training programmes offer a combination of theoretical and practical learning. While some countries display a strong system of apprenticeships, which is often linked to the low level of youth unemployment, others still need to see a cultural shift towards such best practice models. It is especially important to make vocational training accessible to those with personal, social or learning difficulties.

A weakness of work-based learning programmes is that they can be more costly than school-based learning. They require the buy-in of employers and employer organisations, which might be especially difficult given the costs that are seen to be attached to them. It is however crucial that such policies are provided and supported by employers. Moreover, vocational training programmes are only suitable for those with a reasonable level of education and motivation. They might be less suitable for those with complex needs or those who are further removed from the pathway to employment.

Training in basic skills and programmes for reaching formal qualifications can often play an important role in increasing young people's chances in the labour market by improving their self-confidence and providing them with a second chance on the pathway to employment. It should be emphasised, however, that longer training programmes are proven to have more positive employment effects than shorter ones.

Finally, although internships can provide valuable work experience, they pose a risk of creating an internship generation of young people who participate in successive internships without using them as a stepping stone for more permanent employment. They should therefore be regulated and monitored to assure positive learning outcomes.

Table 26: Strengths and weaknesses of policy measures fostering employability of young people

Type of policy	Strengths	Weaknesses
Apprenticeships and vocational training	Ensures that young people acquire skills relevant to the labour market and reduces skills mismatches. Enables employers to assess the competences of young workers, and for some learners may lead to employment with the employer after training has been completed.	May require a culture change in countries where dual training is not currently embedded in the education and training system. Can be difficult to engage enough employers, as measures involved are costly for them.
Training courses	Provides a second chance to return to learning and to move a step forward on the pathway to employment. Can generate 'soft' outcomes such as increased self-confidence.	Benefits in terms of employment outcomes may not be evident in the short term.
Internships	Enable young people to develop practical skills and become accustomed to a work environment.	Can be used in place of paid, permanent positions; may reduce the number of 'real' jobs available. Only suitable for those who can afford to take unpaid or low-paid internships.

Removing barriers and offering employer incentives

The final point of intervention on the pathway to employment is to remove barriers for those in need of special support in employment. Some people might require additional support due to disability or being exposed to multiple disadvantages. Others require additional support due to caring responsibilities, or a simple lack of language skills or migrant background. Removing these barriers is therefore an important step in supporting these young people in their (re)integration into education and training, as well as employment.

As all young people face the shared barrier of lack of work experience, employer incentives to hire young people can help to increase the demand for young people's skills and knowledge.

Overview of policy measures

Policies intervening at this stage of the pathway to employment target specific groups and are best described as removing practical and logistical barriers to employment. They can be as diverse as supporting young people financially to reach their employment location or to offer specific training for young people with disabilities. Another way to remove barriers is to incentivise employers to employ young, and often less experienced, employees. This can be done in the form of lowered wages or other subsidised employment measures.

Addressing special support needs

Some young people have complex support needs. In addition to lacking work experience or qualifications, they can face a range of other practical and logistical barriers to taking up employment or further education or training opportunities. Young people with a disability may require specific initiatives, not only in terms of additional support (for example alternative provision of training) but also to access their study or workplace. In Latvia, for example, the e-learning initiative, run by the state employment agency (NVA), offers training to the employed in general but more specifically to people with disabilities. In Malta, the Pathway to Independent Living Programme is provided for students with mild to moderate disabilities and learning difficulties. Its objective is to support students to acquire the skills required to gain and maintain employment. In Austria, the IBA programme was introduced to offer young people facing particular learning and integration challenges the opportunity to complete accredited apprenticeship training over a longer period of time or to follow partially accredited curricula in a workplace setting. Among its target groups are pupils with disabilities and those needing particular socio-pedagogical assistance.

Some measures aim to adapt the existing workplace or training environment, rather than offering alternative provision. In Austria, the Managing Diversity project is intended to integrate disadvantaged young people from migrant backgrounds into measures run by the public employment service or into employment, by improving accessibility for the young person (for instance, by providing information in several languages, taking into account family context, and providing companies with support on diversity issues).

A number of countries have recognised that language difficulties can present a barrier to employment or to further progression in education and training. Language support measures have been introduced in Bulgaria, Cyprus, Greece, Italy, Malta, Portugal and Sweden as an important means of removing barriers to employment for migrants and minorities. In Bulgaria, for example, there is a national literacy programme targeted at the minority Roma community, while in other countries (for instance, Cyprus, Italy, Malta, Portugal and Sweden), great focus is put on migrants.

In a small number of countries, measures have been implemented to take account of the difficulties faced by those with caring responsibilities to commit to a full-time job or training course. However, these measures often focus on people of all ages and not specifically on young people. Childcare support is offered in Cyprus, Hungary, Ireland, Poland, Portugal and the UK. This ranges from general measures to more targeted schemes focusing on participants of certain training courses or on groups identified as being more in need (for instance, single parents). In Malta for example, a subsidy of €1.50 per hour on childcare services is offered specifically to individuals participating in training offered by the public employment service. Targeted approaches are also taken in Poland, where childcare costs are refunded for single parents and in the UK, where childcare is offered for young parents who are participating in education.

Facilitating mobility and financial support

Some job-seekers may not be able to access training or employment opportunities because the associated travel costs are too high, or the venues are simply too far away to reach on a daily basis. For this reason, some measures aim at reducing this geographical mismatch and facilitate greater mobility of young people by providing mobility grants or support towards accommodation. However, these measures tend to apply to job-seekers as a whole and are not focused specifically on young people. In Bulgaria, for example, the 'close to work' (2011–2013) measure covers the total travel costs of newly employed people for 12 months, when their place of residence is more than 80 km from the workplace. Some of these mobility measures are targeted at certain groups: in Hungary this affects young people who have been NEETs for three months, while in Norway and Poland support is provided for people with disabilities. Other countries facilitate mobility only in certain areas, such as Italy's northern border regions.

Direct financial support is provided in some countries to workers, including young people, or it is offered directly to their employers. This mobility support might be intended to pay for a specific cost (as in financial support to pay for transport or accommodation costs) or may be a grant or allowance intended to cover the cost of living while participating in a certain learning opportunity. These measures tend to target young people. In Germany, for instance, young people with disabilities can access a training allowance (*Ausbildungsgeld*), if they have not previously taken part in vocational training, a measure preparing them for vocational training, or been employed in a workshop for people with disabilities. In France, young people who have completed their training are provided with financial support and may apply for a rent allowance.

Measures providing direct financial support to employers were identified in the Netherlands, Luxembourg and Norway. They focus on facilitating the employment of young people with a disability. In the Netherlands, for example, there are fiscal arrangements in place to support employers to make any necessary arrangements in order to employ young people with a disability.

Employer incentives and subsidies

A key barrier to employment faced by many young people is lack of work experience. Faced with high levels of youth unemployment, some countries have therefore chosen to implement measures that can stimulate demand for young employees, apprentices or trainees, such as subsidised jobs or reductions in social security contributions from employers. The key rationale behind these measures is to increase the demand for young employees in order to give young people a foothold in the labour market. This enables them to acquire valuable experience to complement their educational achievements and skills and helps them in their future career. Evaluations have shown that employer incentives can have a positive effect in the short-term, but that their net impact on future

employment prospects of participants can be poor, while training programmes are more likely to have positive results (Duell and Vogler-Ludwig, 2011). It is therefore important that any employer incentive measures are adequately targeted in order to avoid dead-weight effects (OECD, 2010a). In Germany, employer incentives are used to encourage employers to take on young people who have not been able to find an apprenticeship or who have lost their apprenticeship place because their employer has closed down.

Employer incentives can be positive as well as negative. For example, in France, rather than providing subsidies to employers, employers are required to pay a fee if they do not hire a certain quota of apprentices. In Hungary, people entering the labour market get a 'start card', valid two years (one year for tertiary education graduates). Employers hiring people with a start card pay a reduced social security contribution. In Portugal, the measure 'Incentives for hiring young people, unemployed people and specific groups' (Apoios à contratação de jovens, desempregados e públicos específicos) focuses on encouraging employers to take on permanent employees, rather than employing beneficiaries on a temporary basis. These incentives are available to private employers and include those who agree to provide a permanent contract with people up to the age of 35 years who are looking for their first job. The granting of these incentives depends on the maintenance of the net employment for a three-year period and of the job created for a 36-month period. In Romania, for example, employers hiring a graduate with an open-end contract do not pay unemployment insurance contributions for that employee for 12 months. If the graduate has a disability the waiver period is extended to 18 months.

Subsidised employment measures were identified in several countries. While the conditions attached to these measures and the timeframe over which the subsidies are offered vary, the focus seems to be on subsidising employment for the long-term unemployed. In Estonia, for instance, wage subsidies are only provided for employers creating new jobs and are subject to certain conditions, such as the length of time the person must remain employed in the company. There are also different eligibility conditions for participants, depending on their age. In some countries job subsidies are intended to support a trial period in employment for the young person, with the intention that this trial period will then lead to a long-term or permanent contract, or at least will improve their chances in the labour market. For example, the 'workplace for young people' scheme in Latvia provides a subsidy for a trial period of nine months. Priority is given to young people who have been unemployed for more than six months, who are trying to return to the labour market after a break for childcare reasons or who have a disability.

Some subsidised employment measures are targeted at specific groups. In Denmark, for instance, there are several initiatives focused on higher-education graduates. In Malta, the Employment Aid Programme targets disadvantaged and disabled persons. Some of these initiatives are aimed specifically at hard-to-reach groups. In Sweden, for example, the 'new-start job' scheme aims to increase the opportunities available for those groups that are most detached from the labour market, including the long-term unemployed, young people and immigrants. Employers willing to hire people from the target groups are not required to pay social security contributions or payroll tax for the new recruits for a maximum of one year if they are hiring a person below the age of 26 years.

Chances Card, Finland
(Sanssi-kortti)

Target group: Young people aged 18–30 years who are unemployed and either VET or higher education graduates.

Aims and objectives: This aims to enable young people to gain employment with the help of a wage subsidy.

Description: The Chances Card scheme was introduced in May 2010 and by January 2011, 18,500 young people had received a 'card'. The programme was introduced as a temporary measure during the financial crisis in order to ease the employment situation of young unemployed VET or higher education graduates aged 18–30 years. The Chances Card scheme reduces the labour costs of employers recruiting young qualified job-seekers. The programme built on existing Finnish wage subsidy schemes and offered a number of additional concessions for employers over a period of 1.5 years.

The scheme has undergone some changes since its initiation. In the first eight months of the scheme (from May 2010 onwards) the subsidy could be claimed for any permanent or temporary job as long as the unemployed person met the relevant criteria. During the second year, the subsidy could only be obtained for any permanent job or any job at a municipality or non-profit organisation, but additional criteria were applied to temporary private sector jobs. The subsidy scheme was accompanied by a marketing drive, which included the design of the card, which was then handed out to young people by PES advisers. The idea was that young people could then take the card to employers and show that if they were employed, the employer would receive a government subsidy for up to 10 months.

Although the Chances Card is still handed out today and the legislation on wage subsidies is permanent, the active campaigning and special criteria for young unemployed people have come to an end.

Effectiveness: It is generally believed that the policy was successful at reaching its target group: 90% of recipients were VET graduates (Pitkänen, Aho and Syrjä, 2012).

Just over one fifth (22.1%) of recipients were able to get a job with the Chances Card. However, it has to be emphasised that not all young people used the card in looking for a job. Initial survey results show that 40% never used the card when applying for jobs. Among those who did use it, over one third (36%) were successful at finding a job (Pitkänen et al, 2012). Around 40% of employers would have hired the young person even without the subsidy. Around half of them felt the scheme increased the number of young people given permanent jobs, as they were kept on after the initial subsidised period.

In comparison to other wage subsidies, the Chances Card performed better: For all national wage subsidy schemes (of which the Chances Card is one part), only 21% of the beneficiaries were still in employment 12 months after completing the placement (Terävä, 2011).

Stakeholders stressed that the scheme was well received by the PES advisers, employers and young people. Critiques were raised that some employers relied too much on wage subsidy schemes, reducing the number of 'real' jobs available for young trained job-seekers.

Strengths and weaknesses

This category of policy measures includes policies that compensate young people for their specific disadvantages. It comprises three types of policy measures: those designed to remove practical and logistical barriers for young people with special support needs, those that facilitate mobility and those designed to provide subsidies to employers hiring young people.

A clear strength of the first category of policies is that they compensate young people for facing specific disadvantages. Due to the fact that they tailor training and other support needs, they can reduce the risk of social exclusion. This is relevant to society and the economy, given the costs attached to social exclusion. However, these tailored policies can often be costly themselves and, as with all non-standard approaches to education, they rely heavily on being recognised by potential employers.

Mobility measures compensate young people financially if their job or training measure requires greater mobility. These measures are especially helpful for young people from a low income background.

The strength of providing subsidies to employers is that they break down barriers that young people face when looking to enter the labour market and give them the chance to prove themselves in a real work environment. In this way, these young people can acquire greater human capital and enhance their employability. It may have equally positive effects on employers, in the sense that a positive experience with young workers may change their attitudes towards employing them. Employer incentives are also often seen as a rather effective measure for integrating young people in the labour market. Nevertheless, some criticisms have been made of such measures. Firstly, employer incentives may be more effective in some Member States than in others. It has been shown that in Spain, for example, employment subsidies have a limited impact (Rocha, 2010). Secondly, such measures entail potential deadweight or substitution costs. Many of the subsidised jobs would have been filled anyway and the subsidy might not always profit those who otherwise would not have been hired. Such measures have also been criticised for providing the opportunity to exploit young people as cheap labour. Rather than being the stepping stone towards a more stable employment situation, some employers might provide subsidised positions rather than create 'real jobs'. Therefore, great attention has to be paid to policy design in order to prevent such adverse effects.

Table 27: Strengths and weaknesses of policies to overcome barriers to employment

Type of policy	Strengths	Weaknesses
Addressing special support needs	Takes account of the specific learning or logistic needs of young people, such as those relating to disability or caring responsibilities.	Can be costly. May not be recognised or valued by all employers.
Facilitating mobility and financial support	Decreases geographical mismatches. Especially valuable for young people from a low-income background.	Can be costly.
Employer incentives and subsidies	Encourages employers to take on young people, and in doing so, may help to change employers' attitudes towards hiring young people. Enables participants to gain valuable work experience rather than be unemployed. Provides valuable working opportunities for young people, contribute to improving their confidence and tackle disengagement.	Risk of deadweight or displacement effects, as a significant share of employers would have hired the young person anyway. Can be exploited by some companies.

Conclusion

There is a general consensus that the current economic situation in Europe risks the creation of a lost generation of young people who lack opportunities and pathways into employment. High youth unemployment and NEET rates show that the pathway to employment for young people nowadays is difficult. As a result of the crisis, even the most highly educated and skilled have struggled to make the transition from education to work.

Spurred by increasingly high youth unemployment rates and by the economic and societal consequences associated with NEET status, EU Member States have been actively engaged in designing and implementing policy measures aimed at increasing the employability and promoting higher employment participation of young people.

In this framework, Member States have correctly diversified their initiatives according to the different characteristics of the NEET subgroups, paying particular attention to those vulnerable groups that are more likely to experience multiple disadvantages and to be excluded from the labour market. These initiatives intervene at different stages of a young person's pathway to employment. They may aim to prevent early school-leaving, reintegrate early school-leavers, facilitate the transition from school to work, increase the employability of young people, and remove practical and logistical barriers faced by young people with more complex needs.

Governments have been very active in promoting policies for reintegrating young people into the labour market or education system. However, questions remain about how effective these measures are, how well they perform in meeting their targets, and the strengths and weaknesses of different approaches. Evaluation of the effectiveness of policy measures is crucial and constitutes an essential aspect of the policy-making process. This is especially true in times of austerity when available resources are diminishing. Many of the cases analysed have no built-in formal evaluation mechanisms or measurable targets. This calls for better monitoring and evaluation of employment measures, going beyond data on outputs to look at their broader outcomes and impacts. Measures need to show what makes them effective and what presents value for money, so as to inform policy-making in this area in the future.

The policy measures implemented by Member States to re-engage young people with the labour market and education intervene at different stages of the pathway to employment. This makes them extremely diverse in terms of their range of aims, objectives and activities. Nevertheless, a number of lessons can be identified concerning good practices for policy design and implementation.

Firstly, it is essential that the labour market readiness of beneficiaries is taken into consideration in the design and implementation of youth employment measures. Whilst it is important for measures to be strongly grounded in the needs of the labour market, it is also necessary to bear in mind that young people vary in their level of readiness for the labour market. Person-specific labour market barriers need to be addressed before young people can be guided onto a pathway to employment.

This goes hand in hand with a need to set young people on a long-term, sustainable pathway. Some measures might achieve positive results in the short term, but they may not lead to positive outcomes in the longer term. Consequently, there is a growing consensus around the need to ensure sustainable labour market outcomes for beneficiaries. This approach would mean the sustainability of outcomes being related not only to the speed of labour market integration but, importantly, to the quality and stability of employment as well. Ensuring that young people are equipped with

qualifications needed for successful labour market integration or that they hold vocational and transferable skills demanded by employers is instrumental to pursuing a pathway to good quality, sustainable employment.

For this reason, the involvement of a range of stakeholders in the design and delivery of youth employment measures is essential. Stakeholders would include education and training providers, employers, public employment services, social partners, third-sector organisations, and health and other authorities. In particular, measures that focus on fostering their beneficiaries' employability require a strong level of engagement with employers and their representatives. Engaging employers requires innovative and persistent efforts on the part of those working on the measures concerned, in order to promote the business case for participation and to establish collaboration that benefits employers, providers and learners alike.

Successful youth employment measures make use of a range of innovative ways to reach out to their target groups, with outreach activities forming an important part of efforts to engage disfranchised young people. Incentives, branding and marketing campaigns can be useful in the context of more universal youth employment services.

Youth employment measures should be client-centred, not provider-focused. This means catering for different pathways ranging from mainstream learning routes to tailored, supported learning pathways. From this perspective, it is important for the staff delivering youth employability and early school-leaving measures to have the right skills and profile to deliver youth services and to provide appropriate support to the beneficiaries concerned. Good-quality guidance, which includes both career information and more comprehensive advice and support, is another key ingredient of measures supporting young people's transition from 'learning to earning'.

Measures thus need to be flexible in meeting the evolving needs of the labour market, including new skill needs and demand for services during different stages of the economic cycle. Furthermore, the issues faced by young people can change over time, as the labour market policy context evolves. It is therefore important that there is a willingness to adapt measures in line with contextual changes, and that such changes are made possible.

Conclusions

This report is the main and final outcome of the project, 'Youth employment: Challenges and solutions for higher participation of young people in the labour market'. Within the framework of this project, Eurofound has published three other reports: *Recent policy developments related to those not in employment, education and training (NEETs)* (Eurofound, 2012a), a comparative analytical report; *Evaluation of the effectiveness of policy measures implemented by Member States to increase the employability and to promote a higher employment participation of young people in Europe* (Eurofound, 2012b); and an ad-hoc report, *Youth Guarantee: Experiences from Finland and Sweden* (Eurofound, 2012c).

Chapter 1 of this report described the labour market participation of young people in Europe. Chapter 2 explored the concept of NEET and how it can be quantified; it also provided a description of the characteristics of the NEET population. Chapters 3 and 4 analysed the institutional and individual determinants of the NEET phenomenon, while Chapters 5 and 6 looked at the economic and societal consequences of high NEET rates. The final chapter presented policy responses to NEETs and discussed the effectiveness of selected policy measures for re-engaging young people on their pathway to employment. This conclusion presents the main messages and policy pointers of the report.

Young people are a fundamental asset of our economies and societies. Empowering young people by creating favourable conditions for them to develop their talents and to actively participate in the labour market is essential for economic and social development and for the sustainability of society. The integration of young people into the labour market poses great challenges to Member States at present as young people have been severely affected by the economic crisis. For most EU Member States, the low participation of young people in the labour market is not a new problem, but what is new is the current scale of this problem. In addition, in the context of this recession, youth unemployment has affected all young people, even the well-educated.

The current extent of youth unemployment demands a better understanding of the problem and for immediate interventions aimed at promoting youth employment and at preventing the social disengagement of young people. Traditional indicators of labour market participation were found to have limited relevance for young people, and so the concept of young people 'not in employment, education or training' (NEET) entered the policy arena. NEETs have come to the fore in the European policy debates, not least through the Europe 2020 agenda, the Youth Opportunity Initiative proposal and the Employment Package 'Towards a job-rich recovery', where the importance of tackling the NEET problem is clearly emphasised.

The term NEET, which originated in the UK, is used at EU level to describe young people who, regardless of their educational level, are currently unemployed or inactive and who are not attending any education or training. While NEETs, so defined, are very easy to capture from a statistical point of view, they represent a heterogeneous population that includes vulnerable and non-vulnerable subgroups, with different characteristics and needs. However, despite this heterogeneity, young people who are NEET share some common and fundamental characteristics. They are not accumulating human capital through the formal channels of education, training or employment, which might have a negative impact on future employment and earnings. As the risk factors that increase the chances of becoming NEET are often a combination of personal, economic and social factors, being NEET can in many cases be described as both an outcome and a defining characteristic of the disadvantaged young people who are at much greater risk of social exclusion.

Spending short and limited periods of time disengaged from the labour market and education system can be part of any normal transition from school to work. However, it is essential to understand that spending protracted periods in NEET status comes with a wide range of grave and interconnected negative short- and long-term consequences for the individual and society as a whole. Persistent disengagement makes the transition of young people to adulthood difficult and can have long-term scarring effects on their labour market performance both in terms of labour force participation and future earnings. Moreover, it can induce a range of negative social conditions, such as isolation, involvement in risky behaviour, and unstable mental and physical health. Each of these negative consequences comes with a cost. Being NEET is not just a problem for the individual; it is also a problem for society and the economy.

Broadening the understanding of the economic benefits accruing from re-engaging and encouraging young people to remain in education, training or employment plays a crucial role in strengthening the efforts of governments and social partners to reintegrate young people into the labour market. This report provided a very conservative estimate of the economic costs of the NEET phenomenon, which only takes into account lost earnings and welfare benefit payments. The loss to European economies due to their inability to fruitfully employ young people in the labour market was estimated to be almost €120 billion in 2008, corresponding to around 1% of European GDP. Considering the ongoing nature of the crisis, which continues to increase the size of the NEET population, this loss is now estimated to have increased to €153 billion in 2011, corresponding to more than 1.2% of European GDP.

The economic costs are just one part of the bill that Member States have to pay. Serious concerns have been raised about the potential implications of NEET status on the democratic engagement and civic participation of young people. This disengagement may lead some young people to opt out of participation in civil society or to take part at the extremes of political engagement. This report found that young people in Europe are generally not very interested or engaged in politics or civic participation. In this regard, NEETs distinguish themselves by having an even lower level of political and civic engagement in comparison to the rest of the young population. Their political and civic alienation and disaffection are a great source of concern. It is also likely that young people are changing the norms of engagement, moving towards social movements and protest activities and away from voting and engaging in political parties and trade unions. If it were not for the fact that governments continue to take policy decisions on resources, to be elected and to be based on political parties, this change would be less problematic and less likely to be perceived as an opt-out. Fighting political and civic apathy and promoting a greater level of involvement of young people in society is another big challenge for European democracies. The long-term consequences of their political alienation are hard to predict but it could spill into extremism. The worst examples of this include sombre scenes from our recent history.

Increasingly high youth unemployment rates and the economic and societal consequences associated with NEET status have led to a renewed sense of urgency for developing and implementing policies to bring young people (back) into employment, education or training across Europe. As a consequence, in recent years Member States have been more actively engaged in designing and implementing policy measures aimed at increasing the employability of young people and promoting higher participation in employment among them.

The benefits of a concept like NEET are clear. It draws attention to young people's problems and the multifaceted nature of their disadvantage. It helps to focus policymakers' attention on all patterns of vulnerability among young people, integrating particular subgroups such as young mothers and those with disabilities under one framework, rather than further marginalising them by the use of the traditional label 'inactive'.

Despite these strengths, the use of the concept of NEET in policymaking is not unproblematic. This is mainly due to the limitations grounded in the heterogeneity of the population, which has crucial implications for the policy response. While the concept includes different groups that might have different needs, they are characterised by common vulnerabilities. For this reason, governments and social partners are right to set overall targets to reduce the total level of NEETs. However, they must frame their interventions by a disaggregation of the NEET category. In order to effectively reintegrate NEETs, the different needs and characteristics of the various subgroups have to be taken into account; there is no 'one size fits all' policy solution. Only a tailored approach for different subgroups has the potential to effectively and successfully reintegrate NEETs into the labour market and education system.

In light of this, Member States have correctly diversified their initiatives according to the different characteristics of the NEET subgroups, paying particular attention to those vulnerable groups that are more likely to experience multiple disadvantages and to be excluded from the labour market. These policies often intervene at different points along the pathway to employment – the young person's pathway through formal education and their transition into the labour market and employment. Aims include preventing early school-leaving, reintegrating early school-leavers, facilitating the transition from school to work, increasing the employability of young people, and removing practical and logistical barriers for those young people with more complex needs.

These policy measures are implemented by Member States at different stages along the pathway to employment. This means that they are extremely diverse in their range of aims, objectives and activities, which makes it very difficult to identify the most effective approach. This report presents lessons learned and key characteristics of the most effective policies. There is a certain degree of consensus that youth guarantees and apprenticeship programmes obtain particularly excellent results in reintegrating young people into the labour market.

In particular, there is general agreement over the value of the youth guarantees, which is that they typically provide tailored services that help young people to make more informed decisions about their transition to work. In addition, they prompt immediate action to address youth unemployment before disengagement sets in. In this way, they attempt to avoid the long-term consequences of social disengagement. However, youth guarantees do not represent a universal remedy to youth unemployment. Evidence shows that youth guarantees are more effective for those who are work-ready than for the 'hard-to-help' unemployed groups. It is also important to highlight that the success of youth guarantees is highly dependent on other public policies in place (for example, the public employment service infrastructure and capacity, availability of student places, and provision of training, apprenticeships and internships). This is extremely important in the framework of a European youth guarantee and in relation to the transferability and implementation of successful experiences in other Member States.

Similarly, apprenticeships and vocational training equip young people with a skill set relevant to the labour market, thereby addressing the issue of skills mismatch. They help young people to

accumulate work experience, which decreases their labour market disadvantage in comparison to older workers. Some countries have a strong system of apprenticeships, and this is often linked to a low level of youth unemployment. Others still need to see a cultural shift towards such best-practice models. Successful vocational training programmes often offer a combination of theoretical and practical learning, which make them more costly than school-based training. They also require the involvement of employers and employer organisations, whose support is crucial for the success of such programmes.

Governments have been very active in promoting policies for re-engaging young people into the labour market or education system. However, questions remain regarding how effective these measures are, how well they perform in meeting their targets, and the strengths and weaknesses of different approaches. Evaluating the effectiveness of policy measures is crucial and constitutes an essential aspect of the policymaking process. This is especially true in times of austerity when available resources are diminishing. Many of the cases analysed have no built-in formal evaluation mechanisms or measurable targets. This calls for better monitoring and evaluation of employment measures. Without robust evaluations, it is not possible to know which policies represent a good investment or which have the greatest potential to bring almost 14 million young people under the age of 30 back into employment, education or training.

Today, many Member States are confronted with pressures on public expenditure, demands for accountability, and ever-rising NEET and youth unemployment rates. At the same time, we now have comprehensive knowledge about the size and characteristics of the NEET population, and about the dramatic consequences of NEET status for the individual and for our societies and economies. We know that money is lost every day by not doing enough to bring young people back into the labour market and into education, and we have some idea of what works in terms of re-engaging young people. Now is the time for Member States and the EU to learn from each other's policy approaches, to reach an understanding about which policy measures work best and why, and to place more emphasis on developing systematic and coherent evaluations to clearly assess the effectiveness of policy initiatives in the future.

Now is the critical time to act, not only for the future of 14 million young people not in employment, education or training, but for everyone's future.

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The economic crisis has severely damaged the employment prospects of young people in Europe, and their employment rate is now at the lowest level ever. To better capture the extent of economic inactivity among the young, the concept of NEET – not in employment, education or training – has been developed. This report analyses the labour market situation of young people in Europe, with a specific focus on the NEET group. It examines the determinants of belonging to the NEET group, and measures the economic and social costs of NEETs. It also assesses how Member States through policies and interventions have sought to support young people to gain a foothold in the labour market. It shows that successful policy initiatives address specific, disadvantaged subgroups in the NEET population. They are client-centred in their efforts to set young people on a pathway to long-term, sustainable employment and they are innovative, adopting new ways of reaching a target group.

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