



# Employment and entrepreneurship under the Youth Guarantee

Experience from the ground

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## Executive summary

The objective of this paper is to describe the type of **subsidised employment offers** – including employment incentives, direct job creation programmes (public works) and start-up incentives – that are provided under the Youth Guarantee (YG) and to identify lessons that can be learned for their efficient design and implementation. Hiring incentives is one of the most common types of Active Labour Market Policy (ALMP) included in YG schemes. These hiring incentives generally take the form of employment subsidies or reductions in hiring costs through social security bonuses. Almost two thirds – 60 % – of the EU Member States have started to put these hiring incentives in place. On the other side of the spectrum, direct employment creation programmes and start-up incentives are much less common in YG schemes.

The fundamental **rationale** for implementing employment incentives is to overcome demand and supply related employment barriers and to help to remedy market failures. Employment incentives reduce wage costs. Subsidised employment offers may address a general lack of labour demand, including for young people. Additional employment may be created through subsidised employment in the private and public sector.

Employment incentives have a long history in European countries and some large subsidy programmes have been implemented in the past. More recently, and in the context of the YG, **innovative approaches** in implementing employment measures have been introduced. This builds mainly on experiences with youth measures in the past and has been given impetus by the YG concept. Some of the measures are small, others large in budget and number of participants. In some cases YG measures are implemented in the context of wider policy reforms.

The specific **target groups** and objectives of employment incentives under the YG vary widely: long-term unemployed (LTU) young people; young graduates; low-skilled youth; intergenerational programmes; support to access full-time employment; promoting sustainable employment; linking employment subsidies to training requirements; and trial programmes. Some countries run public works programmes for young people. Non-subsidised measures of the Public Employment Services (PES) consist in providing counselling and placement services for young people, as well as services (i.e. placement services, follow-up, information on programmes) for employers.

The **effectiveness** of any type of subsidy is in general reduced by substitution, displacement, deadweight and stigmatisation effects, although the volume of these effects varies. In addition, subsidies might produce unwanted side-effects, such as the expansion of low quality jobs. Robust evaluation studies are scarce and their results need to be interpreted with caution (due to limits of the methodologies used, the macroeconomic context, the disaggregation of results by specific groups, etc.). Nevertheless, a few **lessons** can be drawn on the effective design and implementation of diverse forms of subsidies to expand employment offers for young people.

The measures need to be **well targeted** to minimise deadweight and displacement effects; mechanisms providing incentives for employers to retain workers after the subsidy expires need to be in place; **small-scale** employment incentive programmes are likely to limit the substitution effect; however, in a context of general weak labour demand, programmes need to be larger to have a sizeable impact on the level of youth unemployment. In a context of very high unemployment rates, wage subsidies and direct job-creation programmes may de facto be offering a rotation of jobs among the unemployed population, with temporary jobs subsidised by PES institutions substituting for permanent jobs.

**Direct job creation** programmes need to be well-designed and implemented (e.g. by looking at the quality of jobs) in order to provide young people who need basic work and life skills with an opportunity to gain experience and to avoid large demotivation and stigmatisation effects. Lessons learned from youth measures implemented under the YG also point to the importance of **follow-up** and providing **guidance** to young people during programme participation. For successful implementation, PES need to be pro-active to reach out to and motivate employers.

Some promising examples of the YG link employment offers with **vocational guidance and training** as well as mentoring. Also, previous evaluations have shown the benefits of **integrated approaches**, instead of implementing wage subsidies in isolation. In this sense, wage subsidies can be used for upskilling. This is particularly the case for young people who are hard to help, who need additional sociological and psychological support to overcome the barriers they face and for whom measures solely aimed at increasing employability might be insufficient. The combination of employment incentives, mentoring and training elements is relevant also for groups of young people who are less vulnerable. As such, even when employment measures are enough, they should be personalised for them to be most effective.

Young people also face various barriers to becoming **self-employed** or to starting a business. As they are likely to have little work experience, have weak professional networks (of potential clients and cooperation partners) and signal insufficient maturity solely through their young age, they will experience more problems to access financial and physical capital. Also, they may lack the necessary managerial and legal skills.

In the framework of the YG, youth **entrepreneurship** programmes usually offer financial support for the establishment of new businesses, as well as the training and mentoring needed to increase their survival rate. As part of the implementation of the YG in some countries, entrepreneurship workshops for young people have been launched or specific training in entrepreneurship skills offered.

**Start-up incentives** consist of programmes to facilitate access to credit in general and to loans at low interest rates in particular, providing start-up grants, or fostering micro-franchising mechanisms. PES mainly implement packages of entrepreneurship support, combining counselling, entrepreneurship training and financial incentives. Member States have also implemented **coaching** and **mentoring** schemes to support start-ups of young people under the YG. Finally, promising practice examples point to support for the development of **entrepreneurship networks**. Opportunities for peer exchange would also help to overcome these specific barriers.

The PES often cooperates with a wide variety of actors at the local / regional level to promote entrepreneurship among young people, such as agencies to promote regional economic development, Chambers of Commerce, universities, bodies running incubators, networks of entrepreneurs, etc. In addition to the PES, some of these actors promote entrepreneurship among young people by themselves (e.g. entrepreneurship training and the setting-up of incubators at universities).

Lessons learned from start-up incentives and entrepreneurship programmes implemented under the YG and earlier programmes confirm the need to combine different measures such as entrepreneurship training, counselling, mentoring, financial assistance, access to physical and network capital and follow-up services. **Awareness-raising** among young people about the availability of (micro-)credits and entrepreneurship support are essential. Building **partnerships** with other (local) players to promote self-employment and business start-ups amongst young people is crucial. Here education institutions can play an important role, in particular if they are well linked to the business world and to research.

Other approaches include setting up young entrepreneur clubs or linking to such clubs. Other actors, such as Chambers or business associations could set up specific **networking programmes** for young people. The success of start-up incentives will be increased if business plans are carefully evaluated. Finally, it is advisable to evaluate and monitor start-up support programmes, by tracing participants over a period of 3 to 5 years and by including socio-economic indicators as well as quality of work indicators. These should be part of programmes that aim to promote self-employment amongst young people. These evaluations would represent an important basis for improving support for youth self-employment.



# 1 Introduction

In April 2013, EU Member States made a political commitment to ensure young people's successful transition into work by adopting a **Council Recommendation on establishing a Youth Guarantee (YG)** scheme. The principle of the Youth Guarantee has been reaffirmed by the European Pillar of Social Rights<sup>1</sup>.

Under the YG Member States should ensure that all young people under the age of 25 year receive a **good-quality offer** of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education. In practice this means that within four months of leaving school or losing a job, a young person under 25 should either get a job offer for a job suited to their profile (education, skills and experience); or acquire the education, skills and experience required to find a job in the future through an apprenticeship, traineeship or continued education offer<sup>2</sup>.

The **YG 'offers'** generally fall within the four categories identified in the Recommendation. Typical examples include:

- Employment: open labour market employment (subsidised or not), self-employment;
- Supported through start-up and dedicated subsidies;
- Continued Education: education opportunities including job-related training, reinsertion into the regular education system, bridging courses supporting this reinsertion, second chance education;
- Apprenticeships;
- Traineeships: open-market and ALMP traineeships.

As explained in the box below, the **Youth Employment Initiative (YEI)** is the main EU funding programme initiated at the same time to facilitate the roll-out of the YG and give particular support to regions where the youth unemployment rate is over 25 %. All Member States are also making use of their share of the **European Social Fund (ESF)** to support youth employment<sup>3</sup>.

## EU financial support to the implementation of the Youth Guarantee

The **Youth Employment Initiative (YEI)** is one of the main EU financial resources to support the implementation of the Youth Guarantee. It exclusively supports young people who are not in employment, education or training (NEETs), ensuring that in parts of Europe where the challenges are most acute, young people can receive targeted support.

The total budget of the Youth Employment Initiative is €8.8 billion for the period 2014-2020. This funding is being used for a variety of measures that underpin the Youth Guarantee, ranging from outreach to vulnerable groups and activation, to hiring subsidies for employment of young NEETs.

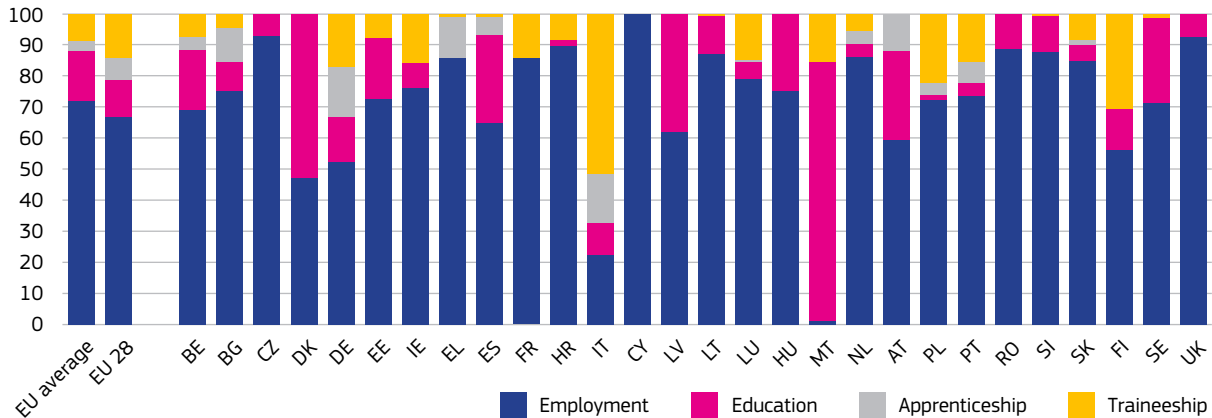
By September 2017, preliminary information from Member States to the Commission show that the Youth Employment Initiative had supported approximately 1.7 million young NEETs. The impact of these interventions is positive with around half of the operations financed by the Youth Employment Initiative leading to a positive outcome - that is, a qualification or a move into education/training, or employment (including self-employment). The assessment of many Member States, therefore, is that the Youth Employment Initiative is having significant impact on the coverage and design of employment policy in their country<sup>4</sup>.

The Youth Employment Initiative is complementary not only to other actions undertaken at national level, but also to actions financed by the **European Social Fund**. The European Social Fund can reach out beyond individuals, helping reform employment, education and training institutes and services – reforms that are often crucial for effective implementation of the Youth Guarantee.

Over the 2014-2020 programming period, the European Social Fund — in addition to the Youth Employment Initiative — directly invests at least €6.3 billion to support the integration of young people into the labour market across Europe. Many successful projects under the Youth Guarantee have been financed by this investment. Furthermore, the European Social Fund also supports young people in other ways through a total of €26 billion to tackle early school leaving and invest in vocational education and training.

According to the results of the last full-year data collection exercise monitoring Member States' Youth Guarantee schemes, in 2016, of the 2.1 million young people across Europe that took up an offer within four months of registering in a YG scheme, 1.4 million, or 67.2 % took up an employment opportunity (Figure 1, 'EU28'). This figure includes open market jobs found independently by the young person, as well as those found with assistance from the YG provider, together with various forms of short and longer-term placements subsidised with public funds. The remaining 0.7 million mostly took up offers of a traineeship or continued education (13.9 % and 12.0 % of all timely offers respectively) while far fewer are reported to have taken up an apprenticeship (6.9 %). This distribution of offers was similar to 2014 and 2015.

Table 1. Distribution of timely and positive exits by type of offer, 2016 (% timely and positive exits)



Source: DG EMPL, YG monitoring database, data extracted 11 December 2017

Notes: Positive and timely exits refer to young people who within four months of registration leave the YG register to take up an offer of employment, education, a traineeship or an apprenticeship. The breakdown by type of offer is not complete for all countries. This is mainly because one type cannot be distinguished from another (e.g. apprenticeships cannot be distinguished from education) or cannot be monitored, rather than because the type of offer is not available to YG participants.

Unsubsidised employment offers may be found by young people themselves, with the aid of a job-search counsellor or through a job-search matching technology. A higher level of unemployment among young people is linked to a higher job fluctuation as the **matching process** takes some time. In order to increase the efficiency of the matching process and to overcome some of the specific employment barriers young people face, subsidised employment may be offered.

The objective of this paper is to understand what type of **subsidised employment offers** are provided under the YG, which groups of young people are targeted and what kind of employment barriers they face. The paper aims mainly to disentangle potential effects of YG measures. Lessons learned on the way and conditions measures need to be implemented will be drawn. However, as evaluation studies of YG measures are scarce and monitoring activities of employment incentives and start-up incentives are often not sufficiently detailed, there are limits to assess the impact of the Youth Guarantee, to identify success factors and give recommendations.

This paper is structured as follows: **Section 2** provides some theoretical considerations about the rationale for implementing employment incentives and start-up measures. **Section 3** looks at the design of employment incentives and measures to promote start-ups implemented in line with the YG. **Section 4** analyses success factors and caveats for the implementation of employment and start-up incentive measures for young people.

## 2 Employment incentives for young people: conceptual considerations

### 2.1 Rationale for setting up employment measures

The fundamental rationale for implementing employment incentives is to overcome demand and supply related problems and to help remedy **market failures**. Employment incentives reduce wage costs. Subsidised employment offers may address a general lack of labour demand, including for young people. Additional employment may be created through subsidised employment in the private and public sector. Measures of the Public Employment Service (PES) to promote entrepreneurship amongst young people are also aimed at reducing unemployment and increasing integration into the labour market of young people. A further objective is to prepare young people to follow **portfolio careers**, i.e. easily switching between self-employment and dependent employment and/or combining different forms of employment. Promoting entrepreneurship can also be an objective in itself, as it is an important driver for innovation and economic growth. In this respect, promoting entrepreneurship is not only a strategy targeted at young people. However young people with tertiary education are increasingly the focus of the new start-up wave in the context of digitalisation. In addition, boosting entrepreneurship and self-employment can be part of a strategy for promoting local economic development. Against the background of an ageing society, some measures also serve to prepare young people for enterprise succession (Duell, 2011).

**Employment barriers** exist on the demand side as well as the supply side. A low level of demand from companies for young people is likely to be the result of weak overall labour demand (e.g. as a result of the recession), discriminatory behaviour of the employer and institutional settings (e.g. minimum wages). The causes of supply-side employment barriers are related to characteristics of the young people themselves and/or result from market failures and institutional settings (e.g. in relation to the education system and its impact on the school-to-work transition). Factors leading to employment barriers are listed below.

#### (i) **Demand-side factors** leading to employment barriers

- A weak overall labour demand results from a reduced level of demand at the product market in times of recession and in case the economic recovery is slow or not engendering employment growth.
- A lack of information and transparency lead to wrong evaluations about the productivity of the worker and his/her self-perception of own productivity. The employer lacks information on the skills of the young people, in particular when the latter have no relevant work experience (Bördös, Csillag, Scharle / ILO 2015).
- Discrimination and prejudices on the side of employers (including lack of trust) limit access for young people to jobs.
- In many countries minimum wages exist that prevent wages from falling below that level. Collective agreements may also set wage levels that are perceived by employers to be above the productivity of young people, as the latter lack work experience.

#### (ii) **Supply-side factors** leading to employment barriers

- Young people with a low level of education have a higher risk of being unemployed and a higher risk of an instable working career (as do people from other age groups with low education levels).
- There are indications that the length of transition from education and training and the labour market is longer for low-skilled than for high-skilled individuals, as measured by the number of years in employment during the five-year period after leaving school, education or training (OECD 2010).
- Young people may have obtained qualifications and skills that are not in demand on the (local) labour market.
- Young people may face non-labour market related issues that reduce their employability (e.g. family problems, mental health issues, learning difficulties, substance abuse issues, etc).
- Young people may accumulate multiple disadvantages and employment barriers.

As a result of barriers to employment, young people can become **unemployed or discouraged** and thus inactive. There is also a risk that young people take jobs in the low wage sector, or more generally jobs for which they are overqualified (Quintini, 2011). This is inefficient for the individual and the society as a whole as returns on investments in education do not materialise. The transition period between education and training and stable employment is quite long in some countries and phases of employment and unemployment alternate during this phase (Quintini et al. 2007). Thus the higher unemployment rate of young people as compared to adults is to some extent linked to the **matching process**. As people grow older, and have already changed jobs several times, the matching improves in many cases. There is, however, a risk that qualifications obtained from VET and tertiary education are devalued if the young people perform jobs that are well below their potential too long a period of time. Employment incentives may serve to increase the efficiency of the matching process. Part-time employment plays an important role among young people, as a number of young people combine studying and working. However, part-time employment may also be involuntary and thus reflect the difficulties of young people in getting a full-time position after finishing their training or studies (OECD 2010).

**Employment measures** need to address these different types of demand- and supply-related employment barriers. Employment measures mainly intend to:

- Create additional employment;
- Substitute for other groups in the short-term. Employment measures can be designed in a way that they represent a case of 'positive discrimination'. In this case the objective of the measure is not net employment creation in the first place. Net employment may be created in the medium or long run. It is assumed that other groups can find employment easily, which would justify positive discrimination in favour of young people;
- Compensate employers for a temporary lower productivity. The assumption is that during the period the wage subsidy is paid, the productivity increases or the young people have a chance to demonstrate their skills to the employer;
- Combine work experience with training.

## 2.2 Rationale for start-up incentives for the unemployed

Self-employment is an employment option for people with different levels of skills, working in various sectors, and is therefore linked to highly diverse realities as to the quality of these jobs (OECD/European Union, 2017). From a world-wide perspective, 'factor-driven economies' tend to have higher self-employment rates than 'efficiency-driven' or 'innovation-driven' economies<sup>5</sup>. In all three types of economies, self-employment rates of 18-24 year-olds are lower than those among 25-34 year-olds (the age group with the highest self-employment rate in all three types of economy), but the gap is lowest for factor-driven economies (Kelley et al. 2010). Indeed, at the Member State level the share of self employed is highly correlated (66 %) with the share of young people not in employment, education or training (NEETs), indicating that labour markets with high overall levels of NEETs, such as Italy, Greece, Romania and Spain, are also more likely to have high levels of youth self employment (Eurofound, 2015). Nevertheless, research by the Global Enterprise Monitor (GEM) and Youth Business International (YBI) (2013) indicates that 17 % of young entrepreneurs in the EU are driven by necessity, compared to 23 % of adult entrepreneurs (aged 35–64).

Although important differences between EU Member States can be discerned, in general young entrepreneurs seem to be more opportunity driven than adult entrepreneurs (Eurofound, 2015). They are thus more likely to choose to pursue an opportunity as a basis for their entrepreneurial motivation, as compared to adult entrepreneurs. A more diverse picture of self-employment among young people is also given by Eurostat data that reveal that the percentage of young people aged 15-24 years in self employment increases slightly with educational level (in 2013) (Eurofound, 2015). Part time self employment practices are particularly common among young self employed people, at least in comparison to other age groups. This might represent the possibility of reducing the risk of self-employment, i.e. low and/or irregular income. Conversely it may indicate low income possibilities from self-employment. Available data do not provide information showing to what extent this part time self employment is voluntary or involuntary (Eurofound, 2015).

In the European Union only a fraction of young Europeans interested in becoming entrepreneurs actually go on to do so. A report by Eurofound shows that almost half of young Europeans are interested in becoming entrepreneurs, and over 40 % believe it is feasible. However, only 6.5 % of young people in work are self-employed, and there are significant national and gender differences in Europe. Indeed, in 2017 the share of youth self-employment varied from 12.7 % in Romania to 1.3 % in Denmark (Labour Force Survey, 2018). Young people were as likely as adults to be new business owners over this period in the European Union (3.1 % vs. 2.8 % for adults) and OECD countries (3.5 % for both youth and adults) (Eurofound, 2015). However, they were much less likely to be established business owners. This is consistent with the low self-employment rates observed for youth across the European Union (OECD/European Union, 2017).

Programmes for the promotion of self-employment and entrepreneurship can be differentiated by the type of objectives, the educational level and by the phase of business creation; starting with entrepreneurship education.

Young people (18-30 years old) were less likely than adults between 2012 and 2016 to feel that they had the knowledge and skills for entrepreneurship in the European Union (36.0 % vs. 41.9 % for adults) (OECD / European Commission, 2017). In other words, approximately two-thirds of young people view entrepreneurship skills as a barrier to business creation. From a life cycle perspective, entrepreneurship training is best provided already within the general education system. More and more countries have included this entrepreneurship training at secondary schools and higher education institutions since the 1990s (Duell, 2011).

Entrepreneurship education is most common at upper secondary level, where there is more variety in approaches. Teaching guidelines for entrepreneurship education are more usual at general upper secondary level and in school-based IVET than at lower levels of education. The most widespread examples of practical entrepreneurial experience are the creation of mini or junior companies and project-based work that has a clear idea generation process and a tangible end product.

The coverage in the curriculum of the different types of learning outcomes related to entrepreneurship education is uneven across Europe. Some of these, namely self-confidence, planning and teamwork are also broader educational objectives, non-specific to entrepreneurship education, and quite widespread. Creativity is sometimes stated as a general aim. 'Managing resources', 'managing uncertainty/risk', 'the role of entrepreneurs in society' and 'entrepreneurial career options' are quite specific and therefore much less common as clearly stated learning outcomes in European curricula. Financial literacy is a learning outcome that has traditionally been associated with entrepreneurship education, not least because it is more easily identifiable and measurable. Although progress has been made, only a few countries or regions show a more structured approach to progression and comprehensiveness with respect to entrepreneurial learning outcomes. According to a 2016 report (European Commission/EACEA/Eurydice, 2016) progress is most needed in two areas – learning outcomes and teacher education.

Entrepreneurship training and support for start-ups has also become increasingly common in universities. Across Europe, networks between universities promoting entrepreneurship have been created<sup>6</sup>. One example is the EuroTech Universities Alliance<sup>7</sup>. Members of this alliance have strong entrepreneurship and innovation research groups. Each university has its own entrepreneurship centre, which can implement this knowledge into practice and actionable results. Together, the EuroTech Universities cover the entire value chain from entrepreneurship and innovation-related knowledge generation, awareness-raising, education and training of students and scientists, to patent applications, international business development, and investment in start-ups. The results are evident – the EuroTech Universities jointly fostered the creation of more than 320 start-ups in the period from 2012 to 2014.

Entrepreneurship training also takes place outside the formal education system. While entrepreneurship training in secondary schools primarily aims at developing an entrepreneurial mindset and may have an impact at a later stage of working life (and thus not necessarily a high impact on youth self-employment), programmes that seek to promote immediate enterprise creation for young people can be run in vocational schools or universities.

Providing entrepreneurship training in secondary schools can be regarded as an element of life-skills education, but can also aim to make young people aware of entrepreneurship as a career option (Eurobarometer, 2014). Programmes are often delivered within a partnership framework. National training centres, international training centres (e.g. ILO training courses), universities, development banks, NGOs as well as businesses have been involved in establishing curricula, providing the training or elaborating training material (for concrete examples from [Sweden, Scotland, Germany, the US and Slovenia](#) see Haftendorn, Salzano 2004). PES are one actor among others providing start-up incentives.

The use of start-up subsidies for the unemployed is based on the assumption that nascent entrepreneurs or previously unemployed face disadvantages compared to regular business founders. These disadvantages might relate to different aspects (Caliendo et al., 2015 and Duell 2011), such as:

- The unemployed tend to have lower financial means (personally and within the family), which thus reduces the amount of personal equity available for business start-up. Lack of financial support and the administrative complexity of setting up a business have been identified as the main two barriers to business creation among young people by Eurofound (2015).
- Capital markets are particularly likely to discriminate against unemployed individuals, which restricts access to loans.
- The experience of labour market failure due to job loss reduces individuals' self-confidence, making the unemployed less likely to consider self-employment as an alternative to dependent employment.
- Start-ups out of unemployment are more likely necessity start-ups, namely unemployed individuals decide to become self-employed because they do not have any other employment alternatives.

With regard to the young unemployed, there are some additional disadvantages:

- For young people in general the lack of finance, skills, knowledge, social networks and familiarity with the business world represent the main barriers to becoming self-employed.
- Unemployed individuals might face disadvantages due to a depreciation of their start-up specific human and social capital during unemployment. In the case of young people this risk is increased, as financial institutions are likely to distrust them.
- Lack of employment experience also brings disadvantages in terms of business and social networks, i.e. contact with potential customers, business partners or knowledge learned from colleagues.
- Factors influencing the probability of young people engaging in self-employment as well as the prospects of sustainability of this self-employment and the quality of work depend on a variety of factors, mainly the readiness and openness, the perception of entrepreneurship in the society, personal and professional maturity, skills, the economic structure and the labour market conditions.

Start-up subsidies aim at removing such barriers for the unemployed by providing **financial assistance** towards the cost of living and social security during the start-up period. In addition, support can be provided through entrepreneurship training and counselling. Promoting networks and mentoring would help to overcome these specific barriers.

Other actors also promote access to capital and promote networks by setting up **incubators**. Incubators are widely acknowledged as being an effective tool for supporting entrepreneurship (Schoof 2006, Kollmann et al., 2016). Incubators usually do not only provide a physical space for a limited period of time (around 3 to 5 years), but also a range of additional services such as administrative services as well as managerial advice and coaching. They can be private, public or based on Public-Private-Partnerships. Incubators are designed to support highly innovative business creation.



## 2.3 Types of employment incentives

Subsidised employment offers are measures of **active labour market programmes** implemented by Public Employment Services. The Eurostat Labour Market Policy (LMP) database distinguishes between employment incentives, direct job creation programmes and start-up incentives. Note that sheltered employment and vocational rehabilitation in the case of long-term problems of lower productivity related to health problems is not examined in this paper, even if they involve wage subsidies.

The following measures are considered to facilitate access for young people to employment offers:

(i) Employment incentives can take the form of wage subsidies, payment of bonuses, exemption from social security contributions, or tax credits. They intend to compensate for temporarily lower productivity. Employment incentives which include training requirements will be included in this paper, as they are increasingly used and relevant for young people. They intend to improve access to sustainable employment and a better skills match.

Also trial programmes are reviewed in this paper. These intend to build trust between the young worker and the company; and for the young worker to gain work experience.

Another specific form of employment incentives are those which promote specifically sustainable employment offers, e.g. through promoting the conversion of temporary to permanent jobs; subsidising only permanent jobs<sup>8</sup>.

(ii) Public Works are direct employment creation programmes. In general they create employment with a social and/or ecological utility and have to avoid competitive distortion. This type of measure has the objective to expand the employment offer by creating 'additional jobs' and to provide training in basic (life) skills.

(iii) Measures to support entrepreneurship intend to expand employment opportunities. Measures have different target sub-groups: e.g. university graduates, and the low- and medium skilled. Measures include entrepreneurship training, entrepreneurship coaching and mentoring, improved access to finance and support for the development of entrepreneurship networks.

For each of these measures and instruments, design and implementation questions arise, such as targeting, the length of the subsidy, conditionalities for employers and workers, and the combination with other types of measures, in particular training, follow-up and guidance.

## 2.4 Target groups

Young people are a highly heterogeneous group. They face manifold employment barriers. The different measures can be targeted to all young people, low-skilled young people, young graduates, young people with a migration background or from ethnic minorities, long-term unemployed young people, young people detached from the labour market, young people without work experience, young people with work experience. Differences in the design of employment incentive schemes also exist in relation to age limits (e.g. up to the age of 25, or up to the age of 30).

### 3 What kind of employment incentives are there and who are they for?

This section aims to show what type of employment incentives have been set up in Member States in order to allow more young people to access employment than would be the case through placement activities alone (see the rationale for employment incentives above). It reflects on questions such as: how are the target groups defined?, how are the measures implemented?, are innovative approaches tested?. When available, the main results of evaluation studies are also shown. [Section 3.1](#) looks at employment incentives and direct job creation measures and [Section 3.2](#) is devoted to measures to promote self-employment. This section mainly highlights interesting examples, implemented in the context of the YG.

Implementation of the YG varies widely across countries. While some countries understand their existing approaches of ALMPs for youth as following the concept for the YG, others have set up new programmes. In general, implementation plans for the YG do not encompass all youth measures that correspond to the YG concept. Some practices of the YG are available from the EC website<sup>9</sup>. Monitoring data are available from the Member States factsheets<sup>10</sup>. However, information in these factsheets is not always fully consistent, as some Member States report on all measures young people can access (broad understanding of the YG), while a few limit the information to additional YG measures. Also, the monitoring factsheets are not very detailed when it comes to specific measures (as this was also not the purpose of the fiches).

**Hiring incentives** are one of the most common types of ALMP included in the YG plans. Almost all countries include these measures in their implementation plans. These hiring incentives generally take the form of employment subsidies or reductions in hiring costs through social security bonuses. The popularity of this intervention could be explained by its relative easier implementation in comparison with other measures that aim to foster demand for labour (e.g. support programmes for young entrepreneurs). Almost two thirds - 60 % - of the EU Member States have started to put these hiring incentives in place (Escudero et al. 2017).

### Quality of employment offers under the Youth Guarantee

The legal basis for the YG (Council Recommendation of 22 April 2013) recommends that young people receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship. However, it does not include a common definition of a 'good-quality offer' that would apply to all four types of offers.

The European Commission has been applying an **outcome-based approach to quality**, whereby an offer can be considered good quality if it matches the participant's profile, the demands of the labour market and if the person who benefits from it is integrated in the labour market in a sustainable way (i.e. does not return to unemployment or inactivity afterwards). This last aspect is partly measured in the context of the data collection on Youth Guarantee schemes<sup>11</sup>, where quality aspects of YG offers are indirectly captured by the follow-up indicators, showing the situation of young people 6, 12 and 18 months after leaving the YG register.

In the case of **employment offers**, quality will partly depend on traditions as well as overall labour market conditions (economic situation, labour law, wage-setting mechanisms, and quality of labour market institutions). The European Pillar of Social Rights<sup>12</sup> includes key principles related to working conditions which can serve as guidance when analysing the quality of employment offers under the YG (e.g. right to fair and equal treatment regarding working conditions, access to social protection and training, reasonable duration of probation periods and prohibiting abuse of atypical contracts).

The ILO, with support from the Commission, has also developed some practical guidance on the quality dimensions of youth employment offers, including a checklist for practitioners who propose the offers to young people with indicator definition, source of data and assessment methods. These indicators are related for example to the duration of employment contracts, social protection entitlements, mean hourly wages, job/qualification matching, average number of weekly hours of work, voluntary part-time or on-the-job training<sup>13</sup>.

During its December 2017 multilateral surveillance review on the Youth Guarantee (and building on this guidance) the Employment Committee has considered in particular the following aspects regarding the quality of employment offers:

- Employment offers match the profile and the individual needs of the young person
- Type and duration of contracts allow access to social protection, including unemployment benefits
- Part-time work is taken up voluntarily
- The offers include opportunities for skills development and training
- Counselling or coaching is available once the offer has started (esp. for subsidised offers)
- The offers ensure young people's sustainable integration in the labour market.

Moreover, in 2018, the Employment Committee has decided to exclude employment and traineeship offers of short duration (indicative duration: any offer of less than 28 days) from the data on YG implementation reported by Member States. This means that any employment or traineeship offer of less than 28 days is by definition not considered a quality offer and not counted in the data as an offer taken up by a young person. This, however, does not imply that offers of longer duration are by default considered quality offers.

On the other side of the spectrum, direct employment creation programmes and start-up incentives are much less common in the YG implementation plans.

The following table gives an overview of the results of the monitoring on employment offers carried out by the European Commission.

*Table 2. Type of employment offers, 2016*

Sub-type	No of offers	Type of contract (1)			Remuneration/Support		Full/ part-time (1)		
		Open-ended	Fixed term	Either	According to national agreements	Other remuneration/ cash benefit (?)	Full-time	Part-time	Either
Employment incentives	74	13	31	29	54	20	21	3	49
Direct job creation	33	0	32	1	28	5	23	1	9
Start-up incentives	19	n.r	n.r	n.r	n.r	19	n.r	n.r	n.r
Sheltered/ supported employment	4	3	0	1	3	1	0	1	3

Source: DG-EMPL, YG monitoring questionnaires 2016 and LMP database.

Notes:

1. Employment incentives: Information for one intervention in ES is missing.
2. Includes other types of remuneration, receipt of unemployment benefits and other cash benefits.

*Source: European Commission (2017), Data collection for monitoring of Youth Guarantee schemes: 2016*

### 3.1 Employment support measures

The implementation of employment incentives has a long history in European countries and some large subsidy programmes have been conducted in the past. More recently, and in the context of the YG, innovative approaches to implementing employment measures have been introduced. This builds on experiences with youth measures in the past and has been given impetus by the YG concept. Some of the measures are small, others large in budget and number of participants. In some cases YG measures are implemented in a context of wider policy reforms (two examples are [Slovenia](#)<sup>14</sup> and [Ireland](#)<sup>15</sup>).

In this section we mainly look at measures launched around or after 2013. There is a focus on programmes financed through the YEI and ESF, but it also includes examples financed by national resources only. It is assumed that these are in line with the YG concept. Some examples of promising designs and implementation patterns will be also discussed.

(i) Employment incentives – wage subsidies and reduction of social security contributions.

- To support the young unemployed to access full-time employment

[Ireland](#) introduced JobsPlus Youth in January 2015. It is funded through YEI and ESF and consists of an employment subsidy paid to employers to encourage the hiring of young jobseekers who have been unemployed for more than four months<sup>16</sup>. Employers must offer a contract of a minimum of 30 hours per week, and only private sector employers are eligible for the subsidy. Typically, the PES will encourage applications from candidates who have been identified as eligible. Only after preliminary interviews and with a shortlist drawn up can employers ask candidates whether they qualify for JobsPlus Youth. In addition, the First Steps Youth Development Internship was introduced in February 2015, to help young people develop basic work and social skills on a work placement of 6-9 months duration (this is not an employment measure in a strict sense but can also be considered as an important element for combining a work-first strategy and skills development elements). However, uptake and employer involvement will need to be increased to generate a significant impact.

- For long-term unemployed (LTU) young people

Wage subsidies may be targeted at LTU youth. Some measures targeted at vulnerable groups include, amongst others, also young people. In [Lithuania](#), employers hiring young people registered with the PES can receive a reimbursement of 50 % of the gross wage for up to six months. Priority is given to LTU youth, young parents with two children, and youth from families with two or more members registered with the PES. Sanctions are applied to employers who dismiss subsidised workers within six months after the subsidy period. In 2015, the measure involved 28 % of all ALMP participants aged 16-29.

[Latvia](#) has measures targeting LTU youth and young people with disabilities or caring responsibilities. Subsidised work placements aim at fostering young unemployed social inclusion by helping them understand the requirements of the labour market and settle in permanent jobs. Employers provide a qualified work supervisor for each participant that assist them in acquiring the basic skills and abilities required (their involvement may differ depending on the complexity of the tasks and the participant's profile). Financial aid (up to 50 % of the total wage costs in the form of a monthly wage subsidy that cannot exceed the minimum wage) is granted for a period of 12 to 24 months. For people with disabilities support is capped and at 1.5 times the minimum wage. Additional expenses for work supervisors, working place adaptation for persons with disabilities and other support staff are covered by the PES.

- For young graduates

The Job Placement of Young Unemployed Graduates in **Cyprus** offered employment subsidies and mentoring throughout the six-month placement programme for secondary and post-secondary graduates below the age of 25, largely financed through ESF<sup>17</sup> (2014-2017). The Employment Subsidy Programme was jointly funded by the European Social Fund (ESF) (92 %) and the Cypriot PES (8 %). For the period 2014 to 2017 the ESF and the Cypriot PES allocated a total budget of EUR 8.5 million. The Employment Subsidy Programme targets individuals under the age of 25, who are registered with the Cypriot public employment service (PES). About 2 255 young people applied for 6 000 job offers. After the matching process, 1 150 placements started (of which a quarter were in the public sector).

The PES sets priority criteria to ensure those who would benefit most are included in the scheme e.g. if two candidates are equally suited to a position but one is long-term unemployed then this person would be the first to be offered the position. A 'matching' software is used, taking into consideration the specialisation, if any, and employment desires of each young unemployed person, as well as the specialisation/prerequisites desired by companies/organisations. A condition for the subsidy is that the young person will be supervised by a mentor (an employee at the host organisation). The mentor may supervise a maximum of 10 people. The outcomes of the programme were monitored through surveys conducted by telephone. One of the key lessons learned is that the more detailed the matching process is, the more successful the placements are. The software application used in the matching process needs to factor in a wide range of parameters such as the targeted participants' specialisation interests and career goals, as well as the participating employers' expectations and work placement requirements to generate the best possible outcomes.

The programme's outcomes were obtained on the basis of a survey conducted by telephone: a very high share of respondents (employers and young people) were very satisfied with the programme. However, following completion of their placement, only 32.7 % of the participants were in employment. The employment rate was slightly higher for those whose placements were in the private sector<sup>18</sup>. Detailed evaluation results are available on the website of the Human Resource Development Authority of Cyprus<sup>19</sup>.



- For low-skilled youth

In 2015, [Estonia](#) launched 'My First Job' (for low-skilled youth), providing a one-year wage subsidy and coverage of training expenses during a two-year period. The measure targets young unemployed aged 17-29 with low educational attainment and lack of work experience who have not been able to find employment on their own during the first months of unemployment. My First Job is mainly funded by the ESF, which provides 85 % of the total budget. For the period 2014 to 2020 the total budget allocated to My First Job was EUR 18.9 million. The subsidy itself has a value of 50 % of the employee's monthly salary. However, the maximum value cannot be more than twice the minimum wage (in 2017 the minimum wage was EUR 470 per month).

As part of the employment contract, the young person must receive on-the-job and work-related training where appropriate to develop their skills and increase their competitiveness on the labour market. Employers are eligible for a subsidy to cover the full cost of this training (up to a limit of EUR 2 500 per employee). If the contract is for any reason terminated by the employer either before the end of the second year or, if it is a fixed-term contract, before the specified end date, the subsidy must be paid back in full. This is to encourage employers to retain the young people (YG Promising practices<sup>20</sup>).

An evaluation of this measure is being carried out and results of the mid-term evaluation are also available (Balti Uuringute Instituut, 2017). Overall, the measure was regarded as being successful, although there were weaknesses in implementation. From January 2015 to 30 September 2016, 500 young people with 452 employers have used or are using the service, which is significantly less than predicted. The mid-term evaluation also showed that the service had not had a lasting effect on continuing long-term working relations with the original employer. According to Töötukassa data, 66 % of young people who used the service were working for their original employer six months into the service, after 12 months the number dropped to 47 % and after 18 months, it was 26 %. However, about half of those who dropped out of the service had returned to employment 18 months later, albeit for different employers. Training was only seldom provided.

The mid-term evaluation contained a number of conclusions and recommendations to improve the impact of the measures. In order to achieve the aims of the YG and to more fully take into account the background of NEET youths and the needs of parents with small children within that target group, it was recommended to adjust the terms and conditions of the service My First Job, to render the implementation system made more efficient and to make employers and employees more aware of the service, its possibilities and potential benefits. The mid-term evaluation showed that cooperation of different support systems and networks was essential (e.g. between Töötukassa and Noorte Tugila (Youth Prop Up) and other organisations, who operate in the fields of social work). PES matching young people makes it more likely that they take up offers of and remain in employment. This should generate a positive reaction from employers, making them more likely to retain the young person after the end of their contract and recruit more individuals on the My First Job programme.

## Intergenerational programmes

Examples include the ‘Tandem of Generations – Fostering Intergenerational Change’, financed through ESF, which has been implemented in three selected regions of the **Czech Republic** through regional projects since 2014. Employers receive wage subsidies for employees approaching the retirement age (three years before eligibility for a pension) if the employer, at the same time, recruits jobseekers without long-term work experience (i.e. graduates) or persons with long-term interruption from work (i.e. parents returning from parental leave). The financial support is conditional – the employer has to provide training to new employees and cannot terminate working relationships with older workers (OECD 2018).

In **France**, the scheme Contrat de génération was set up in 2013. It seeks simultaneously to promote hiring of young people in permanent contracts, retention of older workers in employment and the knowledge transfer between older and younger generations. A subsidy for SMEs and a sanctioning scheme for big companies have been set up in order to achieve these objectives. However, the implementation of this measure was disappointing as take-up was very low (Cour des comptes, 2016).

- Reduction of social security contributions for youth

Reduction in social security contributions directly reduce wage costs. They need to be well targeted to be effective. This instrument has been used to promote permanent and fixed-term contracts. In **Croatia**, since 2015 an amendment of the Law on Contributions enables employers who offer young people (aged under 30) a permanent employment contract to be exempted from the calculation and payment of contributions for health insurance and employment contributions for a period of five years.

In **Spain**, under the ‘Tarifa Joven’ programme implemented by the PES from 2014-2016, employers receive a EUR 300 per month reduction of their social security contribution for a period of six months if they offer a permanent contract to a young person registered with the YG programme. The employer is required to maintain or increase the company’s employment level while receiving the bonus to avoid replacement effects. The programme supported an estimated 4 500 young people.

In **Portugal**, employment incentives include the reimbursement of all or parts of the employers’ social security contributions (Apoios à Contratação via Reembolso da TSU). Since 2013 this support is available for fixed-term and permanent employment, full-time or part-time, but with a minimum length of contract of six months. Target groups are young people aged between 18 and 30, unemployed aged 45 or above, as well as unemployed aged between 31 and 44 in a vulnerable situation, e.g. due to their low educational level, being a single parent or the spouse of an unemployed person. They represented 5 % of all hiring incentives in 2015. OECD (2017) carried out an assessment of the impact of hiring subsidies in general in Portugal, using a propensity score matching approach on the basis of administrative data, showing that the outcomes in terms of employment after six months after terminating the measure was largely above those in the control group. The gap narrowed over time, but was still large after 24 months (Duell, Thévenot, 2017).

## (ii) Promoting sustainable employment

Measures to stabilise the employment path of young people have been implemented in countries that experience deep labour market segmentation.

At the beginning of 2015 the **Italian** government implemented a hiring subsidy in the form of tax rebates for new permanent contracts of workers previously not employed or employed on a fixed-term contract. The aim of this new measure was to reduce labour market segmentation and to create jobs. The main eligibility condition for the incentive was that the worker did not work on an open-ended basis (permanent contract) in the six months preceding the hiring. The hiring subsidy applied to new hires or conversions that took place in 2015 and consisted of tax rebates of up to EUR 8 060 per year for a duration of three years after the hiring/conversion.

Sestito and Viviano (2015), using administrative data for the Veneto region, show that the policy had a sizeable, positive impact on total net job creation. Previous schemes include those that were targeted at young people. Cipollone and Guelfi (2003) and Cipollone, Di Maria and Guelfi (2005) analyse the effect of a tax-rebate policy in Italy for newly-hired young, permanent workers that was implemented in 2001. They mainly focus on employment effects and find that tax rebates increase labour force participation, but not the overall probability of being hired. Ciani and De Blasio (2015) study a short-run policy intervention for the conversion of fixed-term contracts into permanent ones that targeted young women and found a positive effect on conversion rates (see for an overview Adamopoulou and Viviano, 2017). Note however, that in context of the YG in Italy employment offers include five types of employment incentive measure, mostly providing access to jobs with fixed-term contracts and only one type specifically deals with open-ended contracts (European Commission 2016, Data collection for monitoring Youth Guarantee schemes 2016, Italy, Employment, Social Affairs & Inclusion).

In 2017, **Portugal** reformed the initiative 'Estímulo Emprego' and rebranded it as 'Contrato Emprego'<sup>21</sup>. This employment incentive is targeted at registered unemployed (for six consecutive months) who are under 20 or over 45, or long-term unemployed. Employers can receive a wage subsidy for a period of nine months if the contract lasts for at least 12 months. The reformed employment incentive favours permanent over temporary contracts. Once an employment contract is agreed, the awarded subsidy is paid on a monthly basis for nine months by the PES to the employer. Employment contracts must be for a minimum of 12 months. Throughout the duration of the contract the employer provides vocational training adjusted to the skills required by the job.

Employers are awarded nine times the value of IAS (indexing reference of social support)<sup>22</sup> in the case of permanent employment contracts, totalling EUR 3 860.10; three times the value of IAS in the case of fixed-term contracts, totalling EUR 1 286.70. An additional 'conversion bonus' is paid if a fixed-term contract is changed to an employment contract without a term. Further, the financial support is increased in the following cases: 10 % if the target audience is 'hard-to-reach' groups (e.g. single parents, person with disabilities); 10 % if a job is located in an economically disadvantaged region. Additional increases are available under certain conditions to promote female employment<sup>23</sup>.

## (iii) Employment incentives linked to training requirements

Following the spirit of the YG, employment incentives are increasingly linked to training requirements.

In **France**, a flagship programme 'Jobs for the Future' (Emplois d'Avenir) was launched in 2012. Jobs for the Future provides subsidised jobs for young people, mainly in the not-for-profit sector, accompanied by training, with the objective of enabling young people to achieve qualifications and subsequently obtain a sustainable job. It combines individualised counselling, training and work experience. Employers have to implement tutoring for the duration of a work placement. Under this programme only full-time jobs were subsidised (over 35 hours a week) and subsidies were paid for a period of three years. It was expected that this would promote stable employment pathways of young people.

A survey among programme participants was carried out by Dares. Results were compared to those young people who received a subsidy under the mainstream programme CUI-CAE<sup>24</sup> targeted at low-skilled young people as well as young people living in disadvantaged urban areas. There is no full-time requirement for the latter and the subsidy period is shorter. Employment results were slightly higher among participants of the Jobs for the Future; they were more often in non-subsidised employment. The longer the young people remained in the Jobs for the Future measure the more likely the young person found sustainable employment after participation. Another factor that increased the labour market integration rate was the participation in a training measure during the wage subsidy period. This result may, however, be linked to a positive self-selection of participants (Dares, 2017).

The Court of Auditors (Cour des comptes) is more critical about the Jobs for the Future and points to a weak implementation of the education and training part of the measure. Its report also points to failures of the programme to target those most in need of training. Another weakness in the implementation of the measure is insufficient follow-up and guidance during programme participation. The Court of Auditors recommends pursuing measures with a shorter duration in the future (Cour des comptes, 2018).

In **Bulgaria**, the programme 'Training and employment of young people', running from 2015-2018, foresees the integration of unemployed young people up to the age of 29, registered at the PES, through their inclusion in employment and training for the acquisition of professional qualifications and key competences in foreign languages and digital competence. The programme aims to support 23,000 unemployed young people.

In **Slovakia**, the YEI-funded 'Practice to employment' (Praxou k zamestnaniu), running from 2015-2019, is a flagship initiative. It is based on an innovative approach that combines support for the acquisition of professional skills through job mentoring, followed by subsidised part-time employment for at least nine months. The national project aims at equipping young people with the professional skills they lack for the workplace and to enable employers to select employees who best meet their needs. On-the-job mentoring lasts for the first three or six months of employment (the duration is determined by the employer and depends on the difficulty of the job and the previous work experience of the young person). During the on-the-job mentoring, employees acquire theoretical and practical skills under the guidance of a mentor chosen by the employer from among the staff. After completion of the on-the-job mentoring, there is a work experience period during which employees strengthen their practical skills – the work experience period lasts three months. The measure's financial contributions can last up to nine months.

In its implementation phase, the measure only allowed for part-time employment. The consultations between the PES with employers and young people, and feedback collected via employee evaluation forms completed at the end of the programme, indicated that part-time work did not provide sufficient time for young people to gain adequate experience, and that employers were not interested in creating part-time jobs. As a result the measure was adjusted in April 2017 to allow for full-time employment. With this change, employers have showed greater interest in the measure and the number of participants is increasing. According to their feedback, young people acquire and reinforce practical experience, social, communication and IT skills, as well as deepen their sense of responsibility and self-esteem. Employers appreciate the measure and they say that without the financial contribution they could not afford to employ young people with no practical experience. Most young people stay employed after the measure has ended<sup>25</sup>.

Further, in **Slovakia**, in 2014 the Ministry of Labour, Social Affairs and Family introduced the first and ongoing measure of the Youth Guarantee called 'right to first employment'<sup>26</sup> as part of the National Reform Programme. It is financed by resources from the national budget, YEI and ESF and aims at supporting employers to create first-time employment opportunities for young people without work experience. The target group are young people who are registered with the PES and are either: aged 25 or younger who have been on the jobseekers register for at least three months; aged 29 or younger who have been on the jobseekers register for at least six months. The contribution is distributed to employers who provide the position for at least six and at most 12 calendar months; then retain the job for at least half of the agreed period of service. The contribution is paid monthly, and its level is dependent on the unemployment rate in the region – from 30 % (EUR 277.50) to 60 % of the average wage in the economy (EUR 555)<sup>27</sup>.

## (iv) Trial programmes

Recently, new forms of work trials have been implemented. Work trials may be linked to education or training, may be embedded in vocational guidance or may follow the principle of a work-first approach and support the probationary period.

In the case of **France** the boundaries between these different types of work trials become blurred. The national programme 'Garantie jeune' (a guarantee for youth), implemented since 2013 as pilots and later rolled out nationally, provides a financial allowance for NEETs and links it to activation measures. It offers a 'guarantee' for several labour market options, which means offering young people a pathway that includes work experience and training opportunities. This is based on the principle of a contractual relationship between the Missions locales and the young person. The support and follow-up is based on the 'work first' principle, that is to say offering a plurality of professional experiences, which can be completed with training opportunities. The approach is innovative as it places young jobseekers or NEETs in a micro network (consisting of other young people with similar difficulties, contacts with employers, etc.). The individual action plans should then be dealt with in a flexible manner in order to allow periods in employment to be followed by training periods. A further innovation is that every young person is followed up by two or several counsellors, meaning that there are different views on the same case. This approach is therefore staff-intensive (Farvaque, 2016).

The evaluation of the programme shows good results in terms of employment rates after the measure. The programme succeeded in targeting vulnerable young people and the employment found was often comparatively sustainable (Gautié / Dares, 2018). It is important that the counsellor assesses in each individual case whether this programme is suited to the young person. This requires a close coordination between various actors. Nevertheless, there remains a risk of creaming. Also active placement and the follow-up of employers and young people during the recruitment and work trial phase was not always well implemented across the country. It is considered that this is one of the key elements of the programme, leading to success. Another lesson learned is that this measure is staff resource intensive and challenges work organisation, as it requires counsellors to work in pairs.

## (v) Public Works

Direct job creation programmes<sup>28</sup> implemented under the YG commonly consist of short-term public works intended to give young people an opportunity to carry out projects that benefit local communities (Escudero et al., 2017).

To give an example, in **Hungary**, measures implemented under the YG contain public works, with a maximum of 12 months; though the typical duration is five months. In **Poland** the programme 'Socially useful works' is a form of direct job creation measure in which people work up to a maximum of 10 hours per week within the local municipality. There is no fixed duration and participants receive just a small compensatory benefit from the municipality (which is partially reimbursed by the PES). It is targeted at people who have no entitlement to unemployment benefits<sup>29</sup>.

## (vi) Other approaches

In addition to the examples shown above on targeting and designing employment incentives, recent examples of measures implemented in Member States point to innovative approaches to involving employers and encouraging them to provide employment offers to young people. In **Belgium**, the Public Employment and Training Services, acting through SynerJob, have signed a collaboration agreement with the Nestlé-led Alliance For Youth, which includes nine international companies. The agreement provides for the creation of 1 900 traineeships and employment opportunities in Belgium in 2016. It aims to encourage volunteering in the private sector, where employees or entrepreneurs act as mentors to young jobseekers, thereby providing them with valuable support (including in job-search methods) and insight into the world of work<sup>30</sup>.

Another measure to improve contacts with employers is in **the Netherlands**, where two labour market regions introduced networking events between young people and employers. At these events, 10 young people and 10 employers meet in a relaxed atmosphere, following which each employer presents a young person through an 'elevator pitch'. Initial results showed that 42 % of the young people found work, 18 % entered education, and 40 % received support from the local government (European Commission 2016, Data collection for monitoring Youth Guarantee schemes 2016, The Netherlands, Employment, Social Affairs & Inclusion).

## 3.2 Promoting youth entrepreneurship

Start-up incentives are much less common in the YG implementation plans than wage subsidies in terms of volume, although most Member States run such programmes. Overall, compliance with the YG Recommendation in relation to this issue<sup>31</sup> is reported as full or partial in half (54 %) of Member States, indicating that more could be done in this area. (European Commission 2016b).

In the framework of the YG, youth entrepreneurship programmes usually offer financial support for the establishment of new businesses, often complemented with the training and mentoring necessary to increase their survival rate (Escudero et al., 2017).

### (i) Entrepreneurship training

Implementation of entrepreneurship training in the YG is seen as more limited. Around two thirds (67 %) of Member States are reported to have limited or null implementation with regard to encouraging schools to promote entrepreneurship and self-employment (European Commission, 2016b).

As part of the implementation of the Youth Guarantee in **Finland**, entrepreneurship workshops for young people have been launched. The objective has been to open about 30 workshops by the end of 2016 (European Commission, 2016b). This is included in the general policies implemented in Finland to promote youth entrepreneurship.

One of the most important elements of the new Finnish national strategy for entrepreneurship education refers to facilitating training in entrepreneurship issues for teachers (for instance, the 'YES entrepreneurship' education service for teachers). YES services have been developed using money from the ESF and local partners, although the initial project was mainly funded and developed in association with the Finnish National Board of Education. The services are available in 17 regions and localities throughout the country. YES services are coordinated by National YES, founded in 2010. Partners of YES include regional development centres, entrepreneur organisations and other organisations.

Interestingly also, the Finnish entrepreneurship education policy extends the concept of entrepreneurship from the traditional perspective related to starting up a new enterprise to entrepreneurship as a positive proactive 'attitude' towards new ideas, the solving of existing problems or the improvement of everyday life, either within enterprises themselves (the so called concept of 'intrapreneurship') or in real life situations (Eurofound, 2015). Back in 2004 the Finnish Ministry of Education launched a comprehensive policy for entrepreneurship education – Yrittäjyyskasvatus. This policy was reviewed in 2009 and extended until 2015. It is important to emphasise that entrepreneurship education has been strongly supported by the Finnish Ministry of Education, which encourages Finnish schools to include entrepreneurship education in the curriculum.

In **Spain**, a programme by the Chambers of Commerce includes a specific training module on entrepreneurship skills (90 hours) for YG participants (European Commission, 2016b) and Fundación EOI implements, with support from the YEI an entrepreneurial culture programme. It comprises different projects focusing on boosting entrepreneurship among the youth and involving specific training and individual mentoring provided by professional entrepreneurs. The participants are encouraged to launch an activity through innovation and creativity and they are provided with a framework to assess the viability and sustainability of the projects. Moreover, they follow training courses on finance and business and project management, and they have the opportunity to have their specific business plans assessed<sup>32</sup>.

With support from the Erasmus+ programme, the **transnational project 'Innovation clusters for entrepreneurship education'** (led by Junior Achievement Young Enterprise Europe– Belgium) identifies and analyses hindrances and drivers, criteria and conditions for enabling young learners to have a practical entrepreneurial experience through mini-companies before leaving school<sup>33</sup>. The main results of a survey of 12 000 people in Estonia, Finland, Italy, Latvia and Flanders (Belgium) (including pupils, teachers, parents and business volunteers) shows that Entrepreneurship Education in schools suffers from a lack of funding as well as a lack of integration in the curriculum/subjects. Teachers report that 'lack of time' is a major obstacle, but parents and business people disagree, and they place 'lack of qualified staff' higher up on the list.

The transnational project 'Youth Start– entrepreneurial challenges in European schools' develops a European-based approach to entrepreneurship and tests a practical experiential learning programme at compulsory school level<sup>34</sup> (European Commission, 2016b). The programme runs from 2015 to 2018. Over three school years 11 564 primary and lower secondary students participated, involving 156 school directors, 1 254 teachers in 175 participating schools. The project will evaluate skills and attitudes using a protocol of experimentation answered by the treatment group and a control group. Statistical results will be available end of 2018<sup>35</sup>.

(ii) Improve access to finance

Start-up incentives consists of programmes to facilitate access to credit, providing start-up grants, or fostering micro-franchising mechanisms (Kluve et al. 2016).

In **Italy**, the financial instrument SELFIE – employment was launched in 2016 with support from the YEI to enhance self-employment among young people. Young NEETs, who are registered with the PES, have access to three types of interest-free loans (from EUR 5 000 up to EUR 50 000) with a maximum reimbursement period of seven years, after a six-month grace period. If the business idea is evaluated positively, the beneficiary can access loan facilities through the National Revolving Fund, called 'SELFIEmployment Fund'. In order to reduce the risk associated with starting a business, access to credit is conditional on participation in training supervised by the regional Chamber of Commerce and support services are provided for the first 12 months after signature of the loan agreement<sup>36</sup>.

The programme is implemented as follows: young people who are registered with the local PES are made aware of SELFIEmployment by the employment service (either via e-mail or their careers counsellor). Those who decide to apply then submit their business plan to Invitalia. The plan should include a market analysis, budget, and details of the applicant. Many applicants have already completed business skills training through a measure provided by Regional Governments or Regional Chambers of Commerce under the Youth Employment Initiative (YEI). Also, Ente Nazionale Microcredit assists with applications. The merits of each proposal are then assessed by Invitalia according to their economic and financial sustainability. Within 60 days, applicants receive a decision on whether or not the loan has been granted. Applications from candidates having undertaken business skills training under the YEI Measure are prioritised.

There are three categories of loans at an interest rate of 0 %: microcredit (EUR 5 000 to EUR 25 000); extended microcredit (EUR 25 001 to EUR 35 000); small loans (EUR 35 001 to EUR 50 000). There is a 7.5-year grace period meaning that reimbursements can be postponed depending on the business situation. Successful applicants continue to be provided with coaching and counselling following receipt of the loan as they establish their enterprises as part of the training programme: Invitalia creates a training plan which takes into account any previous training (i.e. the Business Skills training under the YEI Measure). Between March 2016 and September 2017, 1 779 business plans received support.

According to the implementing body, the lessons learnt include: (i) local stakeholders should raise awareness of the microcredit/loan opportunities, including the PES and educational services, in order to best identify and target those eligible for the loans; (ii) a regional network is fundamental to success. The national communication campaign, online and social media campaign, regional workshops and tutorial video have been success factors so far; (iii) post start-up tutoring for successful applicants<sup>37</sup>.

In **Cyprus**, a scheme for strengthening youth entrepreneurship was introduced in February 2015, subsidising projects with up to EUR 140 000 in manufacturing and EUR 100 000 in e-commerce, services and tourism (YG, European Commission, 2016).

In **Hungary**, youth entrepreneurship programmes for young people and young adults are financed from national funds, ESF and the YEI<sup>38</sup>. Promotion of youth entrepreneurship is a relatively recent policy field. Initiated in 2013 by the Hungarian government, the most important current public policy measure is the Social Renewal Operational Programme item 2.3.6 (TÁMOP 2.3.6), which is supported by the ESF. It is a tailored programme of the more general Social Renewal Operational Programme. It particularly helps young entrepreneurs with a feasible business idea to develop it, providing them with external support in the form of professional advice, mentoring and access to finance.

Component A of this programme is made up of 70 lectures on different business related subjects such as general management, project management, legal, financial and economic knowledge, and marketing. These subjects are grouped under three main modules: becoming an entrepreneur and launching an enterprise, operating a business and, finally, developing entrepreneurial competences. The lectures, mostly theory based, run for two to three months depending on whether the participants choose intensive training or weekend training. In addition to the lectures, Component A foresees several mentoring or guidance activities to help participants research and identify market opportunities for their business, as well as assist them in developing business plans for their projects. At the end of Component A, about half of the participants (1 500) are expected to be selected for the next stage of the programme (Component B), which provides financial support to business start-ups. So far, it is regarded as a very interesting policy practice in the Hungarian context (Eurofound, 2015). The economic crisis has played a major role in the introduction of these policies (Eurofound, 2015).

In 2014, the **Bulgarian** Ministry of Economy launched the project 'Technostart' to encourage young entrepreneurs who can win a grant for their start-up company in the fields of IT, research and development and manufacturing (European Commission 2016b).

In **Poland**, grants for business start-ups by the unemployed within the framework of PES measures and loans from the Bank of National Economy are foreseen in the context of the YG. Designed within the YG framework, the start-up loan scheme recently introduced in Poland for the unemployed (including young people, school-leavers and university graduates) builds on the pilot programme 'First Business – Support for Start-up' (Pierwszy biznes – Wsparcie w starcie) which was initially implemented in 2013 in three Polish regions and targeted the young unemployed, students and university graduates aged 18–29. In its current form, the programme provides financial support through low-interest loans at a quarter of the National Bank of Poland rediscount rate (the interest rate charged by a central bank to commercial banks). Other support activities are also offered, including personalised and group advice and training on the legal aspects of setting up and running a business, business taxation, and accounting both prior to receiving the loan and during the start-up phase (after the loan is granted).

Another example is **Spain**, where the government introduced the Spanish Strategy for Entrepreneurship and Youth Employment 2013–2016 (Estrategia de Emprendimiento y Empleo Joven 2013–2016). There is evidence from the Public Institute of Youth (INJUVE) that the economic recession had a positive effect on the number of business initiatives developed by young people. Eurofound (2015) reports a general increasing interest among public entities in promoting entrepreneurship in the Spanish economy in general and among young people in particular in recent years.

The Strategy addresses young people under the age of 30, especially those who are unemployed. It includes 100 measures to promote entrepreneurship and youth employment, covering the following fields: education and training; and entrepreneurship and self employment. Measures foresee, among other things, rebates to employers' social security contributions, a flat rate for young entrepreneurs and new contractual modalities. Under this measure, young self employed workers registering for the first time under the Special Regime for Self Employed Workers (RETA) will have an 80 % reduction during the first six months of the minimum contribution for common contingencies. This amounts to a contribution of about EUR 50 a month. Subsequently and for the next six months, they will receive a reduction on the minimum base amount of 50 % and, after the first year, men up to the age of 30 and women up to the age of 35 will continue to enjoy a reduction of about 30 % in their contributions for the following 18 months.

Further measures include improved access to finance for entrepreneurs. The different ministry departments with responsibilities in this area will make efforts to foster seed capital funds, microcredits and 'angel' funding and will strengthen participating loans for the purpose of starting businesses and financing key activities in early stages. To provide greater protection for self employed workers, and to allow for a second chance if a project becomes unviable, those entitled to unemployment benefit may collect it again after de registering from the self employment scheme, provided that five years have not passed following their registration as a self employed worker. The strategy includes also the promotion of social and collective entrepreneurship.

The **Croatian** PES provides a subsidy offering basic financial support to cover the initial costs of setting up a business as well as expert guidance to help boost self-employment and job-creation (Potpora za samozapošljavanje). Depending on the region in which a person is applying for the subsidy, the Croatian PES can cooperate with municipalities or city authorities that provide additional support (guidance and/or financial support) for business plan development during the first year of business.

The main objectives of this measure, first implemented in 2014, are: (i) to support self-employment, job creation and job-retention (the subsidy can be used to take over an existing business) throughout a 12 month period; (ii) to provide support during the stage of applying for the subsidy; (iii) to stimulate the regularisation of existing work, that is typically undeclared or conducted under atypical working arrangements; (iv) to give incentives for more than one person to collaborate and start a business or a cooperative<sup>39</sup>.

Activities include: (i) unemployed young people who register with the PES are referred to an employment counsellor and specialised counselling sessions support individuals who wish to pursue self-employment and apply for a subsidy; (ii) guidance is offered for developing both a business and financial plan; (iii) relevant information is also available to link young people with stakeholders in the local labour market; (iv) additional education/training support can be made available to help young people with the process of developing a business; (v) a dedicated website<sup>40</sup> is available to support young people to access relevant support documents such as a business plan and leaflet on contractual obligations. Claim forms are also available in CES offices; (vi) applications are evaluated and must score at least 16 out of the maximum 26 points to be awarded a subsidy. According to the Croatian YG Implementation Plan, the target of 2 500 young people annually undertaking self-employment activities was achieved (a total of 5 172 people subsidised and 8 806 people involved in self-employment activities over a period of four years).

An external evaluation<sup>41</sup> of the 2010-2013 period reported over 75 % of businesses, created with the support of a subsidy, were still operational more than 12 months after exiting the measure. Data from the evaluation also points to two broader social functions of the support: Firstly, in a third of active businesses there was at least one employee (in addition to the person who set up the business). Secondly, the collected data suggests an improvement in the socio-economic situation in the households where the users live, in relation to the period prior to their use. According the implementing bodies, success factors included the fact that the measure was well advertised and a certain number of counsellors were specialised in self-employment subsidies to help prepare unemployed persons for entrepreneurship. A second success factor consisted in the cooperation between some regional offices of the CES and local development agencies which became supporting partners for the new entrepreneurs<sup>42</sup>.

(iii) Offer entrepreneurship coaching and mentoring

As is already evident from the examples mentioned above, many programmes link financial incentives with counselling. In **Portugal**, a comprehensive package of start-up measures was introduced in the national YG, which was formerly part of the Strategic Plan of Incentives Promoting Youth Employability and Support to SMEs (Plano Estrategico de Iniciativas a Empregabilidade Jovem e de Apoio as PME), also known as Youth Impulse (Impulso Jovem) (Governo de Portugal, 2012). Under this policy framework, the Support for Company Creation (Apoio a Criacao de Empresas) and Youth Invest (Investe Jovem) schemes are directed at unemployed young people (aged 18–35 and 18–29 respectively) and offer financial support in the form of guaranteed and discounted loans, and follow-up technical support (including training, counselling and monitoring) for business creation and consolidation. The Support for Company Creation scheme is one of the start-up incentives under the wider PAECEPE support programme for entrepreneurship and self-employment. A similar mix of support is provided through the National Microcredit Programme (Programa Nacional de Microcredito), which targets people with an entrepreneurial profile who have particular difficulties in accessing the labour market, with priority given to the unemployed aged 16–34 (Eurofound, 2016).

In **Lithuania**, a financial fund was launched (Finansų inžinerijos priemonė 'Verslumo skatinimas') to promote entrepreneurship<sup>43</sup>. The support is targeted at SMEs operating for less than one year, with a particular focus on young people below the age of 29 (the measure's scope was not limited to the YG – participation was also open to people from other age groups). In addition to microcredits, individual consultation on the establishment and management of a new business is provided. This involves: assistance from a counsellor when preparing the application for a loan, in the development and implementation of their business plans, in administrative procedures (e.g. SME statutes) and in collecting and submitting required documents for INVEGA guarantees. The Credit Unions Board is in charge of analysing and evaluating the business plans and of deciding on the loan agreement. The entire application process would typically take approximately two months. More than 5 000 potential recipients of microcredits (i.e. those planning to start a business) participated in training on business basics, among whom 2 377 were young people under the age of 29. According to the implementing body, it is key to (i) build trust with young applicants who want to start a business; (ii) assess risks associated with start-up investments; (iii) combine a loan with tailored individual assistance<sup>44</sup>.

In **Finland**, the Finnish Social Guarantee for Young People Working Group, formed by several Finnish public and private organisations, has proposed some measures to promote entrepreneurship among young people. These measures include supporting and developing new forms of self employment and entrepreneurship (such as cooperatives, teams, mentoring) through training, guidance and start up grants. Despite this, it is worth stressing that most of the efforts of the Finnish Youth Guarantee programme are still oriented towards supporting paid work and enabling young people to find employment corresponding to their skills, as well as encouraging employers to help young people to enter work (Eurofound, 2015).

The **Spanish** Strategy for Entrepreneurship and Youth Employment 2013–2016 (see above) includes not only financial incentives for youth entrepreneurship, but also to provide a dedicated service at the PES. Furthermore, the Spanish strategy seeks to tackle the issue of administrative burden for start-ups. Amongst others, an impact assessment of administrative burdens on self employed people is being conducted in order to reduce them and facilitate electronic methods to set up a business (Eurofound, 2015).

**Ireland** did not have a dedicated youth entrepreneurship strategy until 2014, when a new national policy for entrepreneurship was launched. The need for such a strategy statement was originally recommended in the report of the Small Business Forum published in 2006. Also, in 2014 the government published its plan on how to implement the YG. The Pathways to Work plan covered the 2014–2015 period and included the introduction of new options for young unemployed people such as entrepreneurship.

To complement the access to microfinance, the Pathways to Work Plan noted that support for entrepreneurship and self employment options for the young unemployed would be made available through a new Youth Entrepreneurship Programme. This programme was to have a significant focus on capacity-building, mentoring and coaching to bring participants to a point where they are in a position to launch a start up business. The Pathways to Work plan anticipated providing training and mentoring support for a total of 700 young entrepreneurs and self employed (inclusive of those expected to be referred for microloans) (Eurofound, 2015). In summary, the main focus in Ireland to date in relation to support measures and initiatives for youth entrepreneurs has been on fostering an entrepreneurial mindset, attitudes and culture among young people, followed by the provision of information, advice, coaching and mentoring. (Eurofound, 2015).

In **Slovenia**, a successful youth entrepreneurship scheme (Podjetno v svet podjetništva, PVSP), now part of the national YG Implementation Plan, was launched as a pilot in 2010 by the Slovenian Regional Development Centres and subsequently implemented nationally. The approach is regarded as innovative for offering tailored mentoring and entrepreneurship training to young unemployed people (under 35) during the process of creating and developing a start-up (Eurofound, 2016).

In **Latvia**, the scheme supporting self-employment and business start-up (Atbalsts pašnodarbinātības un uzņēmējdarbības uzsākšanai) initially introduced in 2009 as a general entrepreneurship measure for the unemployed, has become, since 2014, a specific start-up support measure directed at the young unemployed (aged 18–29). Under the scheme, participants receive advice and assistance in developing a business plan (20 one-to-one mentoring sessions within a six-week period), bridging financial support in the form of a monthly grant (about EUR 320 per month) for the first six months of operation, an additional start-up grant for the implementation of the business plan (up to EUR 3,000, based on estimates of eligible expenditure), and any follow-up business consultancy necessary to run the business over one year (Eurofound, 2016).

(iv) Support development of entrepreneurship networks

A strong link between entrepreneurship training, mentoring, advice and concrete support for business start-ups consists in the promotion of university spin-offs. In this context key approaches include institutional intellectual property rights policies, a policy to promote entrepreneurship in scientific labs, the building-up of supportive incubators and easing access to external incubators. It is important that support can also be accessed by young people who have already gained some experience outside the respective educational institutions. More generally, in addition to providing access to physical capital, it is quite important to also provide access to networks of potential cooperation partners and clients.

The **Spanish** Strategy for Entrepreneurship and Youth Employment mentioned above also foresees the promotion of business incubators and innovative co working spaces in order to provide guidance for young people and equip them with a space to start a business. In addition, a new online portal known as the 'Portal of Employment and Self employment'<sup>45</sup> was introduced in June 2014. Concerning self employment, this portal helps professionals to contact clients and facilitates relations with public administrations (Eurofound, 2015).

Positive results of previous encompassing incubator programmes have shown promising results. In the **Netherlands**, the YES!Delft incubator supports new technical entrepreneurs with an extensive development and education programme. YES!Delft focuses on students and young professionals who have an idea to start a business based on technical, innovative and scalable tech products. The project was initiated in the early 2000s by three main institutions, the Delft University of Technology (TU Delft), the City of Delft and the Dutch Organisation for Applied Scientific Research (TNO). Since it was founded in 2005, the support provided has helped 140 start ups, of which 115 enterprises, i.e. 82 %, are still in existence. In addition, 50 % of the start ups participating in the programme are exporters and 75 % of the companies that have lasted longer than three years have shown growth outside the Netherlands. The network with national and international businesses is very good. According to Eurofound (2015), YES!Delft has profited from the economic crisis, as becoming an employee is currently more complicated than before and entrepreneurship has become a serious career option.



## 4 Lessons learned

### 4.1 Success factors and risks of implementing employment incentives

Some recent assessments of the **impact of the YG** have been rather critical (Eichhorts, 2017). For example, in a recent report the European Court of Auditors (2017) analysed the implementation of the YG and the YEI in seven Member States. One of the shortcomings underlined related to the outreach to NEETs. Dhéret and Roden (2016) point out that it was not possible to deliver good quality offers to all young people in the target group and improve the employment situation of those concerned. Andor (2016) views the European Youth Guarantee as a longer-term structural reform aimed at fundamentally improving the school-to-work transition process.

The majority of **evaluation studies** suggest that ALMP spending and activation policies can help in reducing unemployment and LTU (Martin 2014<sup>46</sup>, Card et al. 2010, Card et al. 2015). Card et al. (2015) and Kluge et al. (2016) note that most ALMP schemes that are specifically targeted at young unemployed individuals appear to be less effective than broader schemes targeted at the unemployed in general. They also find that during recession periods, proper targeting means that the effects of participation tend to be more positive. In the case of **Lithuania**, in 2014-2015, a counterfactual impact evaluation of ESF-funded support for the registered unemployed was carried out (including not only young people). Administrative data covering 2004-2013 of over 900 000 unemployed persons was analysed to estimate the impact of wage subsidies and vocational training on the number of days in employment and income of the participants. The evaluation, financed by the European Commission (DG EMPL), produced robust evidence that wage subsidies had a positive short- and medium-term impact on the labour market outcomes (employment, income) of the participants. For example, the unemployed who received wage subsidies were in registered unemployment on average for 44 days less and worked for 62 days more during the first year after the intervention than persons in the control group. The treated individuals also received higher annual as well as daily income<sup>47</sup>.

The results of evaluation studies on single employment measures, whether these are more recent measures of the YG, or older measures, need to be interpreted with caution. The level of unemployment, the macro-economic context and the institutional context of activation strategies largely influence the results. As Eichhorst and Rinne (2017) put it, studies assessing the effectiveness of a single measure, i.e., the impacts of a given programme that may be part of a broader activation strategy, can be most frequently found. However, studies of this type may have the disadvantage of only being able to draw conclusions that are not necessarily applicable across the board. Furthermore, results may vary regarding the time period considered after termination of the measures and details shown by socio-demographic characteristics.

According to Card et al. (2015), ALMPs on average have relatively small effects in the short run (less than 1 year after the programme), but larger positive effects in the medium run (1 – 2 years post programme) and long run (over 2 years). In addition, the time profile of impacts varies by type of programme, with larger gains evident for programmes that emphasize human-capital development. Moreover, Card et al. claim there is systematic heterogeneity across participant groups, with job-search assistance and sanction programmes being relatively more successful for some disadvantaged participant groups, whereas training and private-sector employment subsidies tend to work better for the long-term unemployed.

Another limitation of most studies is that they evaluate individual programmes rather than broader activation strategies. For this reason, they cannot account for important interactions between policy areas, which are indeed the essence of activation (Immervoll and Scarpetta 2012). The PES capacities and details in the design of the measure can make a huge difference in the impact. Lastly, young people are a highly heterogeneous group, employment barriers are varied and problems of school-to-work transitions complex.

Despite these caveats, in this section findings of evaluation studies as well as the author's own assessments about the possible effect of implementation conditions will be given, drawing on the scarce evaluation studies assessing the impact of YG measures and using also results of former studies.

More precisely, the **impact of employment incentives and start-up incentives** are looked at in the following sections, rather than the YG as a whole. Outcome indicators are usually employment (after a certain period) and income. Other issues that might be looked at are sustainability of employment and transition patterns, and this remains valid for employment incentives as well as for start-up incentives.

In relation to employment incentives, the transitional labour market approach supposes that temporary employment subsidies represent a stepping stone to stable employment on the regular labour market. For young people this would mean that the school-to-work transition can be rendered more efficient and speeded up. In Eastern European countries, employment subsidies have been found to have a positive effect on reducing informality (Kuddo 2009). It is likely that this holds true also for young people.

Looking at start-up incentives, it is expected that they not only speed up the labour market integration of the young people, but also create additional employment and add to the dynamics of the economy. The Eurofound (2016) report on start-up support for young people points to the lack of robust policy impact evaluations and the many shortcomings of those evaluation practices deployed.

#### 4.1.1 Success factors for employment incentives

Thanks to examples of YG approaches, the review of the evaluation literature (e.g. Eichhorts and Rinne 2017, Kluve et al 2016, Card 2010, card 2015, Escudero et al. 2015, Bördös et al. 2016, Martin 2014, OECD 2010), national evaluations of earlier programmes as well as lessons provided from the huge body of research on school to work transitions, a few lessons can be drawn. Success factors include:

**Targeting employment measures at those who most need them:** Well-targeted measures are likely to limit deadweight effects. Examples shown in Section 2 have shown that fine-tuning and targeting is key to enhance the effectiveness of the measure. This finding is also confirmed by other evaluations. For example, in the case of **Sweden**, Egebark and Kaunitz (2014) estimate the impact of the payroll tax changes enacted in 2007 in Sweden on young persons (aged 18 to 24). This change led to an 11 percentage point reduction in payroll taxes (representing approximately a 9 % decrease in total labour costs) and applied unconditionally to all young employed persons. The authors show that this decrease in payroll taxes resulted in a very modest increase in the employment probability of the target group (Bördös et al. 2016).

**Profiling of young jobseekers and establishing an encompassing diagnosis of employment barriers:** In addition to designing the measure to increase the likelihood of employment of specific target groups, reaching out to and identifying young people belonging to the target group may represent a challenge. While there are indications that statistical-profiling tools can be quite efficient, these may not suffice to identify the appropriate activation measure. The use of soft profiling and diagnosis tools are particularly relevant to identify the complex employment barriers faced by young people. In addition, outreach, case management, the creation of Individual Action Plans (IAPs), and mentorship are widely recognised as good practices in youth employment policies (Lechner and Wetzel 2012). Surveys point to the need to appropriately combine multiple components such as job-search assistance as a first stage with training, and wage subsidies or public works as a second stage (Card et al. 2010 and 2015).

**Determining the appropriate length of the measure:** Small-scale employment incentive programmes are likely to limit the substitution effect. However, in a context of general weak labour demand, programmes need to be larger to have a sizeable impact on the level of youth unemployment. There is disagreement within the literature as to whether activation strategies are more or less effective in times of recession and recovery. On the one hand, economic slumps may be precisely when the benefits from activation efforts (enhanced reemployment) are the weakest. This follows from the diminished number of vacancies and the greater degree of competition from the larger pool of unemployed, which increases displacement effects (Crépon et al. 2013).

On the other hand, activation may have a comparatively stronger reemployment impact during recessions as deadweight effects might be lower. Research from **France** shows that a hiring credit targeted at small firms and low-wage workers did have a significant impact on employment during the 2008 – 2009 recession (Cahuc et al. 2014). The hiring credit, although it was not conditional on net job creation, did not induce firms to engage in lay-offs in order to hire workers at lower cost<sup>48</sup>. Lock-in effects may be less relevant during recessions, as employment alternatives to training are scarcer (Martins and Pessoa 2014). A further result of the empirical analysis (consisting of an aggregate impact approach based on a pooled cross country and time-series database for 31 advanced countries during the period 1985–2010), suggests that spending in ALMPs has the potential to reduce the share of low-skilled unemployed.

In times of crisis, characterised by high unemployment and tight public budgets, a particular concern is that the effectiveness of activation policies may decrease in part because the financial and staff resources for employment services and counselling per unemployed person are lower. In addition, the changed composition of the pool of unemployed may call for different kinds of ALMPs; in a situation with low unemployment, for example, the group is dominated by individuals who face more serious barriers to employment, while more core workers enter during a slump (Andersen and Svarer 2012).

In a context of very high unemployment rates, wage subsidies and direct job-creation programmes may de facto be offering a rotation of jobs among the unemployed population, with temporary jobs subsidised by PES institutions substituting for permanent jobs. This phenomenon would decrease the number of permanent jobs available, but would have the advantage of offering employment spells to people who might otherwise be in danger of remaining unemployed. This is a serious danger for young people in particular.

**Integrated approaches:** As seen in Section 2, some promising examples of the YG are linking employment offers, vocational guidance, training as a condition of receiving employment subsidies, and mentoring. Previous evaluations have also shown the benefits of integrated approaches, instead of implementing wage subsidies in isolation. In this sense wage subsidies can be used for up-skilling, in particular for young people who are hard to help, who need additional sociological and psychological support to overcome the barriers they face and for whom measures solely aimed at increasing employability might be insufficient. As such, even when employment measures are enough, they should be personalised for them to be most effective (Escaduro, 2017). In addition, it is important that subsidised job offers are selected by their potential to offer learning on the job. This is particularly important for young people.

One example is given by Ehlert et al. (2012), in their evaluation of a **German** pilot programme that targets low-skilled young unemployed and combines three components: a) individual coaching, b) classroom training and c) temporary work. It constitutes a public-private-partnership between the Federal Employment Agency and a private temporary work agency. It was implemented at three pilot sites from 2007 until 2009. Using an ex-post quasi-randomisation approach, the analysis showed that the programme had a positive impact on the post-programme employment probability of participants. The success factor might have been the way it was implemented: first, the local employment agency selected participants from the predefined target group. Second, individual profiling and skills assessment took place at the temporary work agency, followed by classroom training. The content of the training was allowed to differ between individuals and pilot locations, depending on each participant's skills and local labour market needs. In the hiring firms, personnel managers and co-workers did not know that youths were participants in an ALMP. The full programme was designed to last 12 months.

The combination of employment incentives, mentoring and training elements is relevant also for groups of young people who are less vulnerable.

**Ex-ante threat effect and conditionality imposed on unemployed:** The prospect of participating in ALMPs might generate an ex ante threat effect – which means for the unemployed to be obliged to participate in an ALMP in case of unsuccessful job search – increasing incentives for unemployed workers to search for a job. This is the case for activation policies that make payment of unemployment benefits conditional on participation in workfare programmes as well as on an active job search (Koettel, Brown, 2012).

**Promoting labour market transition:** Bringing unemployed workers back into jobs via ALMPs increases the probability of subsequent employment thanks to the transition effect. This effect is strongest for long-term unemployed workers, who suffer from skill attrition and the loss of a work routine during their unemployment. Once the subsidy expires, they are more valuable to the employer than previously; and even if fired, the former long-term unemployed workers are now short-term unemployed with stronger human capital and improved reemployment probabilities (Brown, Koettl, 2012). Wage subsidies allows the young person to gain work experience, which sets the precondition for getting a better job. Through this so-called 'job ladder effect', the subsidy can improve the quality of future job matches (Kluve, 2014). To reinforce the likelihood of a transition effect, some measures have been designed to promote the conversion of temporary contracts into permanent contracts. Also the certification of training received during the receipt of wage subsidies is likely to ease transition into stable and quality employment.

**Conditionality imposed on employers:** Mechanisms providing incentives for employers to retain workers after the subsidy expires need to be in place<sup>49</sup>. In the absence of rules that oblige employers to pay back subsidies if the hired worker is dismissed during the subsidy period, it is likely that the basic integration goals of the policy will not be met (Bördös et al/ILO, 2016). Caliendo et al. (2011) study the impacts of two wage subsidy programmes – the standard wage subsidy available for insured unemployed and a youth-targeted wage subsidy – on the long-term outcomes of unemployed youth (aged 18 to 24) in **Germany** in 2002. For the youth the wage subsidy ran for two years. Employing workers with a subsidy entailed some strict conditionalities for employers: if they dismissed the worker during the subsidy period or within a period equal to half the length of the subsidy after the subsidy ran out, they were obliged to pay back half of the subsidy.

The authors – comparing the outcomes of wage subsidy beneficiaries with youth who did not participate in an active labour market policy but who otherwise had similar observable characteristics – find very large post-programme employment effects on unsubsidised jobs for both programmes. Moreover, the employment probability of participating youth was not only substantially higher immediately after the subsidy period, but the effect of the programme – although it decreased over time – persisted for up to five years after entry into the programme. An evaluation carried out in **Slovakia** on employment subsidies showed that one of the main dissatisfactions of young people under this measure was that there is no obligation to keep a young person in employment upon exiting the measure<sup>50</sup>.

In order to monitoring the implementation of conditionality rules for employers, PES need to have sufficient capacity. There is also a risk that employers will perceive this measure as allowing too little flexibility, which means that take-up may be low.

**Designing job creation measures well** to avoid stigmatisation effects and select the type of institution implementing the measure: Evaluation results on job-creation measures are overall mixed. In their meta-evaluation, Card et al (2015) find that public sector job creation measures do not often promote exits to regular employment. On the positive side, evaluations indicate that public-works programmes can help disadvantaged groups by serving as an anti-poverty programme or safety net (Kuddo 2009). Furthermore, job creation may have a positive impact on participants' motivation (Duell 2012). To be successful they need to be well-designed and need to incorporate training if they are to be effective. They also need to be well implemented. Experiences with social enterprises in particular have shown positive results for hard-to-place job seekers.

**Follow-up of participants** from disadvantaged groups. Lessons learned from youth measures implemented under the YG point to the importance of following up participants during programme participation. Good results of the **French** programme 'garantie jeune' have confirmed this for low-skilled and vulnerable young people. Follow-up and counselling services directed to employers are also crucial when it comes to integrating the most vulnerable young people (Duell, Minas, forthcoming).

**Cooperation between the PES and companies:** promising examples have been shown in Section 2 (e.g. the **Belgian** example: Public Employment and Training Services and Alliance For Youth; networking events in the Netherlands). The need for PES to take a pro-active stance to reach out and motivate employers has also been shown recently by Duell and Minas (forthcoming).

### 4.1.2 Risks and challenges for implementing employment incentives

For a number of reasons, subsidised employment may not deploy its full potential to net creation of employment. Net employment effects may be very limited or not sustainable in time. The main challenges when designing employment incentives are avoiding effects that limit the effectiveness of the measure or even reverse an intended positive effect into a negative effect. To recall, main findings of evaluation studies on the impact of employment incentives and job creation measures as well as of start-up incentives are the following:

(i) Effects limiting the positive impact of employment incentives and direct job creation measures on employment and career paths of young people:

- Under the **substitution** effect, ALMPs may provide employers with incentives to substitute one worker for another to perform the same job due to a change in the relative labor costs of workers' different skill levels (e.g., low-wage subsidies might motivate firms to substitute low ability workers for medium-ability workers, or young workers for old workers).
- The **displacement** effect in the labour market refers to a situation in which the employment created by ALMPs displaces or crowds out regular employment. For example, firms may hire subsidised workers instead of hiring unsubsidised workers, or unsubsidised employees are fired and replaced by subsidised workers. In addition, a displacement effect also refers to conditions in which formerly subsidised workers are not retained following the subsidy's expiration but are replaced by a new subsidised hire. As a consequence, the principle of additionality is often imposed, with only newly created jobs being subsidised. Displacement effects may only be short-term.
- The **deadweight** effect lowers the cost-effectiveness of ALMPs. It refers to the expenditure of resources on beneficiaries who would have achieved the policy aim even without programme participation.
- The effectiveness of ALMPs can be undermined by the **cream-skimming** effect, in which only those workers with high employment probabilities are selected for participation. This is particularly relevant if case workers assign workers to ALMPs, and have an incentive to show that their clients have a good reemployment rate.
- ALMPs can have negative effects on job search due to the reduced time available to search for a job while participating in ALMP measures. The **locking-in** effect (also called retention effect) refers to ALMP participants' lower probability of finding a job compared to the unemployed who are not in ALMPs.
- **Stigmatisation** effects: the signalling effect of participation in an ALMP may even have a reverse effect on the employability of young people. The risk of a stigma effect is higher, when employment is funded in the third sector, in particular through public works. Therefore, employment subsidies directed towards the regular labour market are preferred. However, placement in subsidized jobs in the regular labour market may not work for very disadvantaged groups.
- **Distorting competition** may be linked to wage subsidies, in the case these are not compensating for an objective disadvantage linked to the lower productivity of young people.
- Offering subsidised jobs that do not correspond to the skills level of the young people and that do not offer learning opportunities may lead to **depreciation of skills**.

- Wage subsidy measures targeted at youth can also have perverse effects if they increase the **incentive to exit education**. Acquiring the skills that would lead to increases in productivity and wages implies losing eligibility for the subsidy (Oskamp and Snower, 2006, et al., 2011). For example, the model for skill formation developed by Heckman et al. (2002) suggests that, under some circumstances, a wage subsidy can reduce incentives to invest in skills development, as the subsidy is too attractive to ‘waste time’ on schooling or training. If this is the case, wage subsidies might promote positive labour market outcomes amongst young people in the short run, but may be detrimental in the longer term (Bördös et al /ILO, 2016).
- The **institutional capacities** for providing counselling for young people, employers as well as follow-up. The Member State factsheets point to some general limitations in implementing the YG in an effective way, which are also pertinent for the implementation of employment services. The following issues are relevant for employment incentives, public works and start-up incentives:
  - a need to improve monitoring of the implementation of the YG, in particular as regards the sustainability of YG measures;
  - to conduct evaluations (only in very few cases evaluations of single programmes have been conducted);
  - to increase uptake of key measures;
  - to increase employers’ involvement;
  - to reduce the time span within which a quality offer to young people is made;
  - to address regional differences in the delivery of the YG;
  - to improve coordination between actors;
  - to reduce labour market segmentation and reduce temporary employment;
  - to improve targeting, e.g. support young people with a migrant background, reach out to the hardest-to-reach NEETs, low-skilled;
  - general low registration rates with the PES.



## 4.2 Success factors and risks of implementing entrepreneurship incentives

Evaluations of youth entrepreneurship measures, particularly in the form of ALMPs, are scarce. The literature review carried out by Eurofound (2016), reports on the evidence of **displacement effects**. One example is the evaluation performed on the business start-up support scheme in **Sweden**, whereby a self-reported survey (N = 301) was carried out among 2006–2007 beneficiaries (Riksrevisionen, 2008). This study found that approximately 25 % of the respondents believed they had been given an advantage compared with their competitors, suggesting some distortion of competition. Among those who felt that they had experienced a market advantage compared with their competitors because they had received start-up support, the main advantage stated was that they had received a ‘safe’, fixed income (the activity support) rather than elements such as lower prices, better marketing or better customer service. Behrenz and colleagues (2012), however, did not find any statistically significant displacement effect for the Swedish start-up support programme.

The positive effects of start-up incentives are associated with a **‘double dividend’**, as subsidised firms, if successful, can create more jobs in the future (Caliendo and Künn, 2013). However, like wage subsidies, financial start-up incentives, whether targeting the young or the general population, may result in some potential unintended consequences such as **deadweight loss and displacement** of regular jobs. Very few evaluations have explored the full magnitude of these potential effects. The evaluation of the **German** Start-up Subsidy provides indirect evidence of deadweight effects from a survey among the beneficiaries. It found that while 22.8 % of beneficiaries had intentionally registered as unemployed to receive the subsidy, only 14.2 % agreed that the receipt of the subsidy was also highly relevant to their business survival in the first six months (Caliendo et al, 2015). Meager et al. (2003) reported that estimates of 60–70 % deadweight are common. Based on case studies in six European countries McNamara et al. (2016) found that 49 % of young people who received start-up assistance said they would have been ‘very likely’ to set up the business anyway, without the assistance. Some 50 % who received assistance additionally said that they would have set up the business when they did, and not later, if they had not received assistance.

Some evaluations and assessments on entrepreneurship training have been conducted with mixed results. Schoof (2006) finds on the basis of a literature review that **entrepreneurship education** encourages students to start their own business. Evaluation results of a programme run in secondary schools showed that the training significantly improved the ‘crystallisation’ of entrepreneurial interest<sup>51</sup>. School reports results from US-American and Scottish studies indicate a positive impact of entrepreneurship training at tertiary level, in particular in those disciplines in which students are less aware of entrepreneurship as a career option.

The Global Entrepreneurship Monitoring team concludes on the basis of country-based expert assessments that entrepreneurship training is likely to increase awareness of entrepreneurship, increase self-efficacy and increase motivation to become an entrepreneur. However, it is stressed that it has less influence on opportunity identification and fear of failure. Overall, the team assesses that entrepreneurship training has more impact in innovation-driven economies than in other types of economies.

Moog (2005) summarised in her review of good practices in European and American universities that training usually encompassed all stages of entrepreneurship, from the development of an idea, to the setting-up of a business plan, the enterprise creation, enterprise growth and exit or new developments. Among the success factors, the following approaches were identified: building up networks encompassing incubators attached to the university, or incubator or science parks as part of the university environment, seed or venture capital or business angels (either intern or extern), mentor schemes, intellectual property council, alumni organisations, internal or external business plan competitions, business involvement and ongoing business relations (Moog 2005, Hofer and Delanay 2010).

There is the danger that self-employment does not always provide quality jobs. They often have **poor working conditions** and their role as job creators is very limited or may become apparent only at later stages. As pointed out by OECD (2017), self-employment can be characterised by long working hours and the potential for stress and health-related issues is often greater than for employees, notably dependent and 'false' self-employed people. The 'false' self-employed rely on one or two clients and therefore tend to enjoy few of the advantages of employment (e.g. social security protection). It is not fully clear to what extent temporary or permanent employment contracts have been substituted by disguised self-employment, but there are assessments that this effect is important. Only few high-skilled young people aged between 15 and 24 years become self-employed. However, in this case youth self-employment can be regarded as a potential driver for innovation and increase economic dynamics. It is therefore useful to include also young adults up to their early 30s in youth self-employment programmes.

In contrast, unintended effects may also be positive; certain programmes may have general objectives to increase start-ups but may benefit young people in other ways by increasing their knowledge and skills (Eurofound, 2016).

There is evaluation evidence that combining different components in the promotion of entrepreneurship is important. Questions about the usefulness of the different components of the support scheme were addressed in the monitoring evaluation of the EXIST Start-up Grant in **Germany**, provided to university students, (post) graduates and researchers and managed by universities (and research institutes). The majority of the survey respondents found the financial support most useful, particularly the help with living costs. Also, the financial support to cover administrative costs (91 %), access to a workspace (68 %) and infrastructure (67 %) were rated as highly or moderately useful. The importance of adopting a 'lean entrepreneurship' approach (minimising the financial risk for the individuals) was emphasised in combination with training support in the preparatory phase, which should be considered in other programmes for business start-ups (Kulicke, 2013). The evaluation also looked at the survival of supported business; without, however, comparing it with that of either typical or matched businesses, and found that 84 % of 585 recipients who started a company were still in business after the first year.

Other evaluations carried out in **Austria** and the **UK** based on self-reported data show relatively high levels of satisfaction, suggesting that training, counselling and advisory services are effective and appreciated (Eurofound, 2016). Eurofound (2016) also compared nine evaluations of programmes for the promotion of youth entrepreneurship in **France, Germany, the UK, Sweden, the Netherlands and Estonia**, implemented between 1994 and 2011. Most measures were directed to the unemployed, some to young unemployed in particular, others to youth more generally. The majority of evaluations found that the measures had positive or mixed impacts.

The following key elements are likely to increase the effectiveness of start-up incentives managed by PES:

- **Combining ‘soft’ assistance, e.g. counselling, support for networking and ‘hard’ assistance, e.g. financial support.** Research suggests that the emphasis should be placed on minimising the job creation challenges perceived by young entrepreneurs, including financial costs, appropriate skills and experience, and legal obligations (Sheehan et al., 2016).
- **Building partnerships for promoting self-employment and business start-ups** of young people is crucial. Here education institutions can play an important role, in particular if they are well linked to the business world and to research. Other approaches include the setting-up of young entrepreneur clubs or linking to such clubs. Other actors, such as Chambers or business associations should set up specific networking programmes for young people.
- Carefully **evaluating business plans**.
- **Trust-enhancing measures**, i.e. towards clients and cooperation partners as well as guidance for young people should be an element of measures designed to access financial capital.
- **Counselling and mentorship** are crucial elements at all stages of entrepreneurship. Mentors need to be well selected as regards their capability to transmit their knowledge and experience.
- Support programmes for young people should also include specific programmes for **business succession** by young people.
- **Follow-up support** for young entrepreneurs during the first years of entrepreneurship is likely to increase business survival rates.
- **Evaluating and monitoring** start-up support programmes, by tracing participants over a period of three to five years and by including socio-economic indicators as well as quality of work indicators. These should be part of programmes that aim to promote self-employment among young people. These evaluations would represent an important basis for improving support for youth self-employment.

The following effects may reduce the volume of the positive impact of start-up incentives on employment and career paths of young people:

- Deadweight effects, meaning that the start-up would have been created even without the start-up incentive;
- Risk of promoting young people who do not have the ability to be entrepreneurs;
- Precarious employment;
- Bogus self-employment;
- Failure may negatively affect career prospects and self-esteem (in particular if ‘a culture of failure’ is missing in the country).

## 5 Conclusions

Employment measures in the context of the YG and related programmes targeted to young people or from which young people also benefit differ in breadth, scope and scale. This is linked to the fact that Member States' overall activation strategy varies greatly (e.g. level of ALMP spending as a share of GDP, favouring work-first or train-first). Differences in the economic, labour market context and education systems are also quite large. The level of youth unemployment, patterns of school-to-work transitions, as well as institutional capacities in delivering active labour market programmes are extremely divergent across Europe. Evidence points to different effects of the YG on national ALMPs: measures carried out in the context of the YG may fit in the overall activation strategy, may have upscaled national programmes, and may have led to innovative approaches or even be elements of wider reform processes in the national context (Escudero, 2017). Nevertheless, a number of general conclusions can be drawn.

**Risks linked to wage subsidies are mainly deadweight effects, substitution effects and displacement effects and more generally distortion of competition** (see for details Section 4.1). The **risks of start-up incentives are mainly deadweight effects and paving the way for precarious work with poor transitions to regular jobs**. The costs linked to these effects might be high, both in terms of budget as well as in terms of a potential adverse effect on the prospects of finding employment (stigmatisation) as well as on wages of other groups of unemployed people.

Promising practices of the YG, evaluation studies of programmes implemented under the YG or of earlier programmes show that **these effects can be limited and the impact on employment and on labour market transitions increased**. It is important that employment incentives are designed so that they ease young people's access to good quality employment: that means employment that generates sufficient income (e.g. full-time jobs), that offers learning opportunities on the job, that is sustainable or a stepping stone towards sustainable employment, and that is likely to match with the skills of the young person. Participants need to be carefully selected. Mechanisms providing incentives for employers to retain workers after the subsidy expires need to be in place.

Small-scale employment incentive programmes are likely to limit the substitution effect, however, in a context of general weak labour demand, programmes need to be larger to have a sizeable impact on the level of youth unemployment. In a context of very high unemployment rates, wage subsidies and direct job-creation programmes may de facto be offering a rotation of jobs among the unemployed population, with temporary jobs subsidised by PES institutions substituting for permanent jobs. This phenomenon would decrease the number of permanent jobs available, but would have the advantage of offering employment spells to people who might otherwise be in danger of remaining unemployed. This is a serious danger for young people in particular.

Direct job creation programmes need to be well-designed and implemented (e.g. by looking at the quality of jobs) in order to provide young people in need of basic work and life skills and to avoid large demotivation and stigmatisation effects. Follow-up of participants during programme participation is likely to improve the effectiveness of the measure. For successful implementation there is a need for a pro-active stance of the PES to reach out to and motivate employers.

Lessons learned from start-up incentives and entrepreneurship programmes implemented under the YG and earlier programmes points to the **benefits of combining different measures such as entrepreneurship training, counselling, mentoring, financial assistance, access to physical and network capital and follow-up services**. Awareness-raising among young people on the availability of (micro-)credits and entrepreneurship support is essential. Building partnerships with other (local) players to promote self-employment and business start-ups of young people is crucial. Here education institutions can play an important role, in particular if they are well linked to the business world and to research. Other approaches include the setting-up of young entrepreneur clubs or linking to such clubs. Other actors, such as Chambers of Commerce or business associations should set up specific networking programmes for young people. The success of start-up incentives will be increased if business plans are carefully evaluated. Finally, it is advisable to evaluate and monitor start-up support programmes, by tracing participants over a period of three to five years and by including socio-economic indicators as well as quality of work indicators. These should be part of programmes that aim to promote self-employment among young people.

Finally, although macroeconomic conditions have changed since the YG Recommendation was adopted, market failures and a number of (structural) employment barriers persist. Therefore, **there is still a need for well-designed subsidy schemes to promote youth employment, minimise skills mismatch and pave the way for sustainable (and potentially flexible) career paths as well as improving support for youth self-employment**.

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## End notes

- 1 [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en) Page 3
- 2 Cf: [http://europa.eu/rapid/press-release\\_MEMO-15-4102\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-4102_en.htm) Page 3
- 3 [http://europa.eu/rapid/press-release\\_IP-16-3216\\_en.htm](http://europa.eu/rapid/press-release_IP-16-3216_en.htm) Page 3
- 4 [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/reports/strat\\_rep\\_2017/strat\\_rep\\_2017\\_swd\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/strat_rep_2017/strat_rep_2017_swd_en.pdf) Page 3
- 5 The Global Enterprise Monitor (GEM) classifies the surveyed countries according to the World's Economic Forum classification in 'factor-driven', 'efficiency-driven' and 'innovation-driven' economies (GERA, 2017). Factor-driven economies are dominated by agricultural and extraction business, efficiency-driven economies are marked by industrialisation and increased reliance on economies of scale. In innovative-driven economies businesses are more knowledge-intensive and the service sector expands. EU Member States are either efficiency-driven or innovation-driven economies. Page 7
- 6 See e.g. [europa.eu/education/policy/strategic-framework/entrepreneurship\\_en](http://europa.eu/education/policy/strategic-framework/entrepreneurship_en) Page 8
- 7 This is a strategic partnership of four leading European universities of science and technology: Technical University of Denmark (DTU), Ecole Polytechnique Fédérale de Lausanne (EPFL), Eindhoven University of Technology (TU/e) and Technische Universität München (TUM). See: <http://eurotech-universities.eu/wp-content/uploads/2015/06/EuroTechPolicyPaperfinal.pdf> Page 8
- 8 Eurostat classifies employment incentives into the following sub-categories: Permanent and temporary recruitment incentives; employment maintenance incentives; job rotation and job sharing. Page 10
- 9 <http://ec.europa.eu/social/main.jsp?catId=1327&langId=en> (this website is still being built up) Page 11
- 10 Employment, Social Affairs & Inclusion, Data collection for monitoring Youth Guarantee schemes 2016, country fiches, <http://ec.europa.eu/social/main.jsp?catId=1143&langId=en#YGIF> Page 11
- 11 Youth Guarantee Indicator Framework Database, <http://ec.europa.eu/social/main.jsp?catId=1143&langId=en#YGIF> Page 12
- 12 European Pillar of Social Rights [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en) Page 12
- 13 Assessing the quality dimensions of youth employment offers [http://www.ilo.org/employment/areas/youth-employment/WCMS\\_613353/lang--en/index.htm](http://www.ilo.org/employment/areas/youth-employment/WCMS_613353/lang--en/index.htm) Page 12
- 14 E.g. Slovenia continues to tackle the issue of labour market segmentation and is carrying out a traineeship system reform. Page 14
- 15 In the case of Ireland, as a general context, substantial progress has been made in the FET/VET sector and apprenticeships, aimed at ensuring their relevance to labour market needs. Important steps have been taken to reform the PES. Page 14
- 16 See for details <http://ec.europa.eu/social/main.jsp?catId=1327&langId=en> and <http://www.hrdauth.org.cy/easyconsole.cfm/id/17223> Page 14
- 17 The Employment Subsidy Programme aims to provide unemployed young people with limited work experience with a placement in order to improve their skills and give them greater experience of the workplace. Placements last six months. Project target: 2 500 young unemployed. See for details <http://ec.europa.eu/social/main.jsp?catId=1327&langId=en> and <http://www.hrdauth.org.cy/easyconsole.cfm/id/17223> Page 15
- 18 YG promising practice factsheet, <http://ec.europa.eu/social/main.jsp?catId=1327&langId=en> Page 15
- 19 <http://www.hrdauth.org.cy/el/έρευνες--μελέτες/μελέτες-απολογισμού-και-αξιολόγησης-της-προσφοράς-των-σχεδίων-της-αναδ;> in greek only. Page 15
- 20 YG Promising practice factsheet, <http://ec.europa.eu/social/main.jsp?catId=1327&langId=en> Page 16
- 21 Ordinance of rebranding Estimulo Emprego to Contrato Emprego: <https://dre.pt/application/file/a/105776416> Page 18
- 22 Value of IAS (Social Support Index): EUR 428.90 Page 18

23	YG promising practice factsheet, <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 18
24	The “contrat d’accompagnement dans l’emploi” (contract to follow-up during employment) (CUI-CAE) constitutes the hiring subsidy “contrat unique d’insertion” in the social economy and public sectors.	Page 19
25	YG Promising practice factsheet, <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 19
26	Príspevok na podporu vytvorenia pracovného miesta v prvom pravidelne platenom zamestnaní	Page 19
27	YG Promising practice factsheet, <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 19
28	According to the Eurostat (2013) definition for the LMP database, they “cover measures that create additional jobs, usually of community benefit or socially useful, in order to find employment for the long-term unemployed or persons otherwise difficult to place. Direct job creation refers to subsidies for temporary, non-market jobs which would not exist or be created without public intervention (i.e. the jobs are additional to normal market demand).”	Page 20
29	YG Member State factsheet, Poland, <a href="http://ec.europa.eu/social/main.jsp?catId=1161&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1161&amp;langId=en</a>	Page 20
30	YG Member State factsheet, Belgium, <a href="http://ec.europa.eu/social/main.jsp?catId=1161&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1161&amp;langId=en</a>	Page 20
31	Point 19 under ‘Start up support and awareness of opportunities related to self-employment’, which is addressed to the Member States	Page 21
32	<a href="https://www.eoi.es/es/empresas/emprendedores/iniciativa-emprendedora">https://www.eoi.es/es/empresas/emprendedores/iniciativa-emprendedora</a>	Page 21
33	<a href="http://www.jaeurope.org/education/initiatives/41-innovation-cluster-for-entrepreneurship-education.html">http://www.jaeurope.org/education/initiatives/41-innovation-cluster-for-entrepreneurship-education.html</a>	Page 21
34	<a href="http://www.youthstartproject.eu/">http://www.youthstartproject.eu/</a>	Page 22
35	Youthstart, preliminary results; <a href="http://youthstartproject.eu/wp-content/uploads/2018/06/USTART-preliminary-results-2018-final.pdf">http://youthstartproject.eu/wp-content/uploads/2018/06/USTART-preliminary-results-2018-final.pdf</a>	Page 22
36	<a href="http://www.garanziaiovani.gov.it/selfiemployment/Pagine/Selfie-employment.aspx">http://www.garanziaiovani.gov.it/selfiemployment/Pagine/Selfie-employment.aspx</a>	Page 22
37	YG Promising practice factsheet, <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 22
38	YG Member State factsheet, Belgium, <a href="http://ec.europa.eu/social/main.jsp?catId=1161&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1161&amp;langId=en</a>	Page 22
39	YG promising practice fiche , <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 24
40	Self-employment website: <a href="http://mjere.hr/potpore-za-samozaposljavanje-dokumentacija-obraci/">http://mjere.hr/potpore-za-samozaposljavanje-dokumentacija-obraci/</a>	Page 24
41	<a href="http://www.hzz.hr/default.aspx?id=31711">http://www.hzz.hr/default.aspx?id=31711</a>	Page 24
42	YG promising practice fiche , <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 24
43	Note that a similar financial instrument Entrepreneurship Promotion 2014-2020, financed from the ESF, was launched in 2016.	Page 24
44	YG promising practice fiche, <a href="http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en">http://ec.europa.eu/social/main.jsp?catId=1327&amp;langId=en</a>	Page 24
45	<a href="http://www.empleate.gob.es">www.empleate.gob.es</a>	Page 26
46	Survey results relate to cross-country panel datasets quantifying possible macroeconomic effects.	Page 27
47	<a href="http://ec.europa.eu/social/BlobServlet?docId=15039&amp;langId=en">http://ec.europa.eu/social/BlobServlet?docId=15039&amp;langId=en</a>	Page 27
48	According to the authors, the positive employment effect needs to be understood in the context of the French minimum wage.	Page 29
49	<a href="http://ec.europa.eu/europe2020/pdf/themes/23_active_labour_market_policies_02.pdf">http://ec.europa.eu/europe2020/pdf/themes/23_active_labour_market_policies_02.pdf</a>	Page 30
50	<a href="http://www.hzz.hr/UserDocsImages/FINALNI_IZVJESTAJ_Evaluacija_iskustava_polaznika_mentora_i_poslodavacaukljucenih_u_SOR.pdf">http://www.hzz.hr/UserDocsImages/FINALNI_IZVJESTAJ_Evaluacija_iskustava_polaznika_mentora_i_poslodavacaukljucenih_u_SOR.pdf</a>	Page 30
51	Schröder, E. (2005), “Berufliche Selbständigkeit als Ziel? Entwicklung und Evaluation eines „Life-Skills“-basierten Trainingprogramms für Jugendliche. Dissertation, Friedrich Schiller Universität Jena, Jena	Page 33

Since its launch in 2013, the **Youth Guarantee** has supported millions of young people across the European Union to find a job, a traineeship, an apprenticeship or to continue in education. Yet despite this, too many young Europeans are still without work. Across the EU, more effort is needed so that all young people can benefit from quality offers under the Youth Guarantee.

This report is one in a series of **five reports** on Youth Guarantee delivery, presenting existing practices from the ground from the first five years of its implementation. It outlines lessons learnt, challenges and success factors, aiming to inspire and help all actors involved in delivering the Youth Guarantee.

The report **Employment and entrepreneurship under the Youth Guarantee** looks at employment incentives, direct job creation measures and start-up incentives that help young people to overcome employment barriers.

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