



Mutual Learning Programme Annual Thematic Synthesis Report 2013

"Dealing with the impact of the crisis on EU labour markets"

This publication is commissioned by the European Community Programme for Employment and Social Solidarity (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the EU2020 goals in these fields.

The seven-year programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-28, EFTA-EEA and EU candidate and pre-candidate countries.

For more information see:

<http://ec.europa.eu/progress>

For more information on the Mutual Learning programme, please refer to:

<http://ec.europa.eu/social/mlp>

European Commission:

Unit C1 European Employment Strategy and Governance, DG Employment, Social Affairs and Inclusion

EMPL-C1-UNIT@ec.europa.eu

Author: ICF GHK

The information contained in this publication does not necessarily reflect the position or opinion of the European Commission

Table of Contents

Summary of Activities	1
1. Introduction: focus on youth unemployment and sustainable labour market integration in a challenging economic climate.....	2
2. Key topics for the MLP in 2013	4
2.1 Tackling youth unemployment: Successful policy approaches to ensure smooth and sustainable transitions in the context of the Youth Guarantee...	4
2.1.1 Introduction	4
2.1.2 Main lessons of MLP activities: The Learning Exchanges	6
2.1.3 Key policy approaches	8
2.1.4 Emerging policy recommendations	11
2.2 Ensuring the creation of sustainable employment opportunities: the potential of green jobs	13
2.2.1 Introduction	13
2.2.2 Main lessons of MLP activities	13
2.2.3 Key policy approaches	14
2.2.4 Emerging policy recommendations	17
2.3 Combatting undeclared work: the role of inspection and enforcement.....	18
2.3.1 Introduction	18
2.3.2 Main lessons of MLP activities	19
2.3.3 Key policy approaches	19
2.3.4 Emerging policy recommendations	20
2.4 Improving access to training and job creating in the service sector: lessons from the use of voucher systems.....	21
2.4.1 Introduction	21
2.4.2 Main lessons of MLP activities	21
2.4.3 2. policy approaches.....	22
2.4.4 Emerging policy recommendations	23
3. Conclusion and relevance of the MLP for EU2020	24

Summary of Activities

The Mutual Learning Programme is an initiative led by DG Employment, Social Affairs and Inclusion (DG EMPL) aimed at promoting the exchange of information and good practice between Member States, as well as the wider dissemination of the European Employment Strategy (EES).

The purpose of this Thematic Synthesis Report is to summarise the main activities of the Mutual Learning Programme (MLP) during 2013 thematically. It also provides an overall analysis of the results and policy messages that have emerged from these activities. The document also provides a helpful signpost to other, more detailed documents available on the MLP website: [Mutual Learning Programme - Employment, Social Affairs & Inclusion - European Commission](#)

The main activities that have underpinned the MLP during 2013 are as follows:

Peer Reviews

[Youth unemployment: how to prevent and tackle it](#); The Hague, Netherlands, 25-26 November 2013

Thematic Review seminars

[Pathway to green jobs: strategies and policy options for a sustainable job-rich recovery](#); Brussels, Belgium, 26 June 2013

[Practical support for the design and implementation of Youth Guarantee schemes](#); Brussels, Belgium, 17-18 October 2013

Dissemination seminars

Mutual Learning Programme Dissemination Conference on '[Sharing real lessons and good practice in relation to European employment](#)'; Brussels, Belgium, 28 November 2013

Learning Exchanges

[Dual apprenticeships: Qualifications and labour market needs](#); Berlin, Germany, 5-6 September 2013

[Voucher systems](#); Riga, Latvia, 20 September 2013

[Tackling undeclared work](#); Tallinn, Estonia, 11 October 2013

[Apprenticeship schemes](#); Vienna, Austria, 7 November 2013

1. Introduction: focus on youth unemployment and sustainable labour market integration in a challenging economic climate

After experiencing a second dip of economic recession in 2012, the European Union (EU) began to show fragile signs of recovery in 2013. However, there are persistent and significant differences between Member States, particularly in the euro area. These varying economic fortunes are also impacting on labour market conditions, with some worrying trends still in evidence.

One of the key concerns for the EU is high youth unemployment, which still affects on average 23% of 15-24 year olds in 2013. Rates range from around 8% in Germany to over 60% in Greece. Furthermore, long-term unemployment (among young people and adults) has also risen in most Member States and has reached an all-time high EU-wide average of 4.7%. Overall rates of unemployment are also strongly divergent, with rates in the south and periphery of the euro area reaching an average of 17.3%, whereas in the north and core of the euro area, they stood at around 7% in 2013. At the same time, structural unemployment and mismatches between the supply and demand side have also been growing.

Another notable labour market trend during the crisis was the decline in temporary employment (as such contracts have not been renewed during the economic downturn) and the increase in involuntary part-time work. In line with past trends, it can be envisaged that these developments will be reversed as the economic situation improves, and an underlying trend towards greater labour market segmentation remains. Evidence of a 'stepping stone' effect of temporary employment remains scant. A number of Member States are making efforts address an high segmentation of their labour markets by tightening employment protection legislation with regard to temporary contracts while creating more flexibility in open ended employment relationships (e.g. Italy, Spain).

As employment opportunities in the labour market have declined, there has been a trend in some Member States towards an increase in undeclared work. It provides a further challenge to address and reverse such trends, as well as tackling the underlying push and pull factors relating to undeclared work.

To address these issues, the 2013 Country Specific Recommendations (CSRs) agreed as part of the European Semester continue to emphasise the need for further action in order to

- combat youth unemployment;
- improve the effectiveness of PES and active labour market policy;
- enhance individual action planning and early intervention;
- the ongoing reform of benefit systems towards greater activation;
- the better matching of education and training outcomes with the requirements of the labour market; and
- reduce the tax wedge, particularly for low skilled workers.

Emphasis also remains on support the integration or re-integration of specific target groups (in addition to young unemployed individuals) such as older workers, women and disabled people.

A challenging economic context continues to create an impetus for further learning on active labour market policy measures which show potential for success, even in such difficult conditions and which can yield sustainable outcomes at economic conditions improve. In 2013, the activities of the MLP have been shaped by the overarching

emphasis on tackling youth unemployment (reflected in the organisation of a Thematic Event on the Youth Guarantee and two Learning Exchanges). Linked to this attention was also paid to ensuring better matching of skills and labour market requirements and sustainable labour market integration (also emphasised in the Learning Exchanges, as well as the Thematic Review Seminar on the potential of green jobs). Other activities looked at the potential of the instrument of training voucher to increase the take-up and provision of targeted training (discussed in a Learning Exchange); and measures to help tackle undeclared work (in a Learning Exchange following up from a Peer Review organised in 2012). The subsequent sections draw the key policy lessons on each of these issues from the respective MLP events and documents.

Reflecting the growing demand for evidence based policy making, the MLP also developed and launched a database of good practices in 2013.

2. Key topics for the MLP in 2013

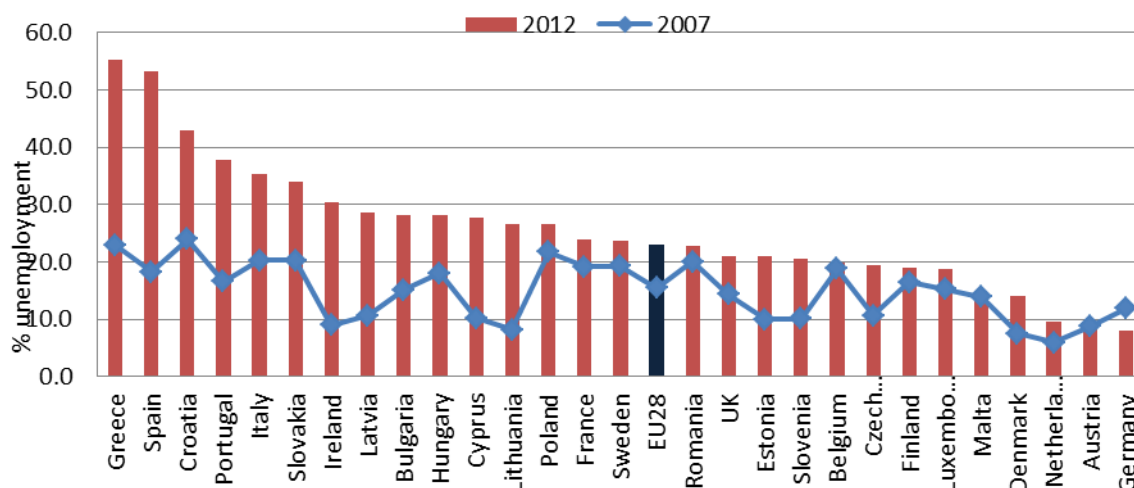
2.1 Tackling youth unemployment: Successful policy approaches to ensure smooth and sustainable transitions in the context of the Youth Guarantee

2.1.1 Introduction

In September 2013, over 5.5 million, or 23% of 15-24 year olds in the European Union were unemployed. This figure is up from 15% at the start of the crisis in 2008. Although youth unemployment declined by some 57,000 in the EU28 compared to the same month in the previous year (September 2012), in the euro area it had again increased (by 8,000; source: Eurostat). Comparable data from 2007 and 2012 presented below shows the countries with the highest rates of youth unemployment (primarily in southern Europe) and the most significant increases in unemployment rates resulting from the economic crisis (Greece, Spain, Ireland, Portugal Croatia, Cyprus and Lithuania). Among the EU countries with the lowest youth unemployment rates are Germany (with lower rates in 2012 than in 2007), Austria, the Netherlands, Denmark and Malta.

The current average youth unemployment rate is more than double that of the adult population (10.9%) in the EU-28.

Figure 2.1 Rate of youth unemployment in 2007 and 2012



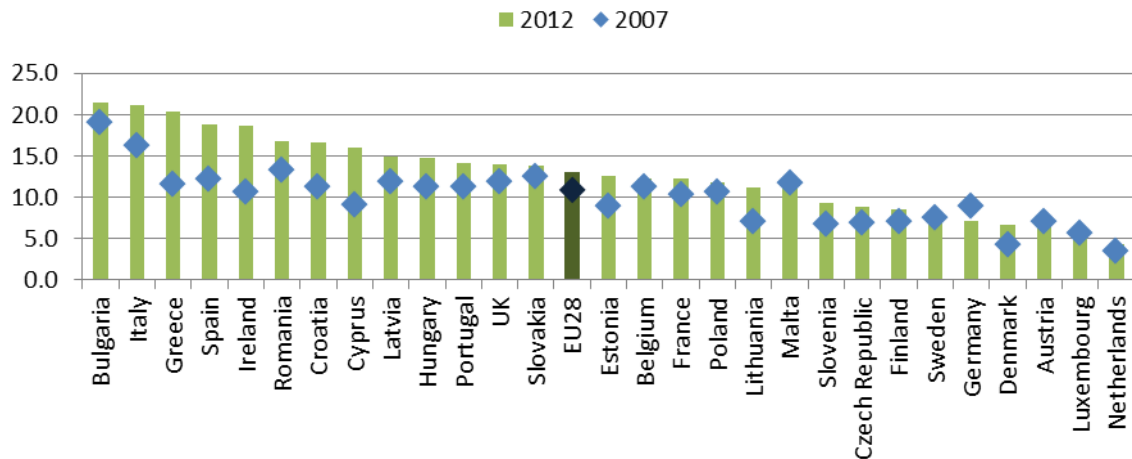
Source: Eurostat, extracted November 2013 [lfsa_urgan]

Fostering youth employment and, more generally, ensuring that young people are appropriately supported in their transition towards working life moved to the top of many national and the European policy agenda. Young people are facing structural challenges in making the school-to-work transition. This is particularly true for low skilled young people. However, during the crisis unemployment has also become more common among those with higher level qualifications, mainly due to a lack work experience and skills and competencies required in the labour market. Young people also encounter more adverse conditions than other age groups when in employment, as reflected by their over-representation in fixed-term work. In 2012, around 22.5% of young people were employed on fixed-term contracts (excluding apprenticeship contracts), with large variations between countries. In Spain, Portugal and Slovenia around 80% of new labour market entrants start work on a fixed-term contract compared to less than 20% in Ireland, Lithuania, Romania and the UK.

A further concern is that many young people in Europe are not only out of work, but also not in education, employment or training (in 2012, 13.4% of all EU citizens aged

15-24 fell into this 'NEET category'). NEET rates are particularly high in Bulgaria, Italy, Greece, Spain and Ireland, whereas countries in central and northern Europe tend to have lower NEET rates.

Figure 2.2 % of young people 15-24 years not in employment and not in any education and training in 2007 and 2012



Source: Eurostat extracted November 2013 [edat_ifse_21]

For young people, long periods spent in a NEET status can have scarring effects. It becomes much harder for them to (re-)enter the labour market or re-engage in training activities. Furthermore, it damages their future wages and employment prospects and makes it more likely that they will ultimately fall into poverty and suffer from social exclusion. Taking into account lost taxes and earnings, as well as the welfare benefits for unemployed young people, Eurofound calculated that €153 billion is lost annually due to young people in NEET status in the EU (around 1.21% of GDP; 2011 data).

To address the challenging situation faced by young people in the labour market, the European Commission released a [Youth Employment Package in December 2012](#). This paved the way for the [Council's adoption of the Recommendation on establishing a Youth Guarantee](#) in April 2013. Following the [Commission Communication "Working together for Europe's young people – A call to action on youth unemployment"](#) and the related European Council conclusions in June 2013, Member States with regions experiencing a youth unemployment rate above 25% are requested to submit a Youth Guarantee Implementation Plan (YGIP) by the end of this year.

Using estimates of the costs of the Swedish youth guarantee scheme, the International Labour Organisation (ILO) calculated in July 2012 that to introduce a Youth Guarantee scheme in the Eurozone would cost 0.45% of the Eurozone GDP, equivalent to €21 billion. This demonstrates that it costs the EU substantially more when young people are out of education, employment and training than it would to set up a Youth Guarantee scheme in each country.

The [2013 CSRs adopted as part of the European Semester](#) have also emphasised the importance of early intervention measures, support for the transition from school to employment and measures to combat youth unemployment. A significant number of Member States received CSRs in this regard.

Table 2.1 European Commission Country Specific Recommendations 2013#

Theme	Recommendations	Member State covered
Early intervention	Recommendations along the lines of the agreed EU Youth Guarantee	17 Member States
Easing the transition from education to work	Reforming vocational and educational training (VET) programmes by increasing their labour market relevance through a stronger work-based learning component and accelerating the reform of apprenticeships.	16 Member States
Combat youth unemployment	Active labour market policies, reinforcement of public employment services and support for training and apprenticeship schemes.	19 Member States

2.1.2 Main lessons of MLP activities

On 25-26 November 2013, the Dutch government hosted a Peer Review on the topic, 'Youth unemployment: how to prevent and tackle it?' The aim of the event was to showcase the successes of the Dutch approach to young people, as a result of its strong performance in the EU in terms of the low rate of youth unemployment and inactivity. The event brought together representatives from Greece, Germany, Ireland, Latvia, Lithuania, Romania, Spain and the UK. In doing so, it highlighted several key lessons in relation to integrating young people into the labour market.

One of the key themes to emerge from the Dutch Peer Review was the need to work at the level of individual young people, families and schools, in order to reduce early school leaving (ESL). For example, at the level of **individuals**, 'early warning systems' should be set up to identify students at risk of dropping out of school, such as digital pupil registers (as in the Netherlands and Lithuania) and joined-up information systems between different agencies (as in Ireland). Comprehensive career guidance can also be offered, taking into the heterogeneous needs of young people as a group. For **families**, it is important to engage them to keep their children in education and training. **Schools** can be offered direct and indirect incentives to keep their ESL rates low. Furthermore, extra support and financial resources can be channelled towards those schools teaching students from disadvantaged backgrounds.

Another lesson of the Dutch Peer Review was the crucial need for well-developed local partnerships between different agencies, so that no young person is allowed to 'slip through the net'. Local agencies (schools, PES, youth centres, etc.) from the Netherlands explained in more depth the nature of their collaboration in different provinces, such as roundtables in which all the relevant actors undertake a needs assessment of young people in need and assign overall responsibility for each person to a single body.

The importance of strengthening the links between education and the labour market was another focus of the Dutch Peer Review, and relates to the MLP's Learning Exchange activities in 2013. A Peer Review hosted by the German Federal Ministry of Labour and Social Affairs on the topic of "[The dual training system: integration of young people into the labour market](#)" held in Berlin on 24-25 September 2012 generated significant interest in light of the strong performance of countries with well-established apprenticeship systems. Two Learning Exchanges were organised in 2013 as direct follow-up activities from this Peer Review. A [Learning Exchange in Berlin](#), held on 5-6 September 2013 was attended by Germany, Ireland, Italy, Spain and

Portugal and aimed at discussing systems to match qualifications to labour market needs. It examined the provision of vocational orientation and guidance to pupils and students and the processes for a regular revision of curricular for vocational training. A further Learning Exchange in Austria on 7 November 2013, under participation of the host country, the Czech Republic, Latvia, Spain, Bulgaria and Germany also looked at aspects of the dual apprenticeship system. Here the focus was on how to encourage employers to offer apprenticeship and work experience placement of good quality.

Both Learning Exchanges confirmed that training in a dual system or similar arrangement combining school based instruction with practical work experience has been demonstrated as an effective way to smooth transitions from school into the labour market. Countries with strong and highly valued dual systems have demonstrated significantly lower youth employment challenges during the crisis. The difficulties in introducing such a system were recognised and the following were seen to be particularly important:

- High valorisation of the vocational pathway by young people, their parents, employers and wider society;
- Strong engagement and buy-in of core stakeholders into curricula setting, regular updating, delivery and control of the system;
- Development of national curricula recognised at national level (and beyond);
- Effective combination of theoretical training and 'real world' work experience;
- Strong process of quality control and accreditation of training and trainers;
- Stakeholders such as Chambers of Commerce and Industry and other social partner and/or sectoral representatives can play a critical role in this process.

It was acknowledged that engagement of employers in dual training needs to be improved in all participating countries. This can be done by demonstrating the value to the business of training apprentices, both in terms of their productivity and opportunities to prevent future skill shortages and reduce recruitment and retention costs. Particular support may be required for SMEs who may find it more difficult to offer qualified trainers or offer all aspects of a required curriculum or who may assume that the cost of offering an apprenticeship placement is too high. Success in this has been achieved through the establishment of networks of companies, trainee exchanges and elements of supra-company training in specially designed workshops. Supra-company provision of apprenticeships has been shown to be successful (if combined with periods of work experience in an enterprise setting) in achieving successful transitions, particularly in situations where the demand for apprenticeship placements in firms exceeds supply. The Austrian experience of such apprenticeships shows that although these schemes are most costly to deliver and have slightly lower labour market integration rates than apprenticeships undertaking entirely in a company setting, average integration rates are still around 65%.

The importance of mechanisms to forecast future labour and skills supply and demand was also underlined in the Learning Exchanges. This can take place at the national, regional or local level and cover the whole economy, particular sectors and indeed occupations. Skills forecasting in the context of increased European and transnational mobility provides an additional challenge as well as an opportunity. The discussion demonstrated that various challenges are faced by national systems in obtaining reliable data to feed such mechanisms. More information was sought, particularly by countries with a governance structure characterised by significant regional autonomy on how such issues might be addressed.

Skills forecasting must go hand in hand with vocational orientation, as experience shows that many young people do not have a full picture of all the training occupations available. There can be a desire to enter more 'popular' occupations which do not have positive prospects for integration in their local area. Guidance should begin in school and the offer of guidance via various channels (face to face, multi-

media) should be considered to meet the needs of young people and achieve economies of scale.

2.1.3 Key policy approaches

Early intervention and existing youth guarantee schemes

Given the specific challenges facing low skilled young people (and adults) in the labour market, ensuring that pupils stay in school as long as possible and leave with at least a minimum skill and competence level is a key objective in most countries. Keeping young people engaged in education and training boosts attainment supporting positive outcomes for individuals and also has overall economic and social benefits (OECD, 2010). A number of countries are moving to encourage (or require) longer participation in education by increasing the compulsory education leaving age (e.g. Ireland, Netherlands, the UK). Two main strands of activity in this area can be identified in efforts to tackle early school leaving (e.g. European Commission, 2012a).

- Integrating support for 'at risk' young people into existing provision: i.e. measures to support young people while still at school. In some countries, some of these schemes are targeted at particular groups (e.g. Roma children in Hungary), whereas in others financial incentives are offered to schools to identify young people facing difficulties in completing the curriculum or involved in truancy and to institute measures to address these challenges and thus reduce early school leaving. In the Netherlands, such financial incentives, as well as the school-ex programme aimed to target such pupils with specific support to allow them to complete education in the context of an overall raising of the compulsory school leaving age.
- Offering alternatives: i.e. offering alternative learning opportunities for pupils at risk of dropping out or of unemployment, usually based on alternative teaching methods and practices designed to be more appropriate and engaging to those with a poor experience of mainstream education. The rationale for alternative provision is to address disengagement by some young people with traditional teaching and learning methods. Characteristics include a flexible curriculum which brings together academic, practical and vocational learning, and different supportive 'non-traditional' learning environments. Examples of providing alternatives for young people are found both within the school environment and in the community setting. These include the Hungarian Springboard programme, linked to mainstream provision (e.g. the Finnish Career Start measure) and in dedicated provision, including 'second chance schools' (e.g. France), 'production schools' (e.g. Austria), or dedicated support programmes within a community setting, which often deliver a high level of psychological and mentoring support as well (e.g. Slovenia).

Once young people have left school (and mainly for those with no, or poor levels of qualifications), early intervention is important to avoid discouragement and the scarring effects of longer term unemployment.

Existing examples of youth guarantees

Even prior to the adoption of the Youth Guarantee in Council in 2013, a number of Member States already committed themselves to providing early intervention for young people in a form of a youth guarantee:

- Finland has been offering a Youth Guarantee since 2005. As part of the 2013 revision to their Guarantee, the Finnish Government pledged to ensure that all young people under 25 and all graduates under 30 would be offered further education or training within three months. School leavers were also promised places in further studies, training or rehabilitation.

- The 'Training Guarantee' in Austria means that all young people up to the age of 18 can take on an apprenticeship in a training body funded by the PES, if they cannot secure an apprenticeship in a company. There is also a 'Job and Training Guarantee' for those aged 19-24.
- In Sweden, the job guarantee scheme places an emphasis on follow-up with young jobseekers in order to engage them in the process of looking for work. After three months, they are matched to a placement and may also be offered further training.

These systems are often based on highly individualised approaches delivered by PES involving profiling and individual action planning on the basis of joint commitment between the PES and the young person. This involves the PES (or its partners) delivering dedicated measures to improve the employability of the young person, whereas they - in turn - undertake to participate in these measures and take steps to actively seek work.

The most significant challenges to early activation are associated with the integration of young people who are not registered with the PES and are NEET. Targeted outreach activities are needed in these cases to bring individuals into contact with support systems. Strong administrative data exchange – as is the case in the Netherlands – can be of assistance in this regard. Where such data sharing is precluded by data protection regulations, other innovative approaches can also be effective, as demonstrated by different outreach activities to specific groups of young people (disaffected youth, individuals in the prison system, those with mental health or addiction issues; e.g. in Austria, Slovenia and Sweden). Such approaches are usually realised in collaboration with NGOs and/or youth workers, who often have first-hand experience of the challenges which can face young people.

Effective measures for labour market integration

A picture of effective measures to manage successful transitions from school or training to work for young people can be drawn along the lines of a hypothetical 'client pathway'.

This pathway starts with advice and counselling (ideally following on from that received while still in school) whereby a dedicated counsellor (usually located in the PES and often with special training to address the various challenges facing young people) assesses the individual's skills, competences, capacities, as well as specific integration needs as well as their aspirations. In the current context, different approaches and timescales for support provided are used in different Member States. A staged approach is taken in Sweden: an initial period of three months of intensified support and follow-up of the individual's job seeking efforts, followed by active matching; and then enhanced action (which may be an apprenticeship or further education). In Germany, each young person who wishes to avail themselves of this assistance is entitled to this type of support, with online profiling as a potential (but not exclusive) entry point. In the context of the Youth Guarantee, approaches to early intervention will have to be developed in all Member States.

Advice and counselling should be set in the context of demand side mapping to allow the counsellor to provide realistic advice on sectors and occupations in demand in the local or regional labour market. In Germany such demand side information is available on the digital information portal, *Verbis*, and specific assessments have also been carried out on future skills requirements in specific sectors (green sectors, health and care, sciences and engineering etc).

The next step – where this is possible without further intervention – is job matching. This functions best where employer and job seeker details are shared on the same database (using the same criteria), allowing for automatic matching and the regular delivery of suitable vacancies to the young person (or candidates to the employer). A

number of Member States are developing such sophisticated automatic matching systems (e.g. Belgium, Denmark, Germany, The Netherlands etc) within the PES. In countries with apprenticeship based systems, such matching services are also in place for apprenticeship placements.

Where immediate matching is not possible, many Member States focus their support to young people on targeted training. An increasing emphasis is placed on elements of work experience (either through dual training or school based VET with extended and/or repeated periods of employer placement). Such approaches are generally acknowledged as an efficient tool for:

- Developing vocational specialised skills that contribute to recognised vocational qualifications and are needed by the labour market;
- Developing general work habits and job-readiness that foster employability;
- Helping young people to discover a profession and make informed career choices to move towards employment in sectors where there is a demand; and
- Giving young people access to work opportunities that they might not otherwise have.

The 're-discovery' of the value of apprenticeship based systems is demonstrated, for example, by the emphasis placed on the development or introduction of such systems in Ireland, Italy, Lithuania, Spain and other Member States.

Two interlinked challenges need to be addressed along the pathway, particularly for low skilled or disadvantaged young people. This concerns the need for the delivery of additional core skills and to address the shortage of apprenticeship, internship or work experience placements offered by employers. The former can be addressed through shorter pre-training or mentoring and support schemes.

Pre-apprenticeship training and mentorship schemes measures for disadvantaged young people, Germany and France

Eingstiegsqualifizierung in Germany, for example, provides the opportunity for a 6-12 months pre-apprenticeship which can help to overcome and skill deficits and in most cases leads to a successful transfer to an apprenticeship.

Mentoring approaches are, for instance, offered in the French CIVIS contract (contract for the delivery of reinforced support) which provides mentoring and coaching alongside training delivery.

As outlined above, the sourcing of sufficient apprenticeship or work experience placements can be a significant challenge and strong collaboration with employers is required to overcome this. Informal commitments or formal agreements signed with PES can be a step in this direction. Measures to overcome particular barriers faced by SMEs were already addressed above. Another important category of measures used across Member States are economic incentives, which can be similar to the measures taken to foster the use of apprenticeship-type contracts mentioned above. Most of countries in Europe have developed measures such as bonuses, subsidised jobs/placements or reductions in social security contributions for employers to stimulate the recruitment of young employees (e.g. the Youth Contract in the UK, the initiative *Emploi d'Avenir* in France). Incentives that aim to compensate employers for a lack of skills and experience of young jobseekers can help to ease young people's entry into the labour market and transitions between jobs. Evaluations have shown that employer incentives can have a positive effect in the short term. However their net impact on the future employment prospects of participants can be limited. In order to avoid deadweight loss, the Commission considers that wage and recruitment subsidies should be time-bound, targeted and well-designed (e.g. provision of a first job experience or provision of apprenticeship leading to a qualification or net new hiring).

Entrepreneurship and self-employment can be promoted as an alternative route into the labour market for small numbers of young people. Different tools can be used to support young entrepreneurs in their projects such as:

- Training, guidance and consultancy services (e.g. from the development of an idea to the design of a business plan, including mentorship schemes). Ideally, support should be delivered in close partnership with actors from the business world and should encompass all stages of an entrepreneurial project (e.g. the Prince's Trust business support programme in the UK).
- Measures to facilitate access to physical capital (through incubators, models of sharing workspace, ICT and infrastructure for young entrepreneurs) and financial capital
- Measures to ease access to financial resources are important as this is a major issue for young entrepreneurs. Special grants, start-up incentive measures subsidised credit, capitalisation of unemployment benefits, or combining unemployment benefits and a start-up allowance (e.g. the unemployment benefit capitalisation scheme in Spain), or temporary exemptions of social security contributions are offered in some countries.
- Follow-up measures to help young self-employed people once they have created their businesses, such as mentoring programmes, can improve the survival rate of their enterprises.
- To increase chances of success, the preparation of an entrepreneurial project can typically start at an early stage, while young people are still engaging in VET or higher education. When this option is considered by young people who have already left initial education and training and are already registered with the PES, it is important to provide them with comprehensive support. As an isolated measure (such as start-up incentive) is likely to be insufficient on its own. Providing guidance to young people, helping them to set-up viable business plans and putting in place mentoring schemes can increase the success of such programmes.

2.1.4 Emerging policy recommendations

In line with the concept of a **holistic client journey**, Member States should develop the following steps:

- A **preventative approach** which seeks to identify and **target young people** who are struggling to complete education or are **at risk of dropping out early** and provide additional assistance, mentoring and other support required to allow them to complete education (or training). In order to achieve this, there is a need to share information about young people struggling at school to allow for early support to be targeted. **Financial incentives or budgetary support** to schools and relevant agencies should be considered as well as ensuring – as far as possible – the **sharing of administrative information**.
- **Early advice and guidance** can also prevent young people from becoming disillusioned and dropping out early. This can be provided either by schools, PES or other actors and online portals and social media can also increasingly be utilised to reach a large target group via suitable media.
- Information sharing remains vital at the point that young people leave school and may be at risk of unemployment, if they do not register with the PES. **Strong partnerships for outreach** have been developed in a number of Member States to seek to prevent young people from 'dropping off the radar'. Typically, **partnerships of local organisations** are best placed to assess the immediate labour market situation and identify opportunities for young people.

- There is no single method that works best to reach out to young people but different channels should be used depending on the specific group targeted, such as focal points/one-stop-shops, information stands at events/open days, and the use of different types of media including social media. For the hardest-to-reach, effective approaches include the use of mobile units, young 'ambassadors', social work, street work, cooperation with youth clubs, NGOs and all stakeholders and institutions that are in contact with (specific groups of) young people and 'speak their language'.
- Subsequently, **individualised counselling**, profiling and skills mapping should be delivered by specifically trained or specialist staff with experience of addressing the challenges facing young people. At this point effective information and guidance systems are again important in guiding young people towards appropriate and realistic pathways, and which are informed by labour market information and debate to ensure currency.
- Member States should **increase the availability of training opportunities** which successfully **combine theoretical vocational education with practical work experience**, as the lack of experience and poor core skills are among the main factors why employers are reluctant to offer opportunities to young labour market entrants. The strong involvement of employers in the governance and delivery of apprenticeship training, to ensure the relevance of training curricula for ever changing workplace environments, is a key prerequisite. Therefore, various steps need to be taken to incentivise businesses to offer apprenticeships as well as to get involved in the development of VET curricula.
- As young people (may) struggle to complete a VET curriculum, **mentoring and support during training, work placement and upon starting first employment** can help to ensure the sustainability of placements or employment.

Securing employer engagement is a key issue for effective labour market integration measures targeting young people. Particularly for SMEs or for employers willing to offer opportunities to young people who might otherwise struggle to access placements or employment, well targeted wage subsidies linked to outcome/success measures for apprenticeships, can be successful. **Network approaches** and measures to limit associated bureaucracy have also been shown to work.

In relation to the **Youth Guarantee**, the MLP [Thematic Event on the Youth Guarantee](#) emphasised the fact that the implementation of the Youth Guarantee required, among other things:

- **Structural reform** in the way that the public, private and voluntary sector engage and support young people to complete education and enter the labour market through a co-ordinated, holistic and individualised approach.
- This will require **engagement, co-ordination and investment** at Member State level;
- Ensuring a good-quality offer entails organising the **support around the journey of the individual young person**, rather than the interests of service providers. In many cases, this will require re-thinking the 'sequencing' of interventions such that the transitions for the young person are positive and as seamless as possible.
- The value of **monitoring and evaluating** all aspects of the Youth Guarantee scheme should not be under-estimated. The use of a robust evidence base can make a crucial difference in determining what works, where and why - thereby enabling a better prioritisation of resources, continuous improvement of service

delivery and ultimately the maximisation of labour market outcomes despite acute fiscal pressures.

2.2 Ensuring the creation of sustainable employment opportunities: the potential of green jobs

2.2.1 Introduction

There is increasing awareness of the pressures on the world's natural resources and ecosystems. Faced with the risks of resource insecurity, climatic uncertainty, social dislocation and high economic cost¹, there is an emerging global consensus that action is required to avert and respond to these threats. The EU is committed to creating a new growth model that is environmentally and economically sustainable, as reflected in the Europe 2020 Strategy² and the Resource Efficiency flagship initiative³. This will require the development of new industries, sectors, jobs⁴, skills, training and education, which accounts for the growing interest in setting up pathways to 'green jobs'. At the same time, a 'greening' of existing jobs and skills is of equal relevance.

In practice, the scale of technological, social, political and financial change required to restructure Europe's economic system is huge. The policy debate on green jobs hinges on the nature of this transition. Recent research on the transition to a low-carbon economy suggests that the overall impact on job reallocation will be relatively small⁵; there is also growing evidence that this scenario is compatible with economic growth⁶. Nonetheless, fears remain that certain industries and groups will be disproportionately affected by change, such as small and medium enterprises (SMEs) and energy-intensive sectors. Strategies also have to be developed to ensure greater resource efficiency (and the delivery of relevant skills) throughout the economy.

When transitioning to a low-carbon economy, the challenge for the EU is to cater to the needs of both immediate and future generations. For this, it must develop the means to forecast, assess and foster the skills required for green jobs, whilst involving policy-makers from many different fields, including education, employment, environment and finance. In responding to these common challenges, there is huge potential for Member States to learn from the policy approaches and good practices of one another.

2.2.2 Main lessons of MLP activities

The MLP provided an arena in which to develop further the European policy debate around green jobs. In June 2013, it organised the Thematic Event, '[Pathways to Green](#)'

¹ For example, N. Stern, *Stern Review: Economics of Climate Change* (2006).

² The Europe 2020 strategy is "about addressing the shortcomings of our growth model and creating the conditions for a different type of growth that is smarter, more sustainable and more inclusive." http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/index_en.htm

³ For example, the Resource Efficiency flagship initiative aims to promote a 'circular economy', in which product design would focus more on re-using, recycling and bringing down overall levels of waste. See http://ec.europa.eu/resource-efficient-europe/index_en.htm

⁴ 'Green jobs' generally refer to one of two things: 'eco-industry' (i.e. jobs with a direct environmental benefit) or *all* jobs that are underpinned by an environmentally and economically sustainable system (i.e. 'transformed' jobs). Unless specified, this document will consider policy approaches to the second, given that this is more representative of the scale of change to which the EU has committed itself.

⁵ Cambridge Econometrics, ICF GHK and the Institute for Employment Research (IER), Studies on sustainability issues: green jobs; trade and labour, European Commission, DG Employment, Social Affairs and Inclusion.

⁶ For example, see briefing note: http://www.cedefop.europa.eu/EN/Files/9079_en.pdf. Also see European Commission, *The number of Jobs dependent on Environment and Resource Efficiency improvements* (2012), which argues that job creation is possible in Europe if resource efficiency is improved. The second of these is available to download here: <http://ec.europa.eu/environment/enveco/jobs/>

[Jobs: Strategies and Policy Options for a Sustainable Job-Rich Recovery'](#). This focused on four main topics:

- the conditions for combining employment and skills strategies with other policies in favour of green growth;
- the challenges for eco-industries and other sectors facing re-structuring;
- lessons for forecasting the labour market impacts of policies for the green economy; and
- lessons from previous policies used to restructure the workforce around 'green' sectors.

When setting up policies in favour of green jobs, the shared issues facing Member States relate to skills gaps and uncertainty about eco-industries. A lack of political will to prioritise climate and environmental concerns and a failure to co-ordinate between authorities at the local, regional and national level can also pose difficulties. Furthermore, there is a need to commit investment capital and financial incentives for technological innovation. Finally, the scepticism of some businesspeople, workers, voters and consumers about the merits of greening has to be overcome. In addition, there is a common concern about the impact of 'green' policies on vulnerable (often low-income) groups.

Discussions at the Thematic Event underlined that politicians and policymakers must take a leading role in creating comprehensive policy packages that reflect the many facets of 'green growth and employment' and encourage widespread behavioural change. Implementation rests on frameworks and mechanisms to back education and training, as well as encouraging innovation and investment. In general, there is a need for integrated strategies to "ensure policy relevance and coherence" (although at this point Member States are at different stages of establishing these).

2.2.3 Key policy approaches

Policy makers and employers and trade unions have emphasised that policy and social dialogue will be important in helping industry become more resource and energy-efficient. In line with the cross-cutting nature of the issue, some countries have developed 'integrated strategies' to bring together a range of labour market stakeholders to influence policy.

The Marshall Plan 2.Green set up by the Walloon Government in Belgium provides a particularly good example of policy coordination and integration, as outlined in the box below.

Policy coordination and integration: Marshall Plan 2.Green, Belgium

In 2005, the Walloon Government began the Marshall Plan to promote business and improve the skills of the labour-force. The launch of the second phase, the Marshall Plan 2.Green, brought a new 'sustainable' perspective to the scheme, supported by a budget of EUR 1.6 billion with a further EUR 1.15 billion of alternative financing. The new plan includes "Employment-Environment" Alliances across six priority areas, including a cluster for the encouragement of environmental technologies.

Developing training in a strategic way is an important aspect of the programme, which aims to match labour supply and demand more effectively. The measures set up new partnerships between education, professional training and employment. Key actions for training include the encouragement of technical and scientific jobs, consistent evaluation of in-demand jobs and those related to sustainable development; involvement of professional sectors through sectoral agreements; better access to tailored advice and training centres; and greater awareness of companies' and job seekers' needs. Quantitative targets are in place for all of these measures with

dedicated quotas related to the Employment-Environmental Alliances and other green jobs.

The financial commitment of the Walloon Government is crucial to the achievement of the programme's targets: through the Employment-Environment Alliances EUR 300 million – plus EUR 600 million more alternative financing – will be dedicated to producing employment and partnerships in the sustainable construction industry, as well as for technological innovation.

A key success factor of the Employment-Environment Alliances is that they set up strategic links between enterprise and industry, education and training, environment and employment policies and the world of employment, joining trainers, employers and other partners.

As well as supporting integrated policy strategies, setting up strong partnerships is a way of addressing skills gaps and uncertainties relating to eco-industries and other sectors. By gathering information about the current needs of industry, it is possible to adjust educational and training curricula accordingly. However, it is also important to forecast upcoming skills gaps. Ireland has developed particularly a strong coordination strategy in order to match labour supply and demand better in future years. For small and medium enterprises and self-employed individuals who often find it more difficult to anticipate upcoming skills requirements, it may be possible to encourage the resource-sharing and networks.

Forecasting future skills needs within the Green Economy, Ireland

The Irish Training and Employment Authority (FÁS) has used new methodologies and approaches to understand skills needs and to design vocational training accordingly. In 90% of cases, 'green skills' require the upgrading and development of existing skills rather than entirely new training. For example, electricians or plumbers could require an 'extra' round of training on renewable installations.

The Irish methodological approach consists in the following:

- Identification and thorough assessment of evolving sectors and companies that feed into the development of green technologies. Different phases and types of business (e.g. design, marketing, research, manufacturing, installation, maintenance, repair) may require new or updated capacities and qualifications.
- Having gauged these skill gaps at an early stage, education programmes and training provisions are tailored in advance. Employers need core qualifications with ad hoc green skills aspects, multi-disciplinary skills across subjects (e.g. electrical and mechanical engineering) and stronger STEM skills.

The identification of future skills requirements for greening economies also provides an opportunity to support the sustainable re-integration of more vulnerable groups into the labour market. Some PES and partnerships have instituted specific efforts to deliver relevant training in line with local and regional skills requirements in this area and to accredit informal skills acquired. For example, the UK's Green Skills Partnership leads to the validation of informal training that will be suitable in the renewable energy sector.

Pathways for the unemployed and low-skilled into green jobs: Green Skills Partnership, UK

The Green Skills Partnership is an umbrella for various actors, aiming to back the training and reintegration of the unemployed or low-skilled by setting up pathways for progression into jobs in a green economy. It was started in 2011, under the coordination of Unionlearn, the skills development body of the Trade Unions Congress (TUC). Partners encompass unions, education providers, Sector Skills Councils, London borough councils, businesses and community organisations.

The main areas of the partnership's activity are in the horticulture, construction and waste management sectors. In construction, employers (e.g. Lend Lease) and individual tradesmen worked with the public employment service (Job Centre Plus) to consider skills needs and gaps. Following this, pre-entry routes and progression pathways were set up for the unemployed, low-skilled and other disadvantaged individuals (e.g. ex-offenders). These enable them re-enter the labour market more easily, as part of programmes to retrofit social housing. Through the partnerships with educational and training providers, essential informal training gains full certification. The lifelong learning activities also form part of a national framework of qualifications and the learner is offered a way to develop other qualifications that feed into greening economies.

In general, Member States agreed that strong political will was the most important success factor for overcoming cultural barriers to 'greening' and for reaching green targets at the national and European level. The effects of a supportive Cabinet have been demonstrated to great effect in Malta, which reached its targets for Green Public Procurement (GPP) within a year.

Public Leadership: Green public procurement in Malta

The Maltese National Environmental Policy (NEP) has a specific measure on Green Public Procurement (GPP) with the aim of boosting the green economy. There were rapid and impressive advances towards the attainment of the measure:

- Within a year there were targets and guidelines for 18 product groups and an official system of reviewing tenders. More than 600 representatives of procurers and suppliers have received training; there is a national GPP helpdesk and portal; and there are frequent information exchanges on GPP.
- More than 50% of all public procurement is 'green' in Malta, meaning they have already reached and surpassed their national target.
- The GPP strategy began new processes, both for the public authorities and the external supplier market, which impacted on various aspects of employment (such as education and skills development) that provide new possibilities for 'greening' the economy.

The Cabinet's political commitment to driving through and implementing the GPP policy was instrumental to its success. The country's small size and supportive public administrations were important, but the change would not have been possible if small bodies were overburdened or resistant. The Maltese government took an educational approach with tailored awareness-raising initiatives for staff and suppliers in order to encourage behavioural and attitudinal change.

Many countries are facing financial difficulties and are unable to invest enough in innovation, education and communication activities. Resources are particularly tight at a time of recession and restricted credit. In such circumstances, the private sector can be encouraged to engage in the investments for green jobs. Co-funding mechanisms are generally seen as the most effective way of unlocking financial resources and involving stakeholders, as well as spreading awareness.

There is also a growing interest in innovative financial mechanisms. Flanders' energy-savers scheme provides a good example of the use of micro-finance and social enterprise to stimulate 'green jobs'.

Innovative financial mechanisms: Energy Savers Scheme, Flanders

For the Energy Savers Scheme in Flanders, a network was set up in 1994 to bring together social enterprises working in the area of environmental protection (e.g. recycling centres, energy savers). 4000 long-term unemployed individuals were then offered training that enabled them to work to deliver energy-saving schemes. These

activities including roof insulation for tenants living in energy poverty; wall-insulation; and energy checks in the municipalities. It was funded by the European Commission as part of the 'Intelligent Energy Europe' project. It provided a means to support environmental protection, stimulate social employment and foster social inclusion.

Most Member States require a long-term change in the attitudes of individuals and businesses in order to encourage the shift towards a more resource-efficient economy – and thus enable the creation of green jobs. The dissemination of messages about the environmental and economic benefits of the low-carbon economy can be one way of achieving this (e.g. cleaner production, better air quality, more resource security). Both the public sector and social partners can occupy a key communications role. Empowering consumers can also be a way of stimulating demand for products that will facilitate the creation of green jobs more directly.

Austria's *Klima:aktiv* initiative offers a strong example of empowering stakeholders through good information platforms and branding, with the end goal of spreading awareness of environmentally sustainable technologies and services.

Information services and branding for skills training providers: Klima:aktiv, Austria

Klima:aktiv, is an umbrella brand for voluntary measures contained with Austria's climate strategy. Its main goal is to spread awareness, and to promote, climate-friendly technologies and services. It does so by facilitating a dialogue between stakeholders on the topic of the environment and greening economies.

Amongst other things, Klima:aktiv aims to create coordination strategies between stakeholders. The programme highlighted the importance of offering clear guidelines on training and integrating these standards with training delivery. A comprehensive mapping exercise was undertaken to identify training professionals, followed by the implementation of information services for them, such as an e-learning platform and leaflets on how to become a skills partner. These steps led to better matching between demand and local supply.

Strong branding and logos are considered key factors for successfully involving participants in voluntary schemes. For this, stakeholders must place official logos on their websites and communication products. Furthermore, contracts with partners undertaking dissemination and information activities have been crucial to successful cooperation within the network and better information around the relevant training activities.

When implementing these different policy approaches to green jobs, countries should ensure bureaucratic consolidation and inter-agency cooperation.

2.2.4 Emerging policy recommendations

Building upon good practice examples, the following recommendations have been drawn out for EU policy-makers when aiming to support the creation of green jobs and overcome challenges:

- Recognise the **importance of political will** in stimulating and driving through change;
- Create **integrated policy strategies** that encompass the many aspects of green growth and employment;
- Undertake consensus-building initiatives to establish **common commitments and funding priorities** for strong environmental policies;
- Invest in **capacity building** and establish networks or a coalition of interests across relevant policy domains;

- Adopt **innovative financial mechanisms**, incentives and co-funding models to stimulate private and public investment;
- **Strengthen links between labour market actors** (education and training, employment services, trade unions and industry);
- Use **fiscal and information tools to raise awareness** and communicate the mutual benefits between economic, environmental and social goals;
- **Offset the potentially regressive effects of 'green policies'** with policies in another area (i.e. moving tax away from labour towards energy);
- Encourage businesses to adopt 'open innovation models' that **facilitate the exchange of knowledge** within a sector and speed up internal innovation (as well as mitigating against the risks associated with leading change);
- Continue and increase **integration of green jobs targets into European and national financial instruments** (e.g. European Progress Microfinance Facility, ERDF).

2.3 Combatting undeclared work: the role of inspection and enforcement

2.3.1 Introduction

Undeclared work is a common concern in the EU and has serious economic, budgetary and social implications in the Member States. In particular, it can have a negative impact on work quality, skills development and lifelong learning, the health and safety of workers (including health care) and social protection systems (e.g. pension savings).

Although there is no shared definition of undeclared work in the EU, in addition to the most widespread form work without declaring an income or paying contributions. Other common forms are 'shadow self-employment', 'envelope wages', and undeclared overtime. The sectors that most commonly make use of these are those with high labour demand, particularly for low-skilled workers, and marginal value-added activities, such as the construction, care services and agricultural sectors. At the company level, micro, small and family-run businesses seem particularly susceptible due to their tight financial margins. And at the individual level, young people, students, women and pensioners are at a greater risk of working illegally due to their more vulnerable position in the labour market.

The extent, pervasiveness and significance of undeclared work led the EU to include this issue as a priority in a number of recent policy documents. One of the objectives of the 'Towards a job-rich recovery' initiative (part of the EU's Employment Package) is to "transform informal or undeclared work into regular employment". The 2010 Employment Guidelines from the EU Council advised Member States to introduce "measures addressing precarious employment, underemployment and undeclared work". The Annual Growth Survey for 2012 further encouraged these countries to strengthen the pathway from undeclared work to formal employment.

Whilst the nature and extent of undeclared work varies from one country to another, some common causes can be identified. Generally, undeclared work is driven by low economic growth, high unemployment coupled with low labour demand, as well as a prevalence of low basic skills. Individuals tend to enter into the grey economy when tax, social security and legal systems make declared work less favourable. High non-labour costs for employers (i.e. administration, health provision, training etc.), differential tax rates (between, for example, the status of employed and self-employed), low wages, high marginal tax rates (from benefits to work) and restrictive labour laws have all been cited as exacerbating factors.

2.3.2 Main lessons of MLP activities

At the Czech Peer Review in October 2012, most countries agreed on the importance of the inspectorate service in tackling undeclared work, as well as discussing the means of strengthening their position (legal change; better salaries and professional development; technological support, etc.). In line with Member State requests, the MLP organised a Learning Exchange in Tallinn, Estonia, in October 2013, in order to further the discussion on the role of labour inspectorates.

Estonia, Czech Republic and Lithuania participated in the Learning Exchange, all of which have undergone major economic change since the 1980s. In general, the issue of undeclared work has also been exacerbated by the recent economic crisis. The event provided the opportunity for their inspectorate and tax services to learn from the Estonian preventive approach to tackling undeclared work, and the Lithuanian system of registering employees a day prior to the start of their jobs in order to detect fake contracts.

As well as re-stating the importance of a strong inspectorate for fighting undeclared work, the countries agreed on the centrality of strong communication channels and awareness-raising measures amongst individuals and companies in order to solve the issue. Although recent research from Eurofound suggests that deterrence is generally seen as the most effective policy approach in the EU⁷, the establishment of incentives encouraging re-entry into the formal labour market are increasingly popular.

2.3.3 Key policy approaches

Undeclared work is present in all countries and the way it is tackled depends on the national situation. Across the EU countries, the range of measures to tackle undeclared work can be understood in terms of a process, from prevention and deterrence, through to detection, negotiation and finally action. Most of the detailed policy examples in this section will be from Estonia, as these were the prominent good practices showcased at the Learning Exchange in October 2013.

The preventive approach to undeclared work can include a mix of measures, from public awareness-raising (e.g. Estonia, Ireland and Lithuania) through to more structural changes in the country's economy. Other effective measures have been anonymous whistle-blowing (as in Ireland and Latvia).

The preventive approach: The 'Letter Project', Estonia

The 'Letter Project' in Estonia was set up as a way to improve tax behaviour among firms. The aim of this project was to reduce the cost of labour and the amount of time spent on controls, as well as to provide an opportunity for firms to voluntarily start paying their taxes.

The project was launched in 2003 by Tax and Customs Board (ETCB), with pilot implementation in 2004 and 2005. In 2005, 1,000 businesses with extremely low wages were sent letters from the Board and encouraged to pay legal amounts of tax 'voluntarily', without fear of inspection or sanction. As past control actions were focused solely on suspects, this was a novel approach to reforming tax behaviour.

The construction sector was a key target for the project, where previous control activities had suggested that undeclared work was a particularly serious problem. Six months after the letters were sent out, around half of the businesses started to pay more taxes and increased employee wages. It was estimated that state revenue went up by EEK 43 million (€2.7 million) as a result.

⁷ Eurofound, *Tackling undeclared work in 27 EU Member States and Norway: Approaches and measures since 2008* (2013): <http://www.eurofound.europa.eu/publications/htmlfiles/ef13243.htm>

Due to these impressive results, the ECTB received the Public Relations Award in 2005, an award given by the Estonian Public Relations Association.

More measures to detect undeclared work can be found in the Czech Republic and Germany where there is a strong (although not exclusive) focus on controls and inspections. At times, countries opt for a more balanced combination of preventive and detective measures. In Estonia, visits by the Labour Inspectorate (LI) are an important addition to 'voluntary' initiatives. In Lithuania, employees are required to register a day prior to starting work. Estonia is currently undergoing similar reforms. The success of this approach to detecting fake contracts is mixed, as shown in the box below.

Detecting fake contracts: the mixed success of employee registration in Lithuania and Estonia

The job of labour inspectorates carrying out unannounced raids can be made harder by the legislative framework in the country. For instance, in Estonia, employers do not have to register short-term labourers, and they have a week in which to register long-term workers. This means that during raids undeclared workers can claim it is their first week to evade detection.

Since 2012 in Lithuania, long-term employees have been required to register a day before they start work. However, as this does not apply to part-time contracts, the reform had the negative effect of increasing the number of people 'in part-time work' (i.e. working undeclared).

Estonia is currently undergoing a similar reform to Lithuania, which will come into effect from July 2014. This will require labourers to register on the first day of their job. An electronic employee registry is currently being developed for this purpose. Employers will also be able to register their staff members by SMS or in the Custom and Tax Board Office. Learning from the experience of Lithuania, Estonia's new system will apply to all workers, and not just those who are employed full-time.

Despite signs of an improvement, Estonia, Lithuania and the Czech Republic all warned of the dangers of pre-registration in restricting employers' flexibility.

The e-services offered by the Tax and Customs Board and the telephone line offering tax advice in Estonia have also been drawn out as a method of encouraging people to pay their taxes and keeping inspectors well-informed about the latest developments in the sector.

The Czech Republic has set up more restrictive measures, where large-scale controls have been implemented and fines increased. Until December 2013, jobseekers are also required to register regularly at 'CzechPoints', with only short notice. The intention of this latter initiative is to make it more difficult to work the irregular hours of many undeclared jobs.

2.3.4 Emerging policy recommendations

The Learning Exchange of 2013 re-iterated many of the policy recommendations drawn out at the Peer Review of 2012. EU-policy makers are encouraged to:

- **Strengthen the labour inspectorate** in its fight against undeclared work. Inspectors should have good pay, job security and opportunities for career progression, as well as the necessary technology and vehicles for their work. Inspectorates must also have the authority to access premises and carry out their work in a way which leads to effective detection and sanctioning.
- Set up **strong communication platforms** that inform citizens about their obligation to pay taxes, as well as the e-services to facilitate these payments.

- Adopt **'incentive' strategies** to encourage individuals and businesses to reform their tax behaviour voluntarily (such as Estonia's Letter Project).
- Show clear **political will** to tackle undeclared work. Some measures may be costly and require investment in manpower, but without such support, the capacity and credibility of any measure can be severely undermined.
- Set up a **robust legal framework** that clearly defines undeclared work, gives authority to inspectorates and helps to enforce penalties.
- Assess carefully the costs and benefits of requiring employers to register staff members in advance.

2.4 Improving access to training and job creating in the service sector: lessons from the use of voucher systems

2.4.1 Introduction

The EU is invested in improving labour market transitions and making it easier for people to enter into formal employment. As well as being committed to tackling undeclared work (see section 2.3 above), it also supports programmes that respond to key skills gaps in the labour market.

Lifelong learning and ongoing skills development play an important role in improving the employability prospects of unemployed and in meeting skills needs in the workforce⁸. Recent research from Cedefop demonstrated the importance of strategically investing in skills to boost economic growth and innovation⁹. In recognition of the significance of lifelong learning, the EU Member States and European Commission agreed a strategic framework for European cooperation in education and training in 2009¹⁰. Financial support is available via the EU Lifelong Learning Programme (from 2014 actions are funded through the 'Erasmus+ Programme')¹¹.

In national response to these issues, voucher systems have been used to improve access to training in Belgium, Greece and Latvia. Vouchers have also been used to increase employment opportunities, particularly in the service sector, and lessons from these schemes are also reflected here.

2.4.2 Main lessons of MLP activities

As a follow-up to a Learning Exchange held in Greece in 2012, the MLP organised a [Learning Exchange on Voucher Systems](#) in September 2013. The event was hosted in Riga, with delegations from Belgium, Greece and Latvia.

For Greece and Latvia, the emphasis was on their training voucher systems. As two countries experiencing similar labour market issues (economic recession, youth unemployment, high incidence of undeclared work), there is significant scope for them to learn from one another as to the success factors for effective training interventions and labour market transitions. In addition, Belgium and Latvia presented on their service voucher systems. Amongst other things, these can be said to encourage a transition from undeclared to formalised labour.

⁸ As emphasised in the European Commission, *Staff Working Document: Vocational education and training for better skills, growth and jobs* (2012). Available to download here: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2012:0375:FIN:EN:PDF>

⁹ Cedefop, *Sectoral perspectives on the benefits of vocational education and training* (2012). See: <http://www.cedefop.europa.eu/EN/publications/19891.aspx>

¹⁰ http://ec.europa.eu/education/policy/strategic-framework/index_en.htm

¹¹ Erasmus+ replaces current funding programmes run by the European Commission in the area of education, training, youth and sport, including the Lifelong Learning Programme (Erasmus, Comenius, Leonardo, Grundtvig and Transversal), Youth in Action and other international programmes including Jean Monnet and Erasmus Mundus http://ec.europa.eu/programmes/erasmus-plus/index_en.htm

2.4.3 Key policy approaches

Belgium, Greece and Latvia all have voucher systems, although they vary in their nature, purpose and scope. The most similar programmes were those in Latvia and Greece, established to offer training vouchers to improve the long-term employment prospects of participants.

Training voucher systems in Latvia and Greece

Latvia's training programme began in 2011 and is targeted at unemployed individuals. A monthly stipend of LVL 70 (EUR 100) is given to those who take part whilst they train to receive formal qualifications. Important target groups include the low-skilled or migrants and other disadvantaged groups in the labour market. A study carried out by the World Bank in 2013 found that, despite variations, all the professional and information training/education programmes for unemployed people had had a positive effect in terms of their job stability and earnings¹².

The following key strengths of the Latvian scheme were identified:

- The Training Council's role in setting the types of training programmes. The Council represents the Ministry of Welfare, government bodies and social partners. It uses a variety of sources to undertake skills forecasting and to decide on the basic skills training areas for the target groups, such as: PES data on job vacancies, profiles of unemployed individuals, the placement rate after training; labour market forecasts from the Ministry of Economics; contributions from Industry councils; and other forecasts and sector studies.
- Clients have the power to choose their training / education providers.
- Competition between the training bodies drives up the quality of the courses.
- Training bodies have less power over who they train, meaning they cannot 'cherry pick' those with highest skills. PES can stream training more towards those who need it most.
- Online self-assessments are a key way for participants to evaluate training courses after they complete them.

The challenges for the Latvian training programme can be summarised as over-subscription; limited labour market information; and difficulties in monitoring training providers to ensure that they are paid for delivering results rather than 'signing up' participants. In response to the last of these, Latvia is currently considering introducing a payment-by-results (PBR) element to its programme, partly inspired by Greece.

Greece began its training voucher system in 2012. Unlike the Latvian scheme, the Greek system is restricted to ICT training for unemployed people. Training participants receive a one-off payment of EUR 500 rather than a monthly stipend. The Greek government also offers vouchers to employers that take on young people.

Both the Latvian and Greek examples are aimed at matching labour market supply more close to demand.

¹² World Bank Research Latvia, *Who is Unemployed, Inactive or Needy? Assessing Post-Crisis Policy Options* (2013).

Considering a different scheme, Latvia's (pilot) voucher system for childcare services aims to encourage more parents to participate in the job-force by increasing the availability of affordable childcare services and at the same time creating employment in this sector. In particular, it is targeted at those who are unable to access places in public childcare facilities. Vouchers are given for child services in the home, with child-minders expected to reach minimum qualification standards and be added to the Ministry of Welfare's register. As well as promoting greater labour market participation of parents, the scheme aims to bring down undeclared work.

Similarly, in Belgium, there is a vouchers scheme in place to encourage the transition from undeclared labour to formalised employment, as described in the box below.

Belgium's voucher system for domestic services

Belgium has a long-standing voucher system, started in 2004 for household services. It covers services from registered companies (e.g. cleaning, washing, cooking, transport, etc.) but excludes personal care for vulnerable people. It aims to get unemployed and low-skilled individuals into formalised employment, as well as promoting a better work-life balance for 'clients'. It does so by subsidising vouchers for domestic service labourers, so that 'users' pay a very low price for the services they receive.

Independent evaluation of the Belgian programme is carried out on an annual basis. Recent evaluations have concluded that the system has led to new jobs for low-skilled labourers and immigrants (in 2011, 4.4% of all Belgian labourers were in the system). Important success factors include social partner buy-in, state funding for the programme, and relative cheapness of the voucher for the user. In addition, the following strengths have been drawn out: provision of high-quality jobs due to the system's rigorous quality assurance standards (permanent contracts, good average salary, etc.); contribution to a higher GDP in Belgium; and a better work-life balance for users.

However, recent evaluations have also highlighted challenges for the scheme, the most important of which being that it is very expensive¹³ for the government. There are also concerns that it is being misused; that the government may need to contribute more in future to keep companies involved; and that there are limited professional development opportunities for employees.

2.4.4 Emerging policy recommendations

- For training voucher systems, **undertake comprehensive skills forecasting** to design the training programmes;
- **Tailor training** provided to employers' needs.
- Ensure **social partner buy-in** to voucher systems;
- For service voucher systems, set up **quality assurance standards**, not only to ensure a high-quality service but also (where applicable) to protect the service provider[s].

¹³ The 2011 evaluation put the net cost at EUR 911 million.

3. Relevance of the MLP for EU2020 and a look forward to 2014

Countries face common challenges in responding to the effects of the crisis on their labour markets. The topics of the MLP events of 2013 demonstrate the desire for more detailed, focussed learning on key items on countries' policy agendas as a follow up from Peer Review events. Therefore the institutionalisation of follow-up Learning Exchanges (focussing on the transfer of experience between a smaller number of countries) proved a valued addition to the MLP. In addition, the focus on the priorities set down in the Employment Guidelines and Country Specific Recommendations as part of the European Semester continued. This is particularly true for the activities focussing on addressing youth unemployment. The opportunity offered by the MLP to organise a thematic learning event on the drafting of Youth Guarantee Implementation Plans was seen to be particularly valuable and led to a range of follow up actions, including the (current) preparation of the document on Frequently Asked Questions (FAQs) at this event by the European Commission.

The critical issue of youth unemployment will remain a focus of the MLP in 2014, with a Peer Review being organised in France in February 2014, looking at the *Emploi d'Avenir* scheme.

Work continued in 2013 on the subject of evidence-based policy making, which had previously been the subject of two Peer Reviews (in the UK in 2011 and in Belgium in 2012). The new framework of the MLP allowed for the preparation of a database of good practices, which was launched in November 2013. The events of the MLP will continue to yield experiences to add to the database and Member States are encouraged to submit their own successful practices to be added to the database.

The year 2014 will also see a focus on the issue of wage developments and the reduction of the tax wedge, particularly for low skilled workers. A Peer Review being organised in the UK will provide the opportunity to consider the development of minimum wage schemes and their impact on employment creation.

Efforts will continue to align the activities of the MLP with those of the European Semester and with that in mind there will be an ongoing regular exchange with the EMCO Ad hoc group to identify themes and host countries for the Peer Reviews.