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Analysis of the Youth Guarantee in EU Member States

Employment, Social Affairs and Inclusion

This note provides an analytical overview of the labour market outcomes of young people in the EU Member States following the introduction of reforms that have been implemented under the framework of Youth Guarantee. It was prepared by Sonia JEMMOTTE, Zelda AZZARA and Ana XAVIER with analytical contributions from Giuseppe PIROLI, David ARRANZ and Jörg PESCHNER from the Thematic Analysis Unit in DG EMPL. The note benefited from the comments of Katerina ARISTODEMOU from the EMCO Support Team; Elodie FAZI, Ulrike STOROST, Isabelle DEGANIS from the Employment Strategy Unit; Jan BEHRENS in the Unit 'Employment and Social Aspects of the European Semester'; Aron KISS in the Country Reform Unit and Bettina KROMEN and Ralf JACOB in the Thematic Analysis Unit, DG EMPL.

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The Youth Guarantee is a commitment made by all Member States, to ensure that all young people under the age of 25 years 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. This note provides an analytical overview of the labour market outcomes of young people in the EU Member States following the introduction of reforms implemented within the framework of Youth Guarantee.

Marianne Thyssen

Commissioner for Employment, Social Affairs, Skills and Labour Mobility

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Introduction

This web note analyses the labour market outcomes of young people in the EU Member States following the introduction of reforms that have been implemented under the framework of Youth Guarantee. The Youth Guarantee (YG) is a commitment by all Member States, in the form of Council Recommendation adopted in April 2013, to ensure that all young people under the age of 25 years 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[1]. This web note complements a Communication, and accompanying Staff Working Document, by the European Commission that highlights the main achievements of the Youth Guarantee and Youth Employment Initiative (YEI) since their launch in 2013 and draws lessons on how to improve the EU and national efforts on deploying national Youth Guarantee schemes[2].

Section 1 describes the evolution of the main labour market indicators in the EU for the period 2008-2013 for young people aged 15-24 using the indicators from the 'Indicator Framework for monitoring the implementation of the Youth Guarantee'[3] (see Box 1 below).

Section 2 takes a closer look, by Member State, at the evolution of these labour market indicators for the period 2013-2015. It then identifies Member States where improvements have been particularly striking, possibly linked to the implementation of the YG Recommendation in these countries. Strong reductions in the rate of young people neither in employment, education or training (NEET) in Member States hit hard by the crisis and experiencing weak economic recovery could signal a positive impact of national YG schemes. NEET rates are analysed alongside other labour market indicators in the YG indicator framework, notably unemployment rates, employment rates and education-related indicators, to examine whether the reduction in NEET rates is due to young people moving into work or training and education.

Section 3 looks at the potential impact of the YG on the overall more favourable labour market outcomes. It looks particularly at whether the reduction in youth unemployment in the EU since 2014, as well as in each Member State, is above or below labour market expectations associated with the economic recovery ("Okun analysis"). It then compares the evolution of unemployment for young people to the evolution of adults to further identify where reductions were above or below expectations, based on the adult performance indicator ("discrepancy analysis"). Finally this section looks at demographic aspects to disentangle whether the reduction in unemployment could be due to a reduction in the number of young people aged 15-24 rather than a movement of young people into employment and education.

A number of caveats must be borne in mind in relation to this analysis. The first is that it is not an evaluation. Youth guarantee is examined largely under the

[1] 2013/C 120/01 of 22 April 2013.

[2] COM(2016) 646 final. SWD(2016) 323 final.

[3]European Commission, DG Employment, Social Affairs and Inclusion and The Employment Committee - Indicator Framework for Monitoring the Youth Guarantee
http://ec.europa.eu/social/contentAdmin/BlobServlet?docId=13402&langId=en

Youth Guarantee Indicator Framework for Monitoring the Youth Guarantee[4]. With the adoption of the YG Recommendation in April 2013, swift implementation of national YG schemes took place from 2014 onwards, however the full roll-out of the YG is still ongoing, including structural reforms of labour market and education and training institutions. There are also issues of data quality and comparability that need to be tackled. It is therefore far too early to realise the full impact of the YG at this stage of its implementation. However, it is interesting to review two full years of data gathered since the start of the YG in the Member States.

Box 1: The Indicator Framework for monitoring the YG

The EMCO Indicators Group was mandated to develop a fully-fledged proposal for a methodology and indicators for monitoring at EU level the implementation and the results of the Youth Guarantee. The Indicator Framework for Monitoring the Youth Guarantee was endorsed by EMCO on 28 May 2015 and it accompanied in an Annex the EMCO's key messages on the Implementation of the Youth Guarantee and monitoring framework, which were endorsed by the EPSCO Council in December 2015. The data collection and reporting takes place on an annual basis. The Indicator Framework comprises indicators related to three levels:

- Aggregate (macroeconomic) monitoring: Macroeconomic indicators monitoring the general situation of young people in the labour market (these include, among others, the NEET and youth unemployment rates);
- Direct monitoring: Implementation indicators measuring the direct impact of Youth Guarantee delivery (these include, among others, the proportion of young people in the Youth Guarantee service beyond four months);
- Follow-up monitoring: Follow-up indicators, assessing the sustainability of labour market integration or reintegration into formal continuing education and training after take-up of a YG offer. Follow-up indicators looking at the situation of participants 6, 12 and 18 months after a young person has taken up an offer under the YG.

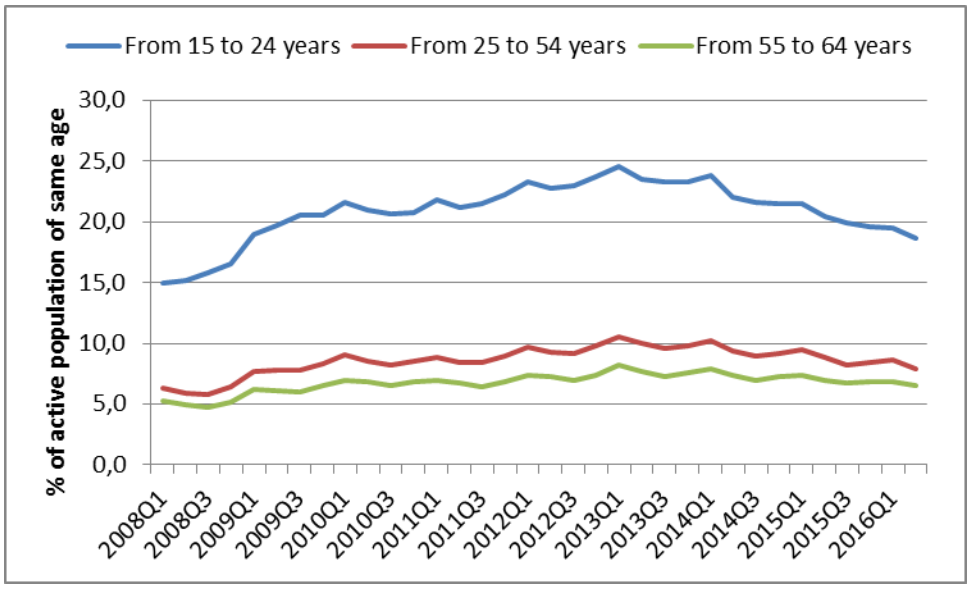
Section 1: Evolution of indicators

1.1 2008-2013: The double-dip recession

A decade ago, the EU economy could be described as prospering and improving in the lead-up to 2008. This was also reflected in the labour market performance of young people aged 15-24. In 2008, the crisis hit and the EU economy experienced a double dip recession. The first deep recession started in 2008 and after a period of modest recovery another smaller dip was experienced towards the end of 2012 which lasted until 2013. Young people were one of the most affected groups in the crisis. Chart 1 below, shows how unemployment levels increased significantly more for young people aged 15-24 than for older workers from 2008 to 2016.

[4] Although the Indicator Framework is the main tool guiding the analysis not all indicators in the framework are used to assess this early phase of implementation. Greater focus is placed on more immediate outcome measures that might be seen in the earlier phases of implementation.

Chart 1: The evolution of unemployment per quarter 2008Q1 – 2016Q2



Eurostat, LFS, [lfsq_urgan]

Youth unemployment rate is the share of unemployed young people aged 15-24 in the total labour force aged 15-24. It was **not the only indication of the negative impact of the recession on the situation of young people.** There are a number of indicators showing a worsening and then gradual improvement in young people's labour market performance in the EU from 2008 and 2013[5]. They highlight the context that led up to the YG Recommendation adoption as well as the first two years of its implementation. There were concerns that 'scarring effects' could damage young people's careers and future life chances, and ultimately weigh on the future growth prospects of the EU economy[6].

Chart 2 below presents the key indicators of young people's labour market performance in the EU from 2008 to 2015. In the EU the overall NEET rate in 2008 was 10.9% and rose to 13.2% in 2012. Most Member States saw their NEET rates increase during the crisis years, albeit to widely varying degrees. The NEET rates in Bulgaria, Ireland, Greece, Spain, Italy Cyprus, Latvia and Romania ranged from 15% to 26% during the crisis years. The Netherlands, Denmark and Luxembourg had comparatively low NEET rates during 2008-2013, not exceeding 7%. By 2015, encouraging reductions in the NEET rates can be seen.

The EU youth unemployment rate increased from 15.8% in 2008 to a historical high of 23.7% in 2013. The youth unemployment ratio corresponds to the number of unemployed aged 15-24 as a percentage of the total population aged 15-24 years. Those participating in education or training and looking for work are included

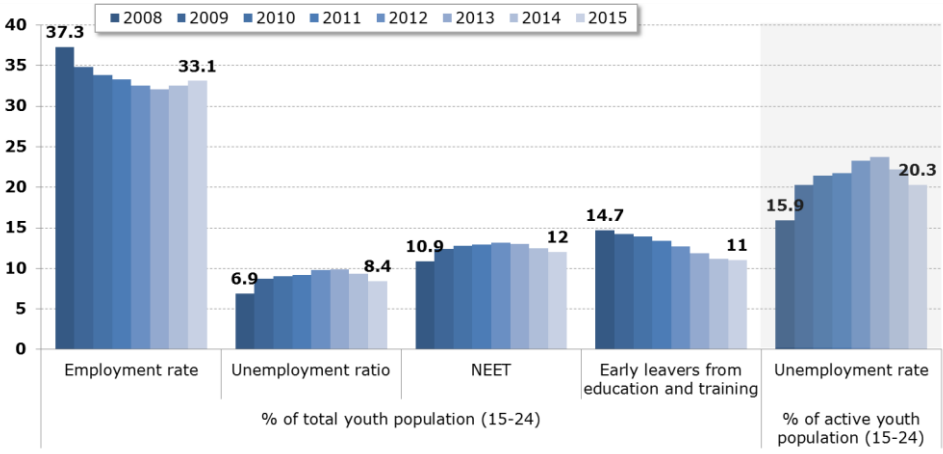
[5] These indicators are taken from Indicator Framework for monitoring the implementation of the YG

[6] DG Employment research note 06/2014 Scarring effects of the crisis

http://ec.europa.eu/social/BlobServlet?docId=13626&langId=en

population in the unemployment ratio and inactivity rate. In 2008 it was 6.9% and rose to nearly 10% in 2013. The EU youth employment rate at its best was 37.3% in 2008, at its lowest 32.1% in 2013.

Chart 2: Employment rate, unemployment ratio, NEET, early school leavers and unemployment rate in the EU, 2008-2015



Source: Eurostat, LFS

Source: Eurostat, unemployment series and LFS, [lfsi_emp_a, tespm080, edat_lfse_20, edat_lfse_14, une_rt_a.

Note: Employment rate, unemployment ratio, NEETs and early leavers are all measured as a proportion of the total population of young people. The unemployment rate is the rate of unemployed young people as a proportion of all young people either in work or looking for work.

Young people's long-term unemployment rates were also affected by the crisis and the following recovery. In 2008, the long-term unemployment rate for young people was 3.6%, increasing to 8% by 2013 and falling back to 6.6% in 2015. The evolution of long-term unemployment rates may be considered as an indication of the risk of 'scarring' effects which reduce employability, productivity and incomes of the young unemployed well into the future.

The impact of the crisis on youth labour market performance was more dramatic for some Member States than for others. During the period between 2008 and 2013, three Member States, Greece, Spain and Croatia, saw their youth unemployment rates soar to over 50%. Portugal and Italy registered unemployment rates that surpassed 40%. Cyprus, Latvia, Lithuania and Estonia experienced sharp hikes of around 30 pps taking their unemployment rates to around 40%. By contrast, in Austria, Netherlands, Germany, Denmark and Finland **youth unemployment remained remarkably stable during the crisis** (Chart 3).

Member States displayed similar developments in relation to **youth employment rates** over the 2008-2013 period. Particularly affected were Greece that saw its youth employment rate plummet to 11.8%, Croatia with 14.9%, Italy with 15.6% and Spain with 16.7%. Member States that fared best saw employment rates remain above 50%, including in the Netherlands, Denmark, Austria and the UK.

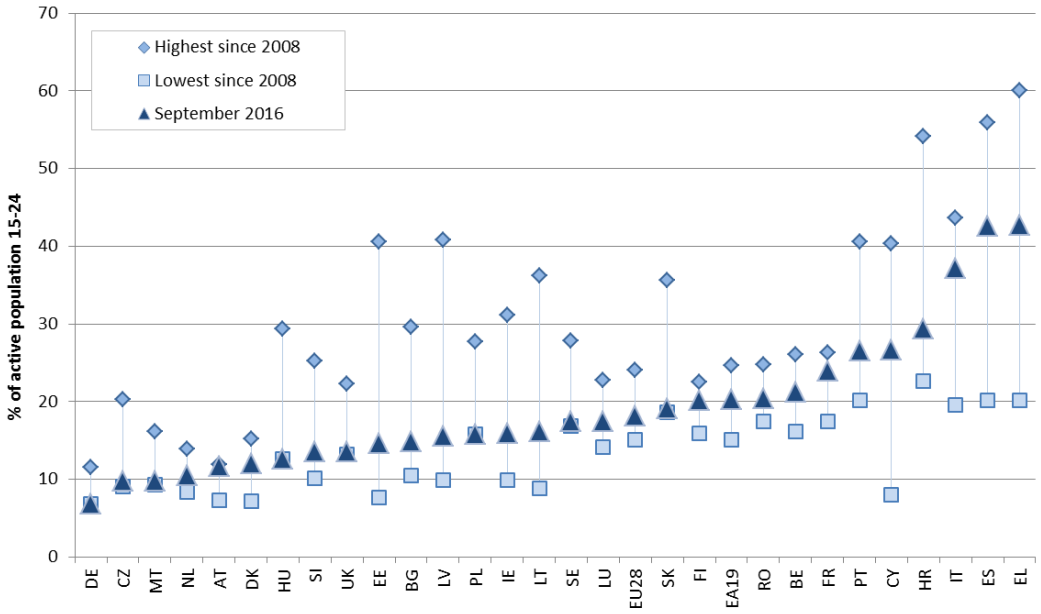
Youth unemployment ratios, i.e. young unemployed as a proportion of the population of young people, peaked for most Member States in 2013. Member States with the highest youth unemployment ratios were Spain, Greece, Croatia, Cyprus, Latvia and Portugal which saw their ratios go over 14% during the period between 2008 and 2013. By contrast, Austria, Germany, the Czech Republic, Lithuania and Malta were the Member States with the lowest unemployment ratios at the end of the crisis: below 7% in 2013 for all these countries.

1.2 2013-2015: labour market performance improves and starts to converge

In 2013, the economy started a modest recovery. From 2014, and continuing into 2015, there was an overall improvement in young people's labour market performance. In 2015 compared to 2013, the youth employment rate increased by 1 pp to 33.1%; the EU youth unemployment ratio fell by 1.6 pp to 8.4%; the NEET rates decreased by 1 pp to 12 % and the unemployment rate fell by 3.4 pps to 20.3%. Moreover, steady reductions in the number of early leavers from education and training show that young people are increasingly engaging in education, with a 3.7 pps reduction of early leavers to 11% between 2008 to 2015.

The period 2013-2015 also displayed a **convergence among Member States in their youth labour market performance**. This is due to the significant improvements in Member States that had experienced the worst impact of the crisis on their youth labour market situation. For example, in Greece the youth unemployment rate in 2013 was nearly 60%, but by 2015 it had seen a significant reduction, falling below 50%. Similarly, Greece's youth employment rate increased by 1.2 pps, which is slightly better than the EU average increase from 2013 and 2015 (1 pp). Greece also saw an important reduction of its NEET rate since 2013 (3.2 pps). Other large reductions of the NEET rate were seen in Hungary 3.9 pps, Cyprus 3.5 pps, and Spain 3 pps. Latvia and Ireland saw their NEET rates significantly reduced to 10.5% and 14.3% in 2015.

Chart 3: Youth unemployment rates in the EU Member States in September 2016 and highest and lowest rates since 2008



Source: Eurostat, LFS, data seasonally adjusted [une_rt_m]
Note: RO: June 2016 UK, EL: July 2016 & HU, EE: August 2016

1.3 The NEETs – a heterogeneous group

The YG covers all young people not in employment, education or training (NEETs). NEETs are, however, a heterogeneous group and can be further subdivided into two broad categories: unemployed NEETs who are actively looking for work; inactive NEETs who are not looking for a job. As the YG aims to activate both unemployed and inactive young people, the analysis that follows examines the evolution of both groups, together with the overall NEET rate.

Chart 4, shows **that the observed reduction in the NEET rate since 2013 at EU level is largely due to a reduction in unemployment.** The unemployment rate fell during the two years following the adoption of the YG (2014-2015).

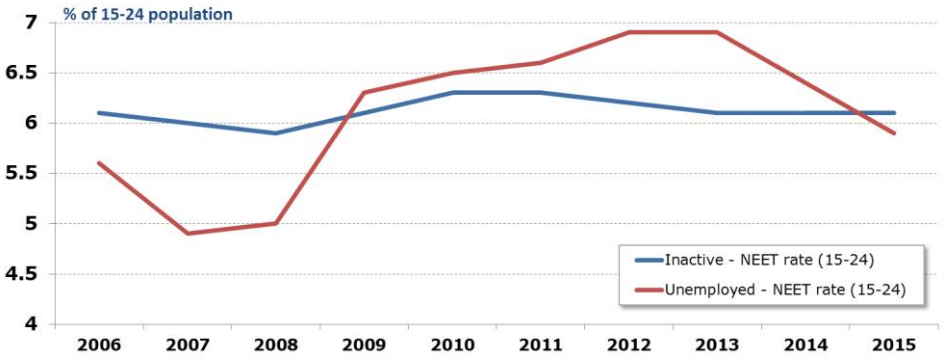
By contrast, **the performance of inactive NEETs at the EU level has remained largely unchanged**. About half of the NEET population are economically inactive and not looking for a job, with large variations across Member States. Inactive NEETs are also not a homogenous group, as shown by the Eurofound[7] report on NEETs. Inactivity can result from a variety of factors, including family responsibilities and health issues, but also discouragement and a lack of incentives to register as unemployed. In some Member States with particularly high NEETs rates, around 40% of the inactive NEETs could be discouraged from seeking employment. For Member States with more favourable labour market conditions, this is less likely to be the case.

[7] Eurofound (2016), *Exploring the diversity of NEETs*, Publications Office of the European Union, Luxembourg

http://www.eurofound.europa.eu/exploring-the-diversity-of-neets-1

Considering the composition of NEETs is therefore important because the type of support required or the time needed to help young people back into employment, education or training through a quality offer under the YG may differ across groups. In this regard, activating unemployed NEETs closest to the labour market will be easier than engaging inactive NEETs who need to be identified, reached out to, and supported so that they are able to take up an offer under the YG.

Chart 4: Inactive and unemployed NEET rate in the EU 15-24



Source: Eurostat, LFS [edat_lfse_20]

Section 2: Labour market trends in the EU Member States

This section presents a descriptive overview of the trends in NEET rates by Member State. It groups Member States according to the NEET rate observed in each country in 2013, alongside the change observed in the period 2013 to 2015 when the Youth Guarantee may have started to produce its effects. The section explores both the aggregate NEET rate and subgroups, i.e. unemployed and inactive NEET. It also looks at the unemployment ratio and the unemployment rate for people aged 15-24 and analyses the employment rates and educational attainment of young people aged 15-24.

2.1 Changes in 15 -24 NEET rates in Member States between 2013-2015

Member States are analysed by dividing them into three groups according to two criteria: 1) the proportion of NEETs in each country in 2013 (the year when the YG recommendation was adopted) and 2) the degree to which this proportion changed from 2013 to 2015. This categorisation aims to identify the Member States that began with high NEET rates and saw significant reductions since 2013, as these could be countries where the YG could have acted as a driver for reform. Moreover, if important reductions in the NEET rates are observed in Member States that were more strongly hit by the crisis and experienced a more modest economic recovery, then improvements are more likely linked to national YG schemes.

2.1.1 Grouping of Member States by aggregate NEET rate 15-24

The EU NEET rate among young people aged 15-24 years in 2013 was 13%. Accordingly, Member States are grouped in the following way:

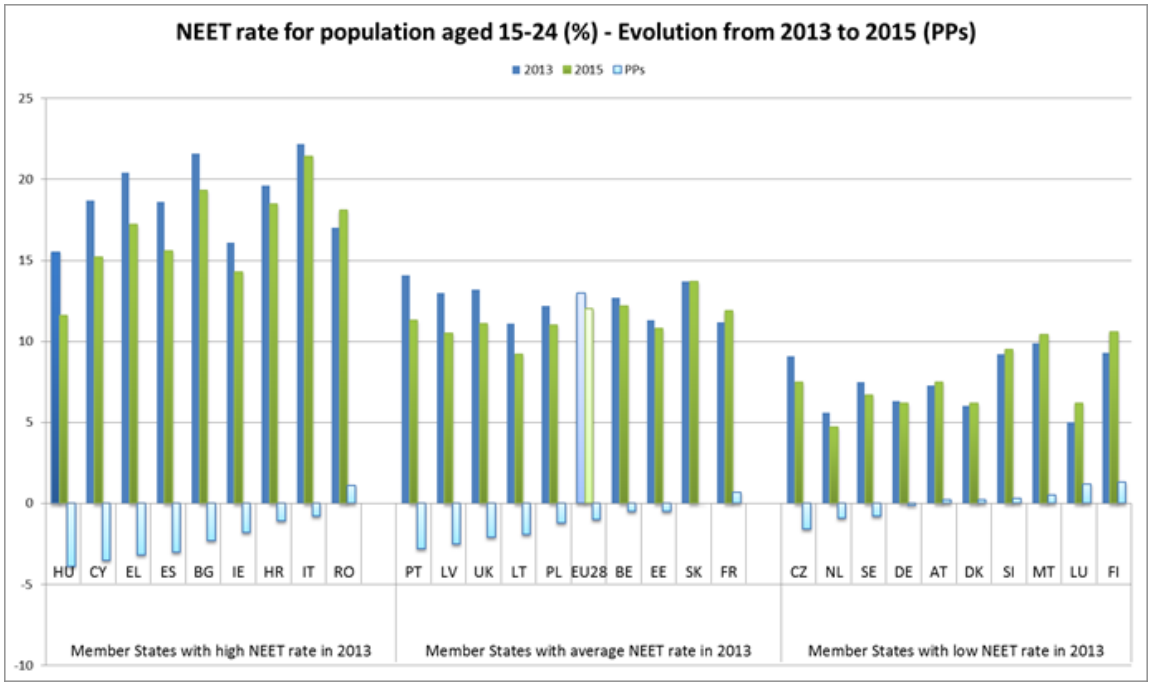
Member States with a NEET rate higher than 15% in 2013

Member States with a NEET rate between 10% and 15% in 2013

Member States with a NEET rate lower than 10% in 2013.

Within each of these three groups, Member States are further ranked according to the magnitude of change in their NEET rates from 2013 to 2015. In the EU, the NEET rate decreased from 13% in 2013 to 12% in 2015 (Chart 5).

Chart 5: NEET rate for young people aged 15-24, 2013-2015



Notes: PPs are percentage point change

The 15-24 NEET rate decreased in 19 Member States by 2015, in particular in those with the highest NEET rates in 2013. Chart 5 shows Romania as an exception with an increase in the NEET rate in the group with the highest NEET rates. In the average NEET rate group, France is the exception with a NEET rate increase. However, NEET rates remain below 10% for these countries, and it could be that YG contributed to these declines. In the last group with the lowest NEET rates, six Member States saw increases in their 15-24 NEET rates, but the Czech Republic recorded a strong decrease in the NEET despite already having a comparatively low NEET rate.

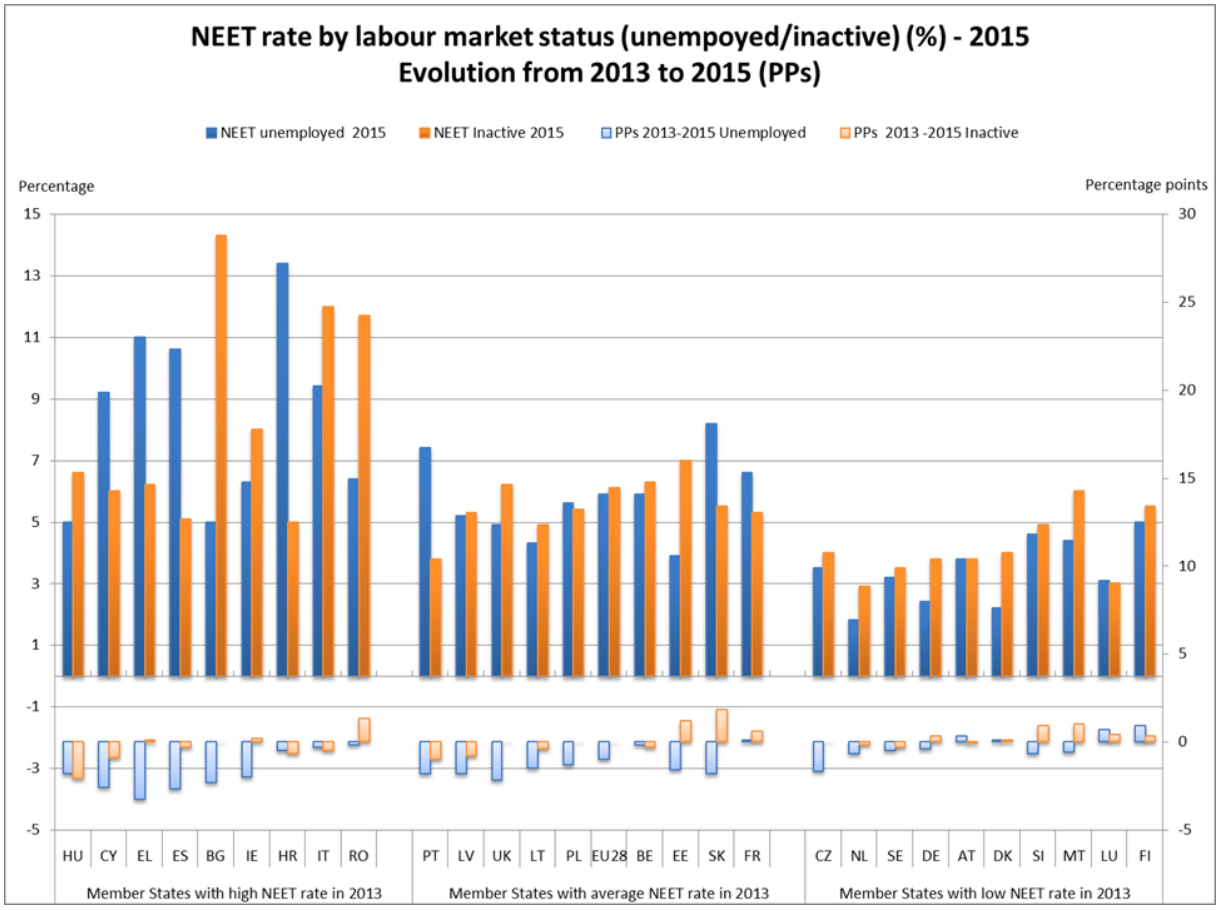
2.1.2 NEET by labour market status

NEETs can be inactive and unemployed and can cease to be NEETs by either finding work or moving into education and training.

Unemployed NEETs

The unemployed NEET rate decreased in 23 Member States, and more so for those with the highest rates in 2013. In Finland, Luxembourg, and to a lesser extent Austria, the unemployed NEET rate increased. In Romania, France, Germany, Slovenia and Malta, the unemployed NEET rate either fell or did not increase significantly between 2013 and 2015.

Chart 6: NEET rate by labour market status (unemployed and inactive)



Inactive NEETs

As discussed previously, the number of inactive NEETs across the EU remained largely the same. **Inactive NEET rates decreased across 12 Member States in the period 2013-2015. In other Member States the rate remained stable or increased, especially so in Member States with high inactive NEET rates**. Hungary (-2.1 pps), Cyprus (-0.9 pps), Latvia (-0.8 pps) and Croatia (-0.7 pps) saw the strongest decreases in inactive NEET rates. Chart 6 shows that in Luxembourg and Finland both NEET rates increased, but overall NEET rates remained below 11%. In Romania, Slovakia, Estonia, Malta, France, Ireland, Slovenia and Germany, the inactive NEET rate increased. **Where overall NEET rates have increased, it is the increase in the inactive NEET rate that drives it**.

Some countries achieved remarkable results in terms of the reduction of overall NEET rates. Spain, Portugal, Cyprus, Hungary, Latvia, Lithuania and Croatia stand out for

reducing both NEET rates. To a smaller degree, compared with these countries, Sweden, the Netherlands, Belgium and Italy also experienced a decrease in both unemployed and inactive NEET rates. Greece, Spain, Cyprus, Bulgaria, United Kingdom and Ireland saw the most notable decreases in the unemployed NEET rate, while Hungary and Portugal experienced the most significant decrease in inactive NEET.

2.2 Youth unemployment ratio and youth unemployment rate 15-24

Changes in NEET rates need to be looked at alongside other labour market indicators in the YG indicator framework, and in particular unemployment ratios and rates.

2.2.1 Youth unemployment ratio

The youth unemployment ratio decreased in the EU by 1.5pp, and for all Member States with the exception of Finland, Austria and Luxembourg. Countries that saw a decrease in their NEET rate also saw a decrease in their youth unemployment ratio. In particular Spain, Greece, Cyprus, Portugal, Ireland, United Kingdom and Bulgaria saw significant reductions in the number of unemployed NEETs and a 2.5 pps or greater decrease in the youth unemployment ratio. Most of these countries had youth unemployment ratios higher than the EU average in 2013 and decreased both their unemployed NEET and youth unemployment ratio, with the exception of Bulgaria.

Latvia, Poland, Estonia and Hungary, which had unemployment rates below the EU average, reduced it further, by around 2 pps, and also saw strong reductions in their unemployed NEET rate.

2.2.2 Youth unemployment rate

The youth unemployment rate fell by 3.4 pps in the EU to 20.3 in 2015 and in most Member States except Finland (2.5 pps), Austria (0.9 pps) and Italy (0.3 pps) (Chart 7). Countries that experienced a decrease in the unemployed NEETs also decreased their 15-24 unemployment ratios with the exception of Italy which, despite decreasing their NEET rate and youth unemployment ratio, saw a slight increase in their youth unemployment rate.

Six Member States (Greece, Spain, Cyprus, Portugal, Bulgaria and Ireland) with very high NEET rates and youth unemployment ratios saw significant reductions in both, as well as their youth unemployment rates. **Hungary, Poland and Slovakia** saw their youth unemployment rates decrease by more than 6.5pps. **Latvia, Lithuania, Estonia and Czech Republic** also saw strong reductions in their unemployed NEET rates, youth unemployment ratio and youth unemployment rate by more than 5.5 pps.

The decrease in the youth unemployment rate can be due to an increase in young people in employment or an increase in inactive young people. Inactive young people can be either in education or inactive NEETs. However, as shown before, the number of inactive NEETs remained stable, so the drop in the unemployment rate is due to an increase in either employed young people or an increased engagement in further education. Section 2.3 explores this further.

Countries that saw a decrease in their NEET rates also experienced a decrease in their youth unemployment ratio and youth unemployment rate. The only exception is Italy with a slight increase in the youth unemployment rate. In general, Member States that had the highest youth unemployment rates and youth unemployment ratios in 2013 also achieved the largest reductions in their unemployed NEET rates. Greece, Spain,

Cyprus, Portugal, Bulgaria, Ireland and Croatia were countries with very high youth unemployment rates and youth unemployment ratios as well as high unemployed NEET rates, and in these countries all indicators saw large reductions.

Chart 7: Youth unemployment ratio 15 - 24

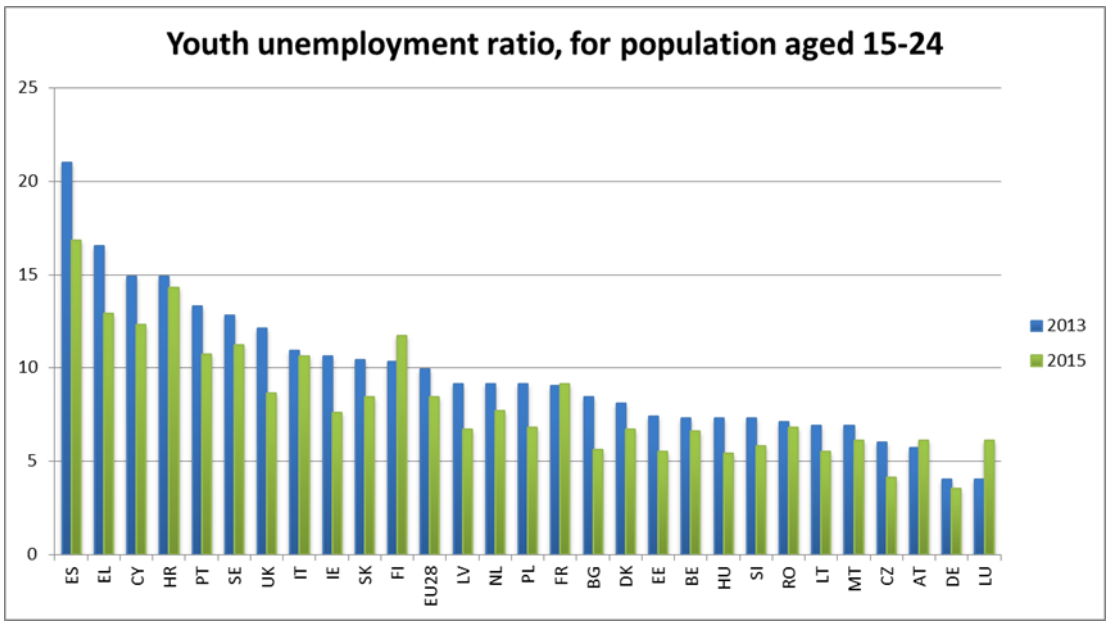
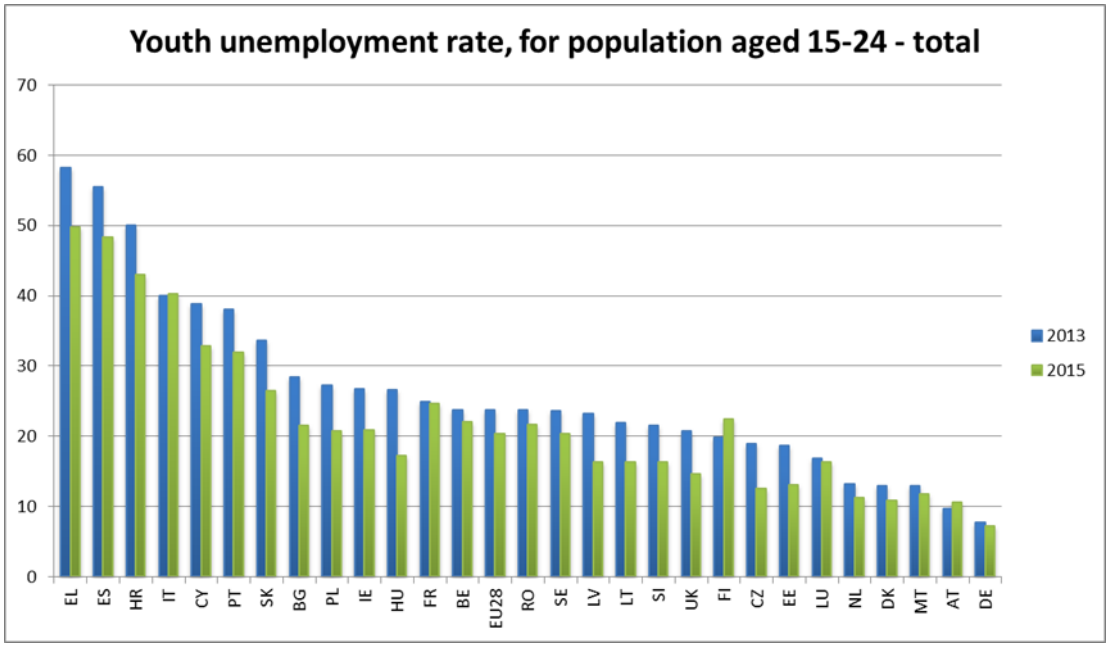


Chart 8: Youth unemployment rate 15 - 24



2.3 The decrease in unemployment: further education or employment?

In most Member States youth unemployment rates, youth unemployment ratios and unemployed NEET rates have decreased at the same time. Therefore, more young

people are either moving into work or education and training. This section examines the movement of young people aged 15-24 into both employment and education.

2.3.1 Transition towards education

In Portugal, Cyprus, Spain, Greece and Ireland, there was a higher transition rate towards education than employment between 2013 and 2015 for young people aged 15-24. In these Member States, with the exception of Ireland, the unemployed NEET rate, youth unemployment rate and youth unemployment ratio decreased. In addition, these countries saw a reduction in the number of early school leavers and an increase in young people's employment rate.

The YG data shows that for Spain 60% of young people moved into education. In Portugal the proportion of early school leavers dropped significantly from 33.4% to 26.4% in 2015. In Ireland, Greece and Spain early school leavers fell by more than 3 pps. Although the YG monitoring data does not show high transitions into education for these Ireland, Greece and Spain, these findings suggests that other policies to keep or return young people to education via other routes are working quite well. The challenging labour market situation in these Member States could be the reason that education was taken up proportionately more than work.

To a lesser extent **the Netherlands, Belgium and Italy also had higher transitions towards education rather than employment** and saw a decrease in both unemployed young people and NEET rate.

2.3.2 Transition towards employment

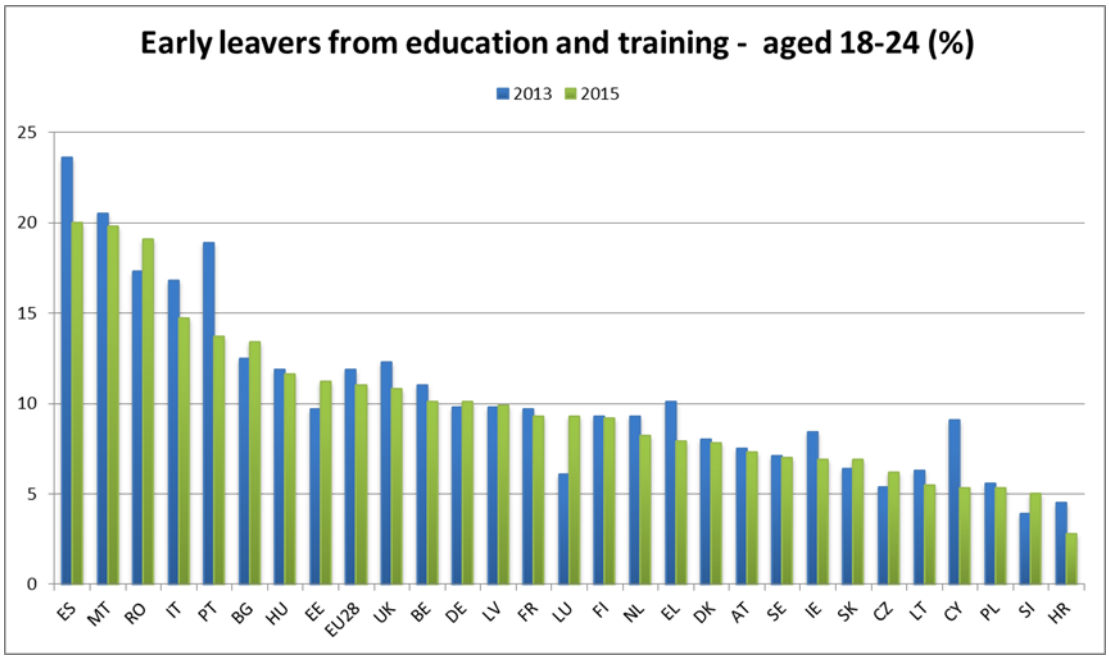
Hungary, Latvia, Lithuania, Czech Republic and Sweden saw stronger increases in employment compared to movements into education. They also decreased unemployed NEETs, the youth unemployment rate and the youth unemployment ratio. This is in line with YG monitoring data showing Czech Republic, Latvia, Lithuania and Sweden as the Member States with the highest proportion of positive and timely exits i.e. in this case, transitions into employment within four months. Data on exits are not available for Hungary.

2.3.3 Transition towards both education and employment

Croatia and the UK saw an almost equal improvement in both education and employment from 2013 to 2015, with employment rates increasing by more than 4 pps. In the UK, the employment rate reached 50%, compared to on 19% in Croatia. At the same time, the proportion of early school leavers in Croatia fell from 4.5% to 2.8%, making Croatia the Member State with the lowest proportion of early school leavers in the EU. In the United Kingdom, the proportion of early school leavers reduced from 12.3% to 10.8%.

In Estonia, Slovakia and Slovenia, the employment rate of people aged 15-24 increased by around 3 pps from 2013 to 2015. Therefore, the decrease in the unemployed NEET rate is driven by an increase in employment rates.

Chart 8: Early leavers from education and training 18-24



Employment rates increased in 20 countries, and education indicators also improved at the EU level. From 2013 to 2015, the employment rate of young people aged 15-24 increased by 1pp. The proportion of early school leavers fell by 0.9pp over the same period. Unemployed young people and unemployed NEETs are thus moving into both education and employment. In Portugal, Cyprus, Spain, Greece and Ireland there was a higher transition rate towards education whereas Hungary, Latvia, Lithuania, Czech Republic and Sweden saw a greater movement into employment.

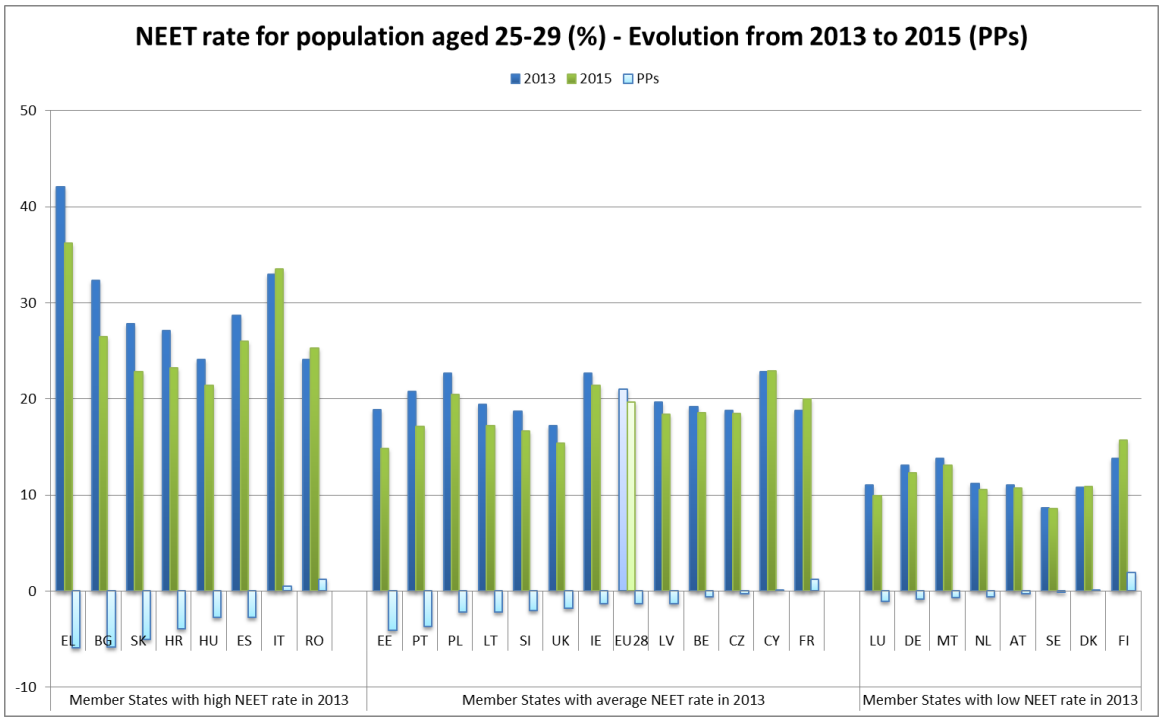
2.4 Youth Guarantee and NEETs aged 25-29

While a majority of Member States target young people under 25, thirteen have extended the upper age limit to young people under 30 (Bulgaria, Croatia, Denmark, Estonia, Finland,[8] Italy, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, Spain) or under 27 (in the Netherlands). It is therefore also interesting to look at the performance of NEETs aged 25-29 in the EU as a whole and in the Member States, and to check whether there are differences in performance between countries that extended the Youth Guarantee to the wider age group and those that did not.

In 2013, the EU NEET rate for those aged 15-24 was 13%, compared to 21% for NEETs aged 25-29. At the EU level, the 25-29 NEET rates fell to 19.7% in 2015, thanks to decreases in nearly all countries (Chart 9).

[8] Finland has extended the Youth Guarantee's age limit to 30 for recent graduates only.

Chart 9: NEET rate 25-29 evolution from 2013 to 2015



2.4.1 Grouping of Member States by aggregate NEET rate 25-29

The first group of **countries with the highest 25-29 NEET rates** (over 24% in 2013) are typically also those **with the highest 15-24 NEET rates**. Most of these countries have implemented the Youth Guarantee for people under 30 years old (Slovakia, Spain, Bulgaria, Croatia and Italy). However, Bulgaria and Greece despite not extending the Youth Guarantee, also notably reduced their 25-29 NEET rate by 6 pps each.

The 25-29 NEET rate in Italy and Romania followed a different pattern. In Romania, NEET rates increased for both age-groups by more than 1%. In Italy the 25-29 NEET rate increased and then slightly decreased by 2015.

The second group are those EU Member States with rates closer to the EU average of 21% in 2013. This group comprises countries with rates lower than 23% but higher than 17%.

In this group**, Estonia, Portugal, Poland, Lithuania, Slovenia and Latvia are the Member States that saw the largest reductions, by more than 1.3 pps, in their 25-29 NEET rate**. These Member States had extended the YG and **were also notably successful in reducing their 15-24 NEET rates.** In Estonia and Slovenia, the 25-29 NEET rate decreased strongly, by 4.1 pps and 2 pps respectively, but they were less successful in reducing the 15-24 NEET rate.

By contrast, in Cyprus and Czech Republic, whose YG schemes do not cover individuals over 25, saw no improvement in their 25-29 NEET rates, whereas both stood out for reducing their 15-24 NEET rate. France is the only country in this second group whose 25-29 NEET rate increased by more than 1 pp. As in Romania, France 15-24 NEET rate also increased.

The third group are those countries with the lowest 25-29 NEET rates. In this group, Finland saw an increase by more than 1 pp for both its 15-24 and 25-29 NEET rate, and Denmark saw a marginal increase of 0.1 pps. All other Member States saw a decrease in their 25-29 NEET rate. Luxemburg, Austria and Malta increased their 15-24 NEET rate, but decreased their 25-29 NEET rate.

2.4.2 15-29 NEET rates

Taking into account both 15-24 and 25-29 NEET rates, three Member States did not reduce their (15-29) NEET rates: Romania, France and Finland. **The most successful countries in terms of reducing their 15-29 NEET rates were Portugal, Spain, Greece, Bulgaria, Croatia, Poland, Hungary, Lithuania, Latvia and the UK.** NEET rates fell by more than 1pp for those aged 15-24, and by 2pps or more for the 25-29. In all these countries (except Greece and Hungary), the YG was extended to 25-29 year olds.

Cyprus and the Czech Republic, whose YG schemes applied to young people under 25 years only, strongly reduced their 15-24 NEET rate by 3.5pps and 1.6 pps, respectively, but their 25-29 NEET rate remained stable. **By contrast, Estonia and Slovenia whose YG schemes extended to young people under 30 years did not significantly reduce their 15 -25 NEET rates, but saw a notable decline in their 25-29 NEET rate.**

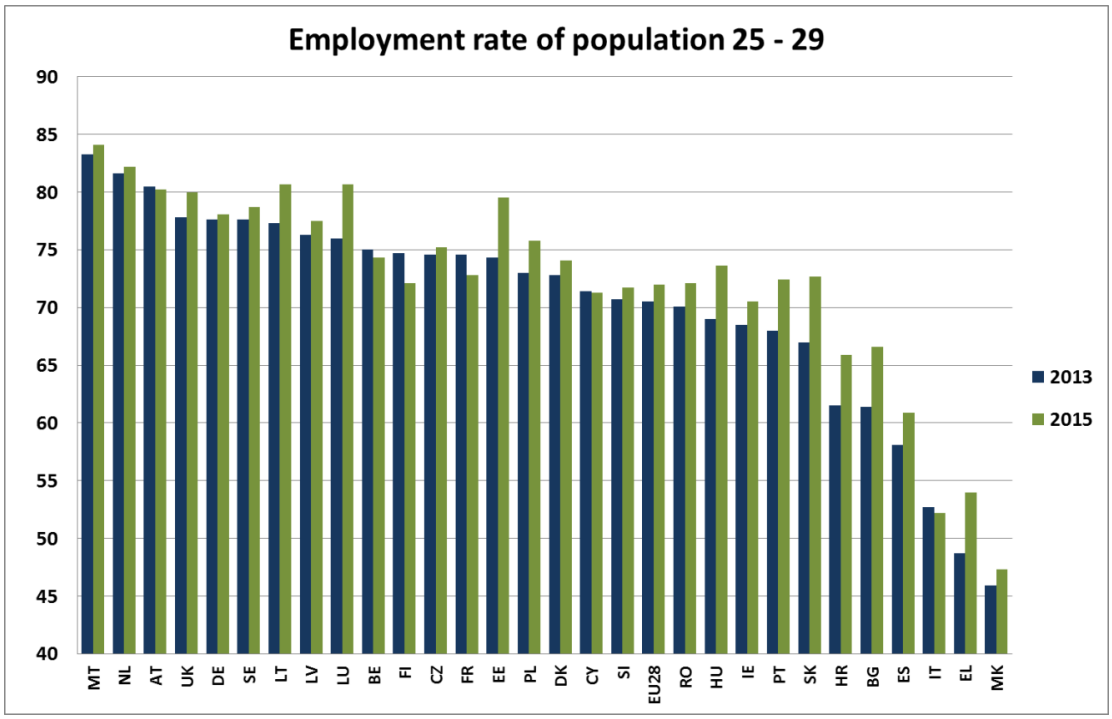
These data suggest that extending the YG to those aged 25-29 has had an impact in those Member States that made this choice. Their NEET rate reductions were stronger, and the labour market improved more for those aged 25-29 than was the case in those Member States that focussed on 15-24 NEETs only.

2.4.3 Transition towards employment

The employment rate of those aged 25-29 increased across nearly all EU Member States, but fell by more than 1 pp in Finland and France. NEETs aged 25-29 have mainly transitioned towards employment. A decrease in the NEET rate corresponds to an almost equal increase in employment rate for those 25-29. In Greece, Bulgaria, Slovakia and Estonia, the 25-29 NEET rate decreased by more than 4 pps, and the employment rate increased by more than 5 pps. In Hungary, Portugal, Croatia, Spain, Latvia and Poland, the 25-29 NEET rate decreased between 2 and 4 pps, and the employment rate increased by the same amount. In Ireland, the UK, Latvia and Slovenia, the 25-29 NEET rate decreased by less than 2 pps, and the employment rate increased by 1-2 pps.

By contrast, in Cyprus and Italy, the 25-29 NEET rate increased slightly, and the employment rate decreased slightly. France and Finland were the only Member States where the employment rate decreased by more than 1 pp, with a corresponding increase of the 25-29 NEET rate by 1 pp. In Romania, the employment rate increased despite a 1 pp increase in the 25-29 NEET rate.

Chart 10: Employment Rate 25-29 in 2013 and 2015



The 25-29 NEET rate was considerably higher than the 15-24 rate in the EU in 2013, but it declined significantly across all EU Member States. Portugal, Spain, Greece, Bulgaria, Croatia, Poland, Hungary, Lithuania, Latvia and the UK were the most successful at reducing their 15-29 NEET rates. Country comparisons suggest that the YG did have an impact on Member States' youth labour market performance. In particular, those Member States that extended the Youth Guarantee to those aged 25-29 saw stronger declines in their NEET rates for this group than Member States that focussed only on 15-24 NEETs.

Section 3: Likely impacts of YG implementation on young people's labour market outcomes

More in-depth analysis helps to understand the trends seen in the previous section and to gauge the extent to which the YG implementation may have contributed to the improved labour market outcomes of young people since 2014, in the form of receding youth unemployment and the falling NEET rates.

The levels of youth employment, unemployment and inactivity reflect the current macro-economic situation, but they also reflect important structural issues linked to school-to-work transitions, which were already prevalent before the crisis, and which the YG reforms aims to address. The following analysis attempts to grasp whether the improving labour market outcomes can be explained entirely by the economic recovery or whether structural changes as implied by the YG have supported such trends.

The recovery, albeit modest, is likely to have had a positive impact on labour markets, making it difficult to establish a direct correlation between structural reforms and the implementation of the Youth Guarantee and a better performance of the youth labour market. Nevertheless, one could analyse if in the two years following the adoption of

the YG Recommendation, the youth unemployment rate has responded in the same way as previously to the economic cycle (see Box 2 below on the 'Okun analysis'). If the youth unemployment rate and other key variables have evolved more favourably since 2014 than one would have expected on the basis of the observed economic (GDP) growth and historical elasticities, then this may be an indication that the YG has had a positive effect.

Box 2: The Okun analysis explained

Okun analysis makes use of historic data and patterns to make judgements about whether current behaviour can be described as expected or outside of the ordinary. **This Okun[9] equation** is estimated using quarterly real GDP growth (seasonally adjusted data) and the change in the youth unemployment rate from 1995 to 2013[10] for 28 Member States and the EU. It is then compared to the observed youth unemployment rate in the following two years (8 quarters) with the predicted rates that result from the estimated equation. A negative (positive) difference between the predicted and the observed youth unemployment rate indicates a better (worse) performance than expected due to the economic recovery, suggesting a possible structural change due to policies such as required by the YG implementation. If the difference is not significantly different from the residual of the regression[11], the movements in the unemployment rate are compatible with those in the past and therefore cyclical.

3.1 Okun analysis shows that youth labour market outcomes are beyond macro-economic expectations

Table 1 shows that **youth unemployment in** the **EU as a whole performed better than expected given the growth in real GDP.** The unemployment fell faster than what would be expected given the economic growth in all the eight quarters for 2014 and 2015. **In addition, almost all Member States show at least one 'overreaction' of the unemployment rate compared to what would be expected from the economic growth observed.** This can be seen in table 1 which summarises the results for the EU and by country and counts the number of quarters since 2013 in which unemployment rates 'over-reacted' (performed better than suggested by growth), 'under-reacted' or reacted as expected.

The table also compares youth and overall unemployment rates and shows that youth unemployment rates more frequently 'over-reacted' than the overall unemployment rate. **This is a further indication that policies such as the YG could have played a role in reducing youth unemployment rates.** A large number of countries performed better than expected (i.e. they saw a larger reduction of the unemployment rate than expected) in many quarters (101 out of 224), while an under-reaction occurred in only 17 quarters. The best performing countries are Cyprus and the UK (six quarters with better-than-expected outcomes, none with worse), Hungary and the Czech Republic (five quarters) and Greece, Spain, Slovakia and the Netherlands (four quarters). Finland and Estonia are the only countries where unemployment outcomes

[9] Okun's Law establishes a negative long-term relationship between GDP growth and changes in the unemployment rate. It suggests that beyond a certain level of growth, to increase production, employers need to hire more workers and therefore unemployment rates will decrease.

[10] Quarterly data from Eurostat

[11] In this case the calculated difference is lower than the standard error of the regression.

were more often worse than expected rather than better. In Germany, unemployment rates showed no statistically significant deviation from past patterns.

Furthermore, youth unemployment rates 'over-reacted' more often than overall unemployment rates, which performed as expected in 162 out of 224 quarters.

Chart 12 shows the behaviour of the different Member States in each of the eight quarters and the calculated differences between the predicted and the observed change for the eight quarters in the form of points. The 0-line indicates the expected value and the red and green lines are the upper and lower bounds representing the standard deviation of the residuals' distribution. Under the hypothesis of a normal distribution of the residuals, 65% of the residuals are within these bands, while, if a residual falls out of the bands, we can assume that it is not zero and that the unemployment rate is outside of expected values.

The Labref database[12] shows that a total of 118 labour market reforms directed at young people were adopted in 28 Member States in 2013-2014, highlighting an important focus on youth. This marked increase in the number of youth-related reforms began already in 2012.

The Labref database also shows that countries with better-than-expected youth unemployment outcomes also tended to have a larger number of youth-related reforms in 2013 and 2014[13]. Greece implemented the largest number of reforms (nine); Spain and UK had seven and five reforms respectively. Hungary and Slovakia both introduced four reforms. Additional analysis, in particular following the release of more data, will be important to confirm the link between the implementation of the YG in its various forms improvements in employment and education outcomes.

These findings are based on a simple analysis with several limitations. Okun analysis disregards many potentially relevant characteristics of the economy and labour market, and the analysis here used the most basic version of the Okun equation[14]. The results suggest nevertheless that there have been structural improvements in youth labour markets.

[12] LABREF is an inventory of labour market reforms in the EU maintained by the European Commission and is publicly available under this web address:

http://ec.europa.eu/social/main.jsp?catId=1143&intPageId=3193&langId=en.

LABREF data for 2015 is available but not used in this analysis as corresponding 2016 labour market data is not yet available.

[13] Caution should be applied when interpreting this finding as the number of reforms as a measure does not give an indication of the quality of the reforms.

[14] The Okun equation is obtained from a regression of the changes in the unemployment rate in each quarter as dependant variable on GDP growth in that same quarter: $\Delta\%gdp = \alpha + \beta\Delta u$.

Table 1: Unemployment outcomes in 2014 and 2015: Number of quarters with expected (steady), better-than-expected (over-reaction) and lower-than-expected (under-reaction) outcomes, and number of reforms

	Steady		Under-reaction		Over-reaction		Youth oriented reforms
	Youth	All	Youth	All	Youth	All	2013 & 2014
AT	6	7	1	1	1	0	1*
BE	4	6	2	1	2	1	9
BG	7	2	0	0	1	6	6
CY	2	4	0	0	6	4	2*
CZ	3	2	0	0	5	6	1*
DE	8	8	0	0	0	0	0
DK	6	7	0	0	2	1	3
EE	7	6	1	0	0	2	2*
EL	4	1	0	0	4	7	9
ES	4	3	0	0	4	5	7
FI	4	6	4	2	0	0	2
FR	6	7	1	0	1	1	6
HR	5	4	0	1	3	3	5*
HU	3	5	0	0	5	3	4
IE	6	7	0	0	2	1	3
IT	5	4	0	1	3	3	6
LT	6	6	0	0	2	2	3
LU	1	8	3	0	4	0	1*
LV	6	8	1	0	1	0	7
MT	4	6	2	0	2	2	3
NL	4	6	0	0	4	2	1*
PL	5	8	0	0	3	0	7
PT	6	4	0	0	2	4	6
RO	5	8	0	0	3	0	4*
SE	6	7	0	0	2	1	7
SI	4	4	2	1	2	3	4

SK	4	7	0	0	4	1	4
UK	2	2	0	0	6	6	5
Total	138	162	17	7	101	87	118

Youth: 15-24 years

Note: Outcomes for 8 quarters compared to predictions of an Okun equation based on 1995-2013 observations. Reforms: 2013- 2014 – Number of ALMPs and Non-ALMPs youth-related reforms between 2013 and 2014

* Only one year available

Chart 11: Youth unemployment rates: deviation from the expected quarterly values in 2014-2015 (Okun estimation based on the period 1995-2013)


DK
EE
EL
ES
FI
FR
2
0
-2
-4
2014q2
2015q1
2015q4
Graphs by Country


HR
HU
IE
IT
LT
LU
4
2
0
-2
-4
2014q2
2015q1
2015q4
Graphs by Country


LV
MT
NL
PL
PT
RO
4
2
0
-2
-4
2014q2
2015q1
2015q4
Graphs by Country


EA
EU28
SE
SI
SK
UK
2
1
0
-1
-2
2014q2
2015q1
2015q4
Graphs by Country

Note: Dots above the red line indicate that youth unemployment performed worse than expected based on past experience; dots below the green line indicate a better-than-expected performance ('over-reaction'); dots within the red and green lines are in line with expectations (in statistical terms not significantly different from expected values).

3.2 Discrepancy analysis: where young people are doing much better than adults

A complementary approach to the Okun analysis above consists in comparing young people's labour market outcomes to the labour market outcomes of the adult population aged 25-74. The rationale is as follows: if the labour market performance of young people aged 15-24 is better than that of the adult population, then targeted policies such as the YG, rather than macroeconomic factors, may have played an important role.

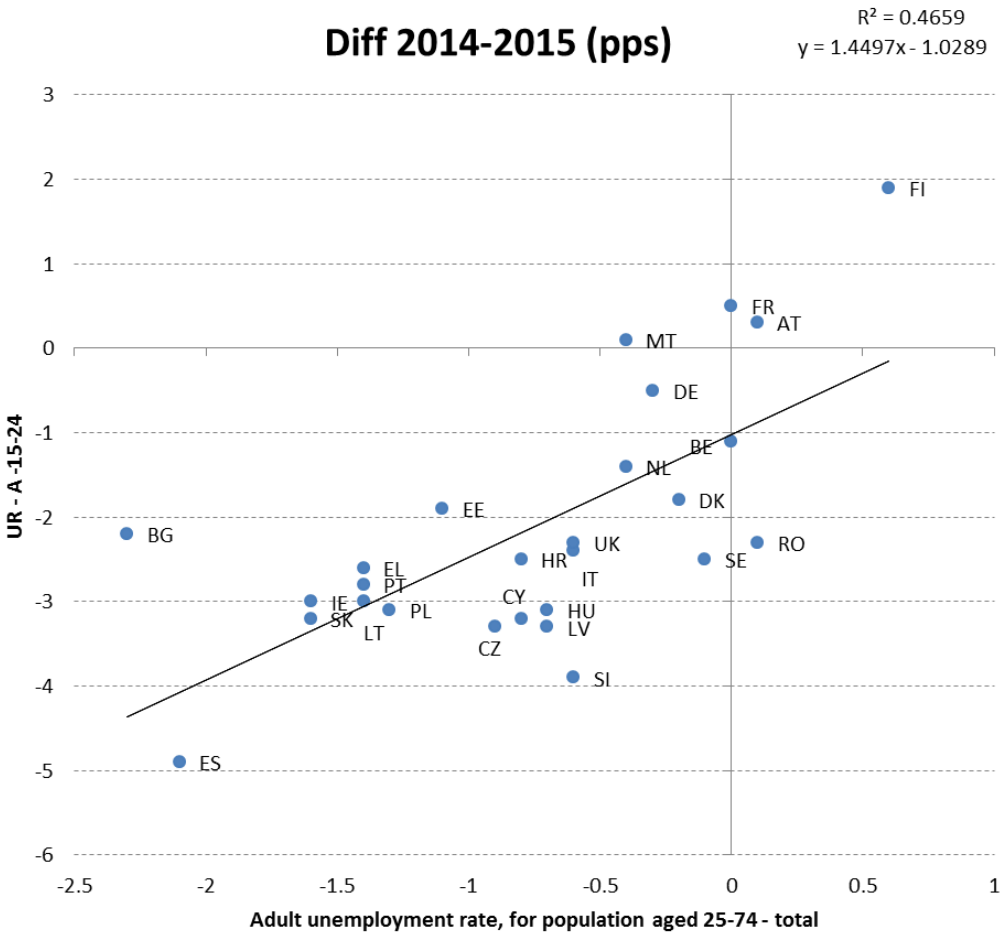
However, youth employment indicators tend to be more responsive to the business cycle than adults. To deal with this, simple regressions are used, linking changes in a youth employment indicator to changes in an adult employment indicator. One could look at a shift in the regression line over time, which would be similar to the Okun analysis above. In this section, the focus is on changes over one year, from 2014 to 2015, and three youth indicators are considered: changes in unemployment, unemployed NEETs and inactive NEETs. They are plotted against changes in adult unemployment rates and activity rates[15].

The focus of this analysis is on outliers, i.e. countries that are furthest from the regression line, and in particular those where youth employment outcomes are best relative to adult outcomes. This may be due to long-standing structural differences (i.e. the country would always be far off the regression line), but a strong positive result could also point to the impact of YG or similar reforms.

When comparing the changes in youth unemployment rates with those in adult unemployment rates Chart 12 shows that **eight Member States, Slovenia, Latvia, Romania, Sweden, Czech Republic Hungary, Cyprus and Spain stand out.** The Labref database shows that most of these Member States were also very active in reforming their policies towards young people in the lead-up to, and following the introduction of, the YG. Sweden and Latvia introduced seven reforms while the other Member States introduced four or more reforms, except the Czech Republic which only introduced one reform.

[15] Luxembourg has been excluded from the analysis as the strong variation of the youth unemployment rate raises suspicions about the reliability of its data.

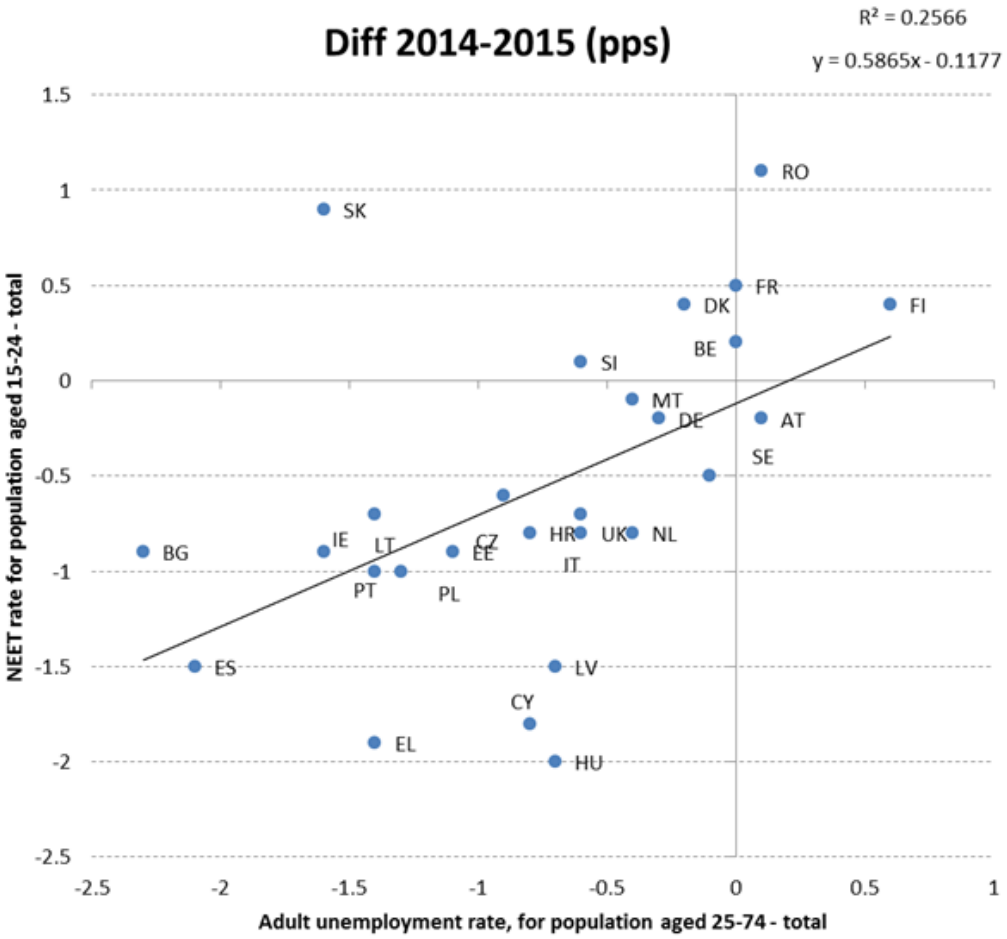
Chart 12: Youth unemployment vs adult unemployment rates



When **comparing changes in the unemployed NEET rates with changes in adult unemployment rates, Cyprus, Greece and Croatia stand out** with comparatively strong decreases for young people.

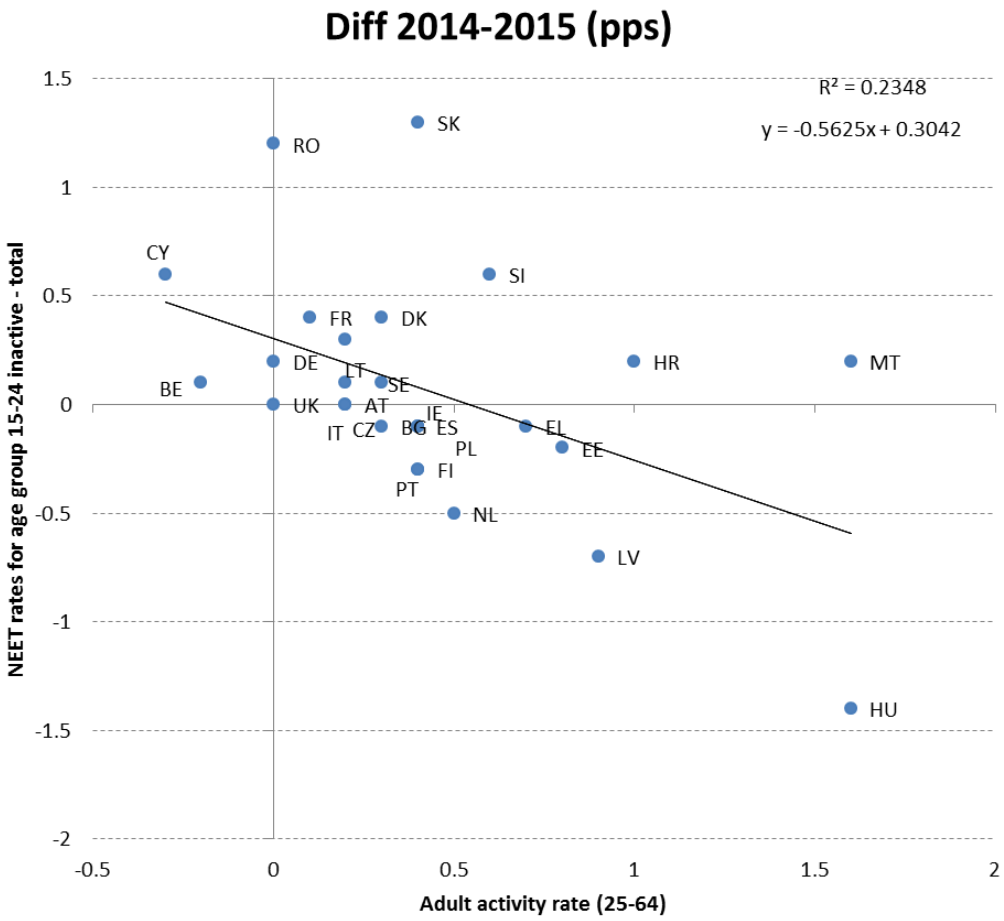
These comparisons show Member States where the performance of young people has been proportionally better than that of the adult population, when looking specifically at the evolution of NEET and youth unemployed rates. Young people's performance in both the youth unemployment and unemployed NEET rates compared to the adult population (aged 25-74) suggests that for these Member States it could be that the YG is contributing to their better-than-expected performance based on a comparison with adults.

Chart 13: NEET 15-24 rates vs adults 25 -74 unemployment rates



The YG applies to all young people under 25 years who are not in education, employment or training, not only the unemployed. Chart 13 compares the evolution of inactive NEETs to that of the adult inactive population (measured by the activity rate, rather than the proportion of inactive adults, hence the negative correlation). In this chart, **the Netherlands, Hungary and Latvia** stand out most, but the reduction in youth inactivity, compared to adult inactivity rates, was also notable in Portugal, Finland, the UK and Belgium.

Chart 14: NEET inactive vs adult inactive

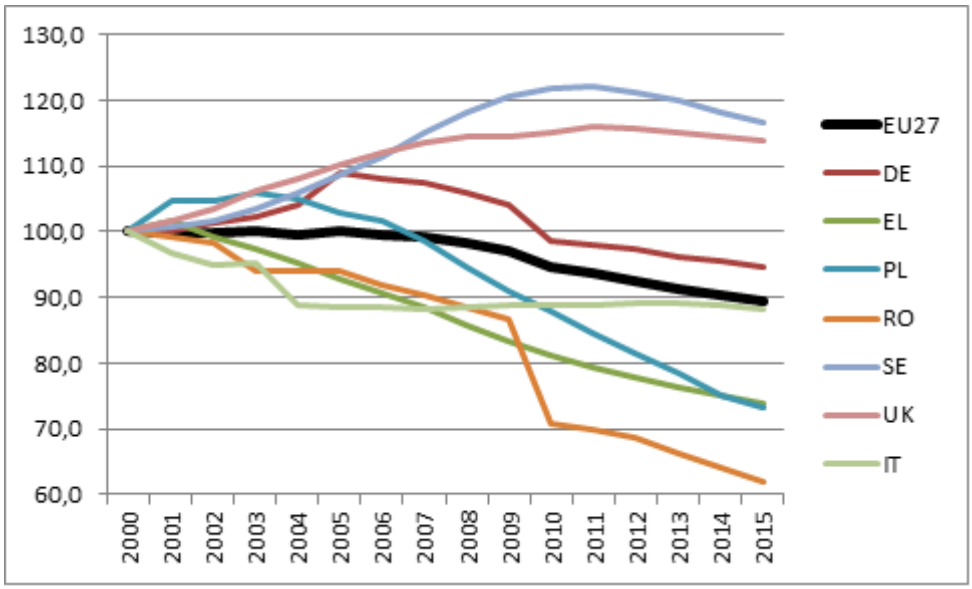


These three correlations highlight very different performances of Member States with regard to various youth employment indicators. The positive outliers are not the same from one chart to another. However, Latvia is well positioned in all three; Hungary was, relative to adult employment outcomes, very successful in reducing the youth unemployment rate and share of inactive NEETs among young people, whereas its reduction of unemployed NEETs was right on the regression line.

3.2 The role of demographic change and absolute numbers

The number of young people aged 15-24 in the EU has been declining, as has their share in the working-age population. In the last two years, their number fell by around one million from 55.6 million in 2013 to 54.6 million in 2015. However, demographic trends differed considerably across EU Member States, as illustrated by Chart 15. Whether this is due to difference in birth rates or cross-border mobility and migration would have to be further investigated. Indeed, some of the population changes may have been the result of labour market conditions and disparities across countries.

Chart 15: Population aged 15 -24 years in selected countries and the EU (2000=100)



Source: EUROSTAT EU-LFS [lfsa_pganws]

The smaller number of young people arriving on the labour market may have contributed to the improvements observed. A further analysis looking at differences in demographic developments across the EU and relating them to youth labour market outcomes could elucidate this.

In any case, these demographic changes affect the denominator as well as the numerator of employment and unemployment rates, so it is interesting to look also at absolute numbers. In the EU as a whole, the number of unemployed young people (aged 15-24 years) declined from 5.5 million to 4.6 million between 2013 and 2015. The number of inactive young people also decreased by close to 280 thousand. At the same time, employment for this age group increased by around 160 thousand to reach just over 18.1 million.

In particular, the NEET population dropped by nearly 630 thousand young people over the period 2013 to 2015 (from 7.2 million to 6.6 million). The NEETs data examined earlier suggests that it is primarily the unemployed NEETs who are moving into education and employment.

From 2013 to 2015, Luxembourg, Denmark, the Netherlands and France were the only Member States that had increases in the number of young people 15-24 see Table 2. The UK declined slightly and yet with the exception of France, these Member States also increased strongly both the number and rate of young people in employment, although Luxembourg only achieved a moderate reduction in youth unemployment.

Latvia, Estonia and Bulgaria experienced reductions in the number of young people aged 15-24 by 10% or more between 2013 and 2015. Youth employment levels in the two Baltic countries tended to be more or less stable, resulting in strong increases in their employment rates.

Other notable decreases of over 5% in the population of young people were seen in Cyprus, Romania, Poland, Slovenia, Slovakia, Lithuania and the Czech Republic. However, for all of these Member States, except Romania, the number of young people in employment and the employment rate has increased. Romania saw its

number of employed young people decrease slightly, but the rate of young in employment still increased.

Table 2: Population aged 15 -24 years in the EU, EA and each Member State (2000=100)

GEO/TIM	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU28			100	100.15	99.50	100.05	99.61	99.12	98.30	97.24	94.71	93.61	92.57	91.30	90.50	89.57
EA19	100	99.53	99.43	99.66	98.60	99.45	98.78	98.35	97.65	96.67	94.72	93.71	92.91	92.02	91.82	91.25
BE	100	99.91	100.18	100.52	100.97	101.70	102.42	103.30	104.33	105.14	105.72	106.32	106.61	106.56	106.17	105.85
BG	100	94.53	96.90	93.77	93.42	92.34	91.15	89.71	87.93	85.34	79.30	75.85	71.75	68.21	64.83	62.02
CZ	100	96.95	94.35	91.39	90.40	89.26	88.56	88.12	88.30	87.55	85.23	81.15	78.47	75.49	72.68	70.16
DK	100	96.07	93.41	94.72	95.32	96.76	99.67	99.67	103.44	107.27	109.90	112.19	114.13	115.65	116.76	117.85
DE	100	100.24	101.43	102.28	104.20	109.04	108.22	107.61	105.86	104.10	98.74	98.14	97.42	96.24	95.45	94.54
EE	100	96.44	99.75	99.19	101.02	100.56	100.86	99.34	97.20	94.00	90.39	86.72	82.20	77.98	73.19	69.07
IE	100	99.56	100.05	100.23	99.73	99.81	99.16	103.52	103.48	100.12	95.04	89.93	86.29	83.46	81.74	80.77
EL	100	101.81	99.17	97.42	95.38	92.92	90.64	88.38	85.72	83.30	81.21	79.22	77.75	76.39	75.13	73.99
ES	100	97.84	96.74	94.98	92.43	90.78	89.02	88.54	87.91	85.91	83.62	81.59	79.93	78.27	77.23	77.17
FR	100	102.22	103.26	104.73	105.36	106.44	106.38	105.85	105.22	104.74	104.28	103.58	102.93	102.43	105.26	105.25
HR			100.00	99.32	96.13	96.34	94.98	94.78	94.44	92.61	91.22	90.41	89.89	89.14	88.24	87.11
IT	100	96.79	95.03	95.15	88.79	88.50	88.46	88.11	88.52	88.84	88.89	88.91	89.04	89.09	88.77	88.21
CY	100	97.52	97.18	97.29	100.56	105.19	106.32	105.76	105.42	114.33	117.61	117.49	119.75	118.96	118.06	110.95
LV	100	98.53	99.12	100.41	101.35	101.30	100.88	99.91	98.14	93.37	86.90	80.65	74.29	69.35	62.63	59.19
LT	100	99.76	100.45	102.85	101.29	100.06	97.65	97.13	96.99	95.73	92.90	86.43	83.27	80.48	78.01	74.71
LU	100	103.09	102.47	103.51	104.12	106.60	108.25	110.93	111.34	116.70	117.53	122.47	125.57	125.15	122.68	136.29
HU	100	94.50	91.72	88.96	86.39	84.58	83.38	82.41	81.43	80.46	79.48	78.53	77.73	76.40	74.73	73.08
MT	100	102.41	103.10	103.79	104.14	100.00	99.31	98.10	97.41	97.59	96.90	95.34	94.66	94.48	92.93	91.03
NL	100	101.12	101.62	103.20	103.87	104.12	104.74	105.57	106.03	106.83	107.80	108.01	108.68	109.59	109.89	110.05
AT	100	99.80	100.32	103.17	105.34	107.95	108.19	108.47	108.86	108.71	108.39	107.86	108.12	108.05	107.49	107.22
PL	100	104.68	104.76	106.05	104.96	102.97	101.79	98.52	94.50	91.10	88.01	84.61	81.48	78.38	75.17	73.24
PT	100	97.64	95.51	92.29	89.93	87.30	85.01	83.11	81.41	79.94	78.65	77.75	76.79	75.59	74.85	74.87
RO	100	99.10	98.20	94.12	94.14	93.99	91.99	90.45	88.66	86.73	70.90	69.99	68.73	66.26	63.98	61.87
SI	100	98.79	98.48	97.66	95.79	92.00	90.10	88.17	87.93	84.97	82.66	80.28	77.03	74.97	72.10	70.28
SK	100	98.91	99.72	100.18	98.38	96.88	95.01	94.11	92.52	90.34	87.91	83.34	80.68	78.08	75.52	73.03
FI	100	99.44	98.97	98.67	98.04	98.66	98.77	99.47	99.35	99.67	100.02	99.69	99.98	99.50	98.67	97.27
SE	100	100.61	101.73	103.41	105.79	108.56	111.49	115.07	118.03	120.51	121.87	122.13	121.31	119.91	118.27	116.54
UK	100	101.67	103.62	106.17	107.98	110.12	112.10	113.70	114.42	114.55	115.17	115.89	115.79	115.00	114.59	113.85

Overall, there has been an increased number of jobs for young people in the EU Member States, and this even in most Member States with a significant decline in their population of young people 15-24.

Conclusion

While the labour market situation of young people in the EU remains preoccupying, the data and analysis presented in this note contains some good news.

Some countries achieved remarkable results in terms reducing their overall NEET rates. Spain, Portugal, Cyprus, Hungary, Latvia, Lithuania and Croatia significantly reduced both NEET rates. The most notable decreases in the unemployed NEET rates occurred in Greece, Spain, Cyprus, Bulgaria, United Kingdom and Ireland, while Hungary and Portugal experienced the most significant decreases in their inactive NEET rates. Member States that had the highest youth unemployment rates and youth unemployment ratios in 2013 also tended to achieve the largest reductions in their unemployed NEET rates.

The employment rate of young people aged 15-24 increased by 1pp between 2013 and 2015. The proportion of early school leavers fell by 0.9 pp over the same period. Many unemployed young people have moved either into education or employment. In Portugal, Cyprus, Spain, Greece and Ireland, there was a higher transition rate towards education and for Hungary, Latvia, Lithuania, Czech Republic and Sweden a greater movement into employment could be observed.

The 25-29 NEET rate was considerably higher than for young people aged 15-24, but notable declines were achieved across all EU Member States. The 25-29 NEET rate

dropped by 1.3 pp for the EU as a whole, and it decreased in nearly all countries. The most successful at reducing their 15-29 NEET rates, were Portugal, Spain, Greece, Bulgaria, Croatia, Poland, Hungary, Lithuania, Latvia, and the UK. Those Member States that extended the Youth Guarantee to the age group 25-29 saw stronger NEET rate reductions and better labour market improvement than those Member States that focussed only on 15-24 NEETs.

The Okun analysis found that young people's labour market performance in the EU (i.e. the observed reduction in unemployment rates) in the eight quarters examined since the introduction of the Youth Guarantee was better than one would expect based on the experience of previous years. This could be an indication that policies such national Youth Guarantee schemes played a role in reducing youth unemployment rates. The countries that exceeded expectations most were Cyprus, Ireland, Czech Republic, Greece, Spain and Luxembourg. The results suggest structural improvements in the functioning of youth labour markets in the EU. The Youth Guarantee may have contributed to this.

A comparison of labour market outcomes for young people and for adults over the period 2014-2015 also identifies some countries that may have been successful at addressing the particular problems of young people on the labour market. The results of this analysis are less clear-cut, although Latvia stands out with better-than-expected youth labour market outcomes for all three indicators considered.

While counting the number of youth-related labour market reforms is a very crude measure of policy efforts, there does seem to be a link between reforms and improved labour market outcomes for young people. Clearly, more time and much deeper analysis is required to assess the impact of labour market reforms and the effectiveness of the Youth Guarantee.

Annex 1: Indicator scoreboard used for the analysis

Scoreboard Macroeconomic Indicators at the Aggregate level of monitoring - Change from 2013 to 2015 (PPs)															
Main indicator			Supplementary indicators (1)					Supplementary indicators (2)					Other		
NEET rate IN 2013	Member States	NEET 15-24	NEET Inactive	NEET Unemp.	Empl. 15-24	YU Ratio 15-24	Ratio YU/ADULT	Youth education 20-24	YU Rate 15-24	NEET 25-29	Empl. 25-29	Early leavers 18-24	Partecipation YG	OKUN - Youth	Reforms 2013-2014
		Percentage points variation (PPS) from 2013 to 2015													
Member States with the highest NEET rate in 2013															
15.5	HU	-3.9	-2.1	-1.8	5.6	-1.9	0.1	0.0	-9.3	-2.7	4.6	-0.3	44.2	Over	4
18.7	CY	-3.5	-0.9	-2.6	1.8	-2.6	-0.2	4.8	-6.1	0.1	-0.1	-3.8	28.3	Over	2*
20.4	EL	-3.2	0.1	-3.3	1.2	-3.6	-0.2	2.9	-8.5	-5.9	5.3	-2.2	27.7	Over	9
18.6	ES	-3.0	-0.3	-2.7	1.1	-4.2	-0.1	4.7	-7.2	-2.7	2.8	-3.6	2	Over	7
21.6	BG	-2.3	0.0	-2.3	-0.9	-2.8	-0.1	-0.9	-6.8	-5.8	5.2	0.9	19.3	Over	6
16.1	IE	-1.8	0.2	-2.0	-0.3	-3.0	0.0	3.3	-5.9	-1.3	2.0	-1.5	24.5	Over	3
19.6	HR	-1.1	-0.7	-0.5	4.1	-0.6	-0.1	1.5	-7.0	-3.9	4.4	-1.7	65.1	Over	5*
22.2	IT	-0.8	-0.5	-0.3	-0.7	-0.3	0.0	2.0	0.3	0.5	-0.5	-2.1	2.4	Over	6
17	RO	1.1	1.3	-0.2	1.6	-0.3	0.0	-0.6	-2.0	1.2	2.0	1.8	18.5	Over	4*
Member States with average NEET rate in 2013															
14.1	PT	-2.8	-1.0	-1.8	1.1	-2.6	0.1	6.9	-6.1	-3.7	4.4	-5.2	52.3	Over	6
13	LV	-2.5	-0.8	-1.8	4.3	-2.4	-0.2	0.4	-6.9	-1.3	1.2	0.1	19.9	Steady	7
13.2	UK	-2.1	0.0	-2.2	3.8	-3.5	0.0	2.8	-6.1	-1.8	2.2	-1.5	25.5	Over	5
11.1	LT	-1.9	-0.4	-1.5	3.7	-1.4	0.0	0.9	-5.6	-2.2	3.4	-0.8	27.6	Over	3
12.2	PL	-1.2	0.0	-1.3	1.8	-2.3	0.0	1.1	-6.5	-2.2	2.8	-0.3	65.1	Over	7
13	**EU28**	**-1.0**	**0.0**	**-1.0**	**1.0**	**-1.5**	**-0.1**	**1.6**	**-3.4**	**-1.3**	**1.5**	**-0.9**	**37.3**	**Over**	**4**
12.7	BE	-0.5	-0.3	-0.2	-0.2	-0.7	-0.2	1.3	-1.6	-0.6	-0.7	-0.9	5.4	Steady	9
11.3	EE	-0.5	1.2	-1.6	3.9	-1.9	0.0	-0.9	-5.6	-4.1	5.2	1.5	19.7	Steady	2*
13.7	SK	0.0	1.8	-1.8	2.9	-2.0	0.0	0.1	-7.3	-5.0	5.7	0.5	63.1	Over	4
11.2	FR	0.7	0.6	0.1	NA	0.1	-0.1	0.8	-0.2	1.2	-1.8	-0.4	35.8	Steady	6
Member States with the lowest NEET rate in 2013															
9.1	CZ	-1.6	0	-1.7	2.8	-1.9	-0.1	-0.5	-6.3	-0.3	0.6	0.8	23.3	Over	1*
5.6	NL	-0.9	-0.2	-0.7	0.7	-1.4	-0.3	2.1	-1.9	-0.6	0.6	-1.1	41.6	Over	1*
7.5	SE	-0.8	-0.3	-0.5	2.2	-1.6	-0.3	1.1	-3.2	-0.1	1.1	-0.1	36.1	Over	7
6.3	DE	-0.1	0.3	-0.4	-1.6	-0.5	0.0	0.1	-0.6	-0.8	0.5	0.3	47.7	Steady	
7.3	AT	0.2	-0.1	0.3	-1.7	0.4	0.0	1.5	0.9	-0.3	-0.3	-0.2	79.6	Steady	1*
6	DK	0.2	0.1	0.1	1.7	-1.4	-0.2	2.3	-2.2	0.1	1.3	-0.2	94.4	Over	3
9.2	SI	0.3	0.9	-0.7	3.1	-1.5	-0.2	-0.6	-5.3	-2.0	1.0	1.1	61.6	Steady	4
9.9	MT	0.5	1	-0.6	-0.5	-0.8	0.0	1.0	-1.2	-0.7	0.8	-0.7	12.8	Steady	3
5	LU	1.2	0.4	0.7	7.2	2.1	0.4	-8.4	-0.6	-1.1	4.7	3.2	34.3	Over/Under	1*
9.3	FI	1.3	0.3	0.9	-1.0	1.4	-0.1	0.9	2.5	1.9	-2.6	-0.1	67.1	Steady/Under	2
Member States are grouped according to the NEET rate observed in each country in 2013 and ordered according to the degree of change from 2013 to 2015.															
Green colour indicates improvement.															
*Only one year available															

Main Indicator

- NEET rate (15-24) (%) - Number of people aged 15-24 not employed and not involved in any further education or training / Number of people aged 15-24

Supplementary indicators (1)

- NEET rate (15-24) by labour market status (unemployed/inactive) (%)
- Employment rate of young people aged 15-24 (%) - Number of people employed aged 15-24 / Number of people aged 15-24
- Youth unemployment ratio 15-24 (%) - Number of unemployed aged 15-24 / number of people aged 15-24
- Ratio of youth unemployment ratio (15-24) to adult unemployment ratio (25-74)

Supplementary indicators (2)

- Youth unemployment rate 15-24 (%) - Number of unemployed aged 15-24 / number of people aged 15-24 in the labour force
- NEET rate 25-29 (%) - Number of people aged 25-29 not employed and not involved in any further education or training / Number of people aged 25-29

- Employment rate of young people aged 25-29 (%) - Number of people employed aged 25-29 / Number of people aged 25-29
- Proportion of early leavers from education and training 18-24 (%) - Number of people aged 18-24 with at most lower secondary education and not in further education or training / Number of people aged 18-24

Participation YG - Average annual stock of young people in the YG service / NEET population

Okun analysis for young people

Reforms: 2013- 2014 – Number of ALMPs and Non-ALMPs youth-related reforms between 2013 and 2014

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