

Special Report

Youth unemployment – have EU policies made a difference?

An assessment of the Youth Guarantee
and the Youth Employment Initiative



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EUROPEAN
COURT
OF AUDITORS

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1

Enquiries: eca.europa.eu/en/Pages/ContactForm.aspx

Website: eca.europa.eu

Twitter: @EUAuditors

More information on the European Union is available on the internet (<http://europa.eu>).

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Special Report**Youth unemployment –
have EU policies made
a difference?****An assessment of the Youth Guarantee
and the Youth Employment Initiative**

(pursuant to Article 287(4), second subparagraph, TFEU)

The ECA's special reports set out the results of its performance and compliance audits of specific budgetary areas or management topics. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was produced by Audit Chamber II of the ECA which specialises in investment for cohesion, growth and inclusion spending areas. Ms Iliana Ivanova, Dean of this Chamber, is the reporting Member. She was supported by Tony Murphy, Head of Private Office and Mihail Stefanov, Attaché; Emmanuel Rauch, Principal Manager; Marco Fians, Head of Task; Marija Grguric, Benjamin Jakob, Romuald Kayibanda, Kristina Maksinen, Aino Nyholm, Dana Smid Foltynova and Michele Zagordo, Auditors.



From left to right: Marija Grguric, Mihail Stefanov, Marco Fians, Benjamin Jakob, Iliana Ivanova, Michele Zagordo, Tony Murphy, Dana Smid Foltynova.

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Reply of the Commission

The **Employment Committee (EMCO)** is the Council's main advisory committee for Employment and Social Affairs in the employment field.

The **European Foundation for the Improvement of Living and Working Conditions (Eurofound)** is an EU Agency, whose role is to provide information, advice and expertise in the field of EU social policy on the basis of comparative information, research and analysis.

The **European Social Fund (ESF)** aims to strengthen economic and social cohesion within the European Union by improving employment and job opportunities (mainly through training measures), encouraging a high level of employment and the creation of more and better jobs.

The **European Structural and Investment Funds (ESIFs)** are five separate funds that aim to reduce regional imbalances across the Union: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).

The **International Labour Organization (ILO)** is a United Nations agency dealing with labour issues, and international labour standards in particular.

A **managing authority** is a public or private body which has been designated by a Member State to manage an Operational Programme. Its tasks include selecting projects to be funded, monitoring how projects are implemented and reporting to the Commission on financial aspects and results achieved.

NEETs are people who are '**neither in employment, education or training**'. They include both unemployed and inactive people.

Operational Programmes (OPs) set out the Member States' priorities, specific objectives and how funding is to be used to finance projects during a given period (generally seven years).

Outcome: A change arising from an intervention, usually in relation to its objectives (e.g. trainees who have found employment). Outcomes may be expected or unexpected, positive or negative.

Priority axes are the main spending areas of an Operational Programme. They consist of a group of operations which are related and have specific measurable goals.

A **result** is a measurable consequence deriving - directly or indirectly - from public intervention. In the context of cohesion policy, results are usually broken down into outcomes and impacts.

Young people: For the purpose of the Youth Guarantee, young people are defined as being between 15 and 25 years of age, or, in some Member States, between 15 and 29.

Youth Action Team (YAT): In February 2012, the Commission, together with the eight Member States with the highest levels of youth unemployment at the time, set up Youth Action Teams consisting of national experts and EU officials to identify measures to make use of EU funding (including that from the ESF) still available under the 2007-2013 programme period to support job opportunities for young people and small and medium-sized businesses.

The **Youth Employment Initiative (YEI)** is an EU programme which aims to provide financial support to regions with youth unemployment rates above 25 %.

The **Youth Guarantee** is a Council policy designed to ensure that all young people up to the age of 25 receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed.

Youth Guarantee Implementation Plans (YGIPs) are prepared by the Member States to implement their Youth Guarantees at the national level. They set out the respective roles of public authorities and other organisations and how the Guarantee is to be financed (including the use of EU funds). They also determine how progress is to be assessed and lay down a timetable.

About the Youth Guarantee

I

Youth unemployment is not a new phenomenon and several EU Member States have experienced extremely high levels for many years. The 2008 economic crisis made it even more difficult for young people to integrate the labour market. While the situation has improved, more than 4.2 million people under the age of 25 in the EU were still unemployed at the end of June 2016.

II

One of the most significant EU initiatives to address this issue is the Youth Guarantee, under which Member States should ensure that all young people under 25 receive a good quality offer of employment, continued education, apprenticeship or traineeship within four months of leaving school or becoming unemployed.

III

In addition, the European Council agreed to establish the Youth Employment Initiative with an approved budget of 6.4 billion euro (3.2 billion from a specific new EU budget line to be matched by 3.2 billion euro from ESF national allocations) to increase the EU financial support available to regions and individuals that were struggling the most with youth unemployment and inactivity.

How we conducted our audit

IV

We assessed whether the Youth Guarantee was delivering results in the Member States and whether the Youth Employment Initiative was contributing towards them. In particular, we examined whether Member States had made progress in implementing the Youth Guarantee, appropriately addressed the factors which might impact its implementation and whether they implemented the Youth Employment Initiative in such a way as to contribute to the achievement of the Youth Guarantee objectives.

V

To assess progress with the implementation of the Youth Guarantee, we visited the following seven Member States: Ireland, Spain, France, Croatia, Italy, Portugal and Slovakia. To evaluate the contribution provided by the Youth Employment Initiative, we visited the same Member States except for Ireland and Slovakia. Our audit covered the period between the official launch of the Youth Guarantee in April 2013 and May 2016.

What we found

VI

While the seven Member States visited had made progress in implementing the Youth Guarantee and some results had been achieved, the current situation - more than three years after the adoption of the Council Recommendation - falls short of the initial expectations raised at the launch of the Youth Guarantee, which aims to provide a good quality offer to all NEETS within four months.

VII

None of the Member States visited has yet ensured that all NEETs had the opportunity to take up an offer within four months, helping them to integrate into the labour market in a sustainable way. One important contributing factor is that it is not possible to address the whole NEET population with the resources available from the EU budget alone.

VIII

In addition, we conclude that the contribution of the Youth Employment Initiative to the achievement of the Youth Guarantee objectives in the five Member States visited was very limited at the time of the audit.

What we recommend

IX

For future initiatives in the area of employment, the Member States and the Commission should:

- manage expectations by setting realistic and achievable objectives and targets;
- perform gap assessments and market analyses prior to setting up the schemes.

X

The Member States should:

- establish appropriate outreach strategies to identify the entire NEET population with the objective of registering them;
- establish a complete overview of the cost of implementing the Youth Guarantee for the entire NEET population and prioritise the related measures to be implemented according to available financing;
- ensure that offers are only considered to be of good quality if they match the participant's profile and labour market demand and lead to sustainable integration in the labour market;
- improve their monitoring and reporting systems in order to regularly provide quality data to facilitate the development of more evidence-based youth policies, in particular, the capacity to follow-up the participants that exit the Youth Guarantee in order to reduce the number of unknown exits to the extent possible.

XI

The Commission should:

- together with EMCO, develop and propose standards for quality criteria for offers to be made under the Youth Guarantee;
- identify and diffuse good practice in monitoring and reporting based on its overview of the existing systems across Member States;
- ensure through its approval process for OP amendments that Member States perform a global assessment of the characteristics of the NEET population in order to ensure that the YEI measures included in the OPs will adequately address the needs of young persons;
- revise its guidance on data collection to minimise the risk of overstatement of results. Member States should revise their baselines and targets accordingly.

Youth unemployment in the European Union

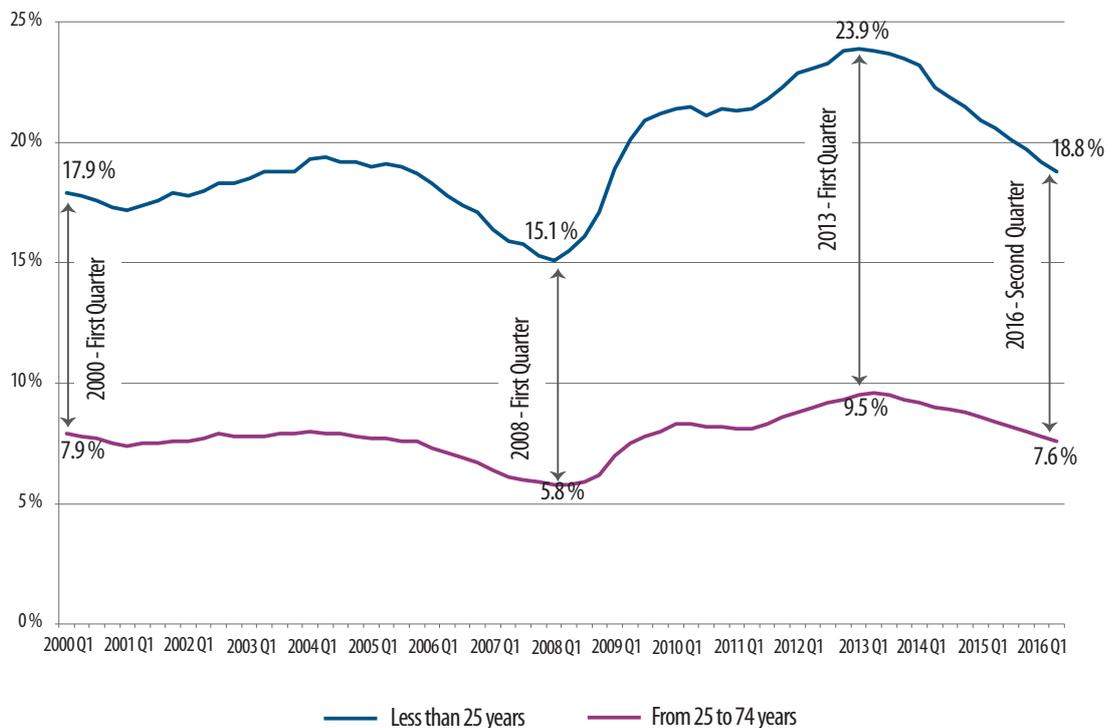
01

Youth unemployment is not a new phenomenon and several EU Member States have experienced extremely high levels for many years. The 2008 economic crisis has made it even more difficult for young people to integrate into the labour market. This situation is illustrated by the fact that the unemployment rate for young people (aged 15-24) increased by 8.8 percentage points between the first quarter of 2008 and the first quarter of 2013, when it reached its highest level, at 23.9 %.

02

During the same period, the unemployment rate for the older active population (aged 25-74) increased less (by 3.7 percentage points, from 5.8 % to 9.5 %). This is less than half the increase observed for the 15-24 age group (see **Figure 1**).

Figure 1 Unemployment rate for the 15-24 and 25-74 age-groups, from 2000 until June 2016, EU28 average



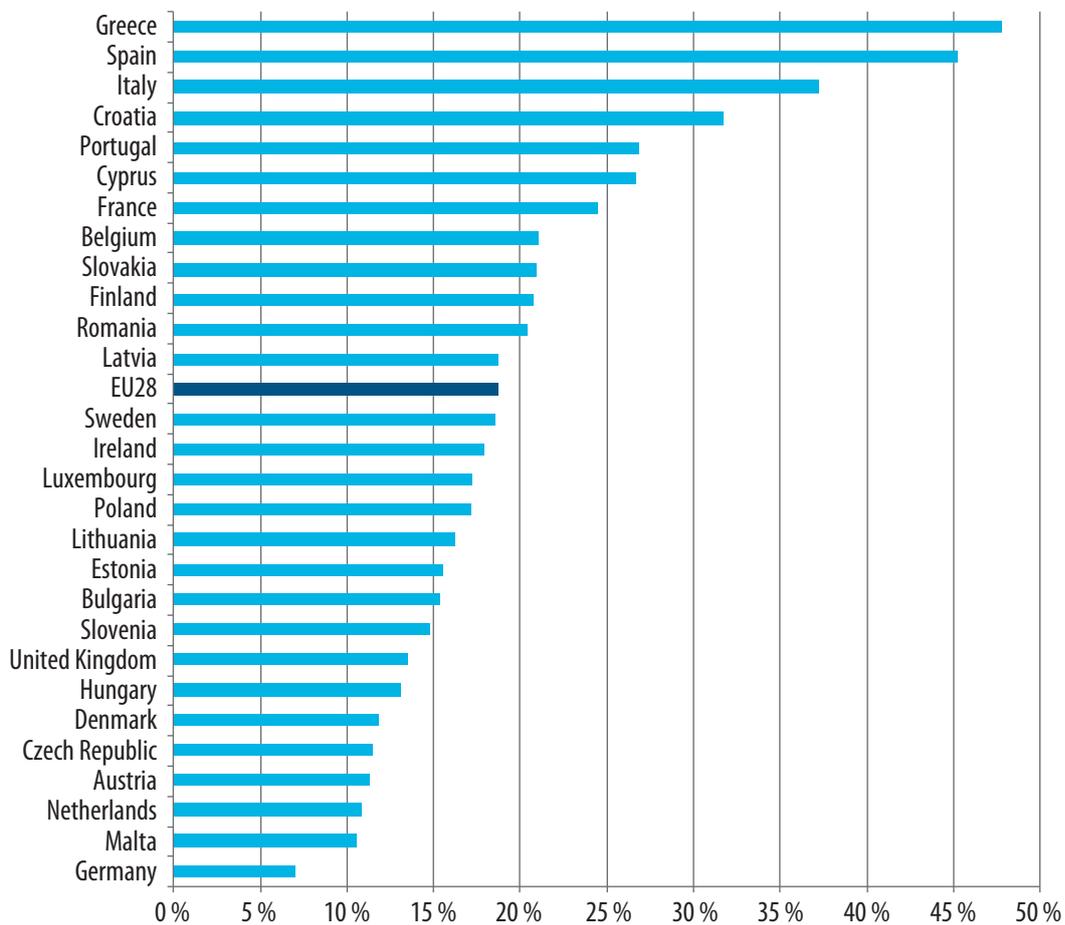
Source: Eurostat unemployment rates EU-28, seasonally adjusted data.

03

While the situation had improved since mid-2013, more than 4.2 million young people under the age of 25 in the EU were still unemployed at the end of June 2016 (average unemployment rate of 18.8 %). The worst affected Member States were Greece (47.7 %), Spain (45.2 %) and Italy (37.2 %) (see **Figure 2**).

Figure 2

Youth unemployment rate by Member State in June 2016 (under 25s)



Source: Eurostat, seasonally adjusted youth (under 25) unemployment rate.

04

Besides the financial consequences borne directly by young people, long periods of unemployment also have a negative effect in terms of future employability, increased risk of poverty, social exclusion and their role in society as a whole. In addition, there is a risk that talent and skills are not used optimally.

05

Moreover, high youth unemployment has a negative effect on economic growth and productivity and represents a serious economic burden for society as a whole. For example, a large number of university graduates are unable to find jobs and therefore cannot contribute to economic growth through their skills and knowledge. Young people with few or no qualifications may struggle to enter the labour market and may be 'locked out' of work or increasingly find themselves stuck in a cycle of low pay with little opportunity for progression.

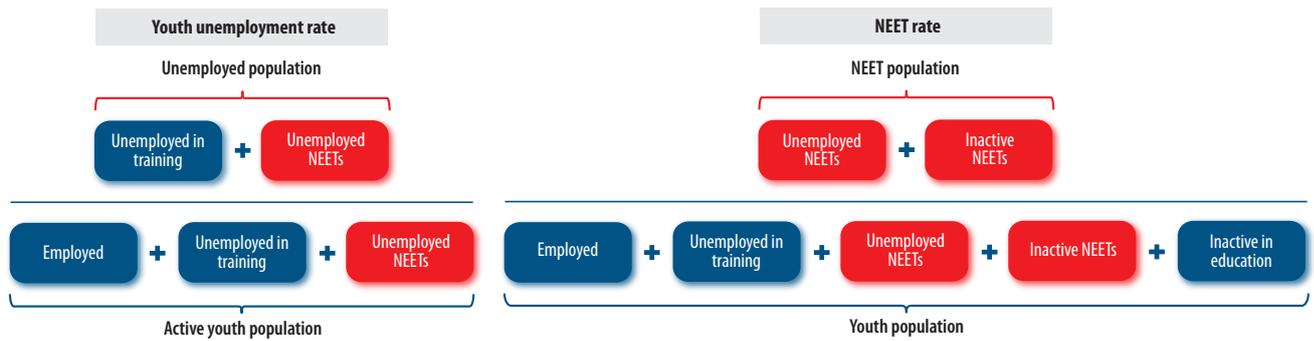
NEETs: young people not in employment, education or training

06

In addition to the group of young people who are unemployed (i.e. available to start work and actively seeking employment), there is another large group of young people who are less motivated to be proactive and are, therefore, further detached from the labour market. These are inactive young people who are neither in education nor training and are referred to as inactive NEETs. Taken together, the two groups ('unemployed' and 'inactive' NEETs) aged between 15 and 24 and, in some Member States up to 29, form a distinct population called 'NEETs'. While the most commonly used indicator is the youth unemployment rate, it does not provide as complete a picture as the NEET rate. It should be noted that the NEET rate is lower than the youth unemployment rate (see **Figure 3**).

Figure 3

Youth unemployment rate vs NEET rate



Source: European Court of Auditors.

07

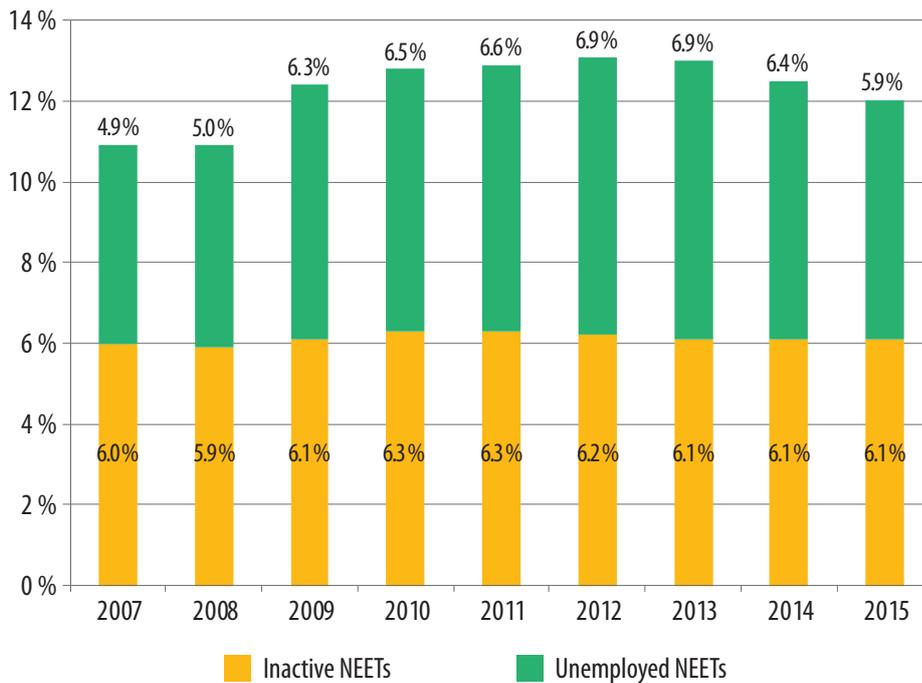
The NEETs are the reference population used for the Youth Guarantee. Therefore, for the purpose of this report, we will also use the concept of NEETs instead of that of youth unemployment.

08

The percentage of NEETs aged 15-24 increased after 2007, peaked in 2012 mainly due to the increase in the number of unemployed NEETs, and has fallen slightly since then (see **Figure 4**).

Figure 4

Evolution of the NEET rate in EU 28 during the 2007-2015 period



Source: Eurostat data NEET population 15 to 24 years of age.

09

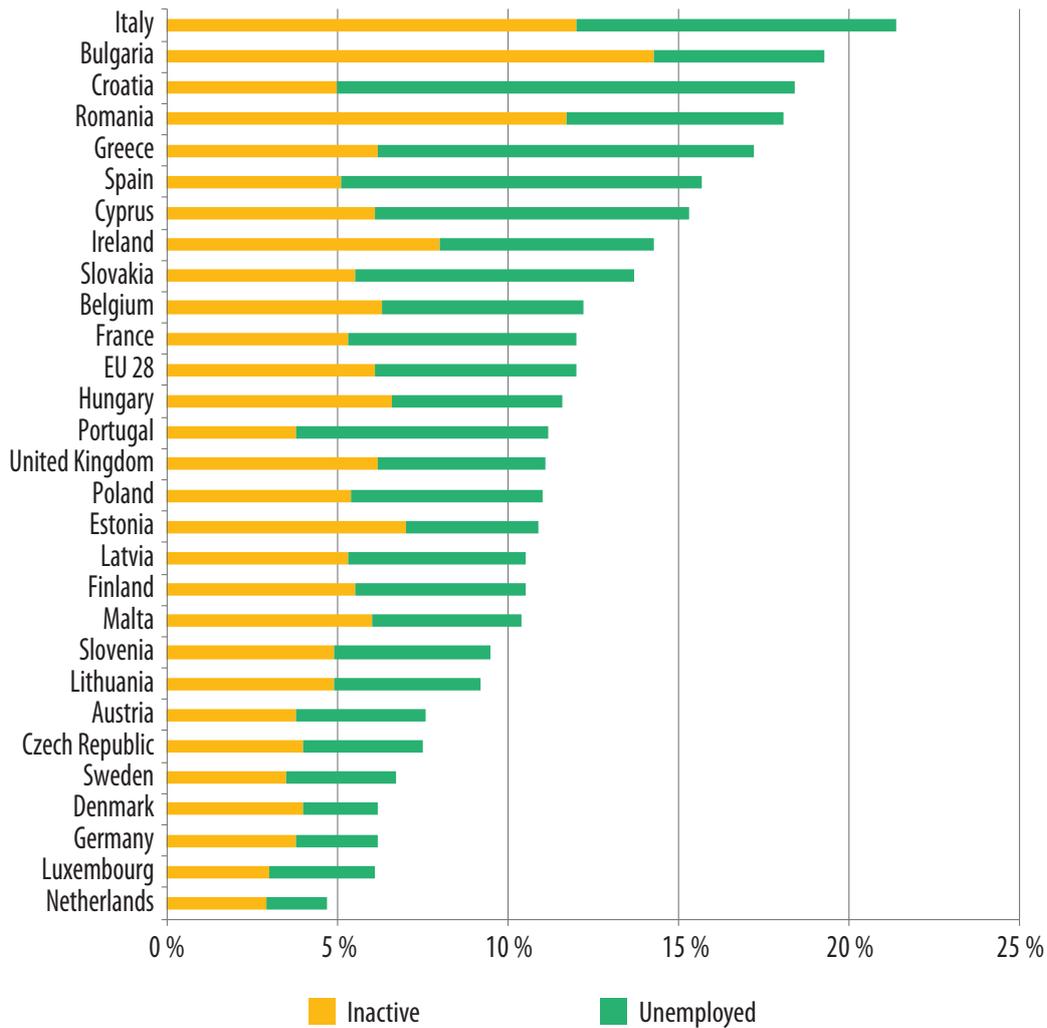
There were substantial differences in the NEET rates of the various Member States at the end of 2015 for the 15-24 age range (see **Figure 5**). While Italy and Bulgaria had NEET rates close to or above 20 %, the Netherlands, Luxembourg and Germany had rates close to or below 5 %.

10

While the NEET rate varies greatly between Member States, the composition of the NEET population (15-24 years of age) also varies among them. The rates for unemployed NEETs are highest in Croatia (13.4 %), Greece (11.0 %) and Spain (10.6 %), where a scenario of economic growth could facilitate their integration into the labour market. The situation is different in Bulgaria (14.3 %), Italy (12.0 %) and Romania (11.7 %), where the rates of inactive NEETs are the highest. In these Member States, the labour services have to play a much more active role to integrate young people into the labour market.

Figure 5

NEET rate by Member State and category (less than 25 years) in 2015



Source: Eurostat data NEET population 15 to 24 years.

Youth Guarantee

11

The EU's role in employment policy is to ensure that the employment policies of the Member States are coordinated, in particular by defining guidelines for these policies. The Commission may also support and, if necessary, complement national actions to combat unemployment¹. One of the most significant EU initiatives to improve the situation of young people on the labour market is the Youth Guarantee.

12

In September 2010, for the first time, the Commission called upon Member States to ensure that all young people were in employment or further education or had joined another activation measure within four months of leaving school or becoming unemployed. This was to be known as the 'Youth Guarantee'. This proposal was put forward in the context of the Europe 2020 'Youth on the Move' flagship initiative², which advocated better education and training, more successful labour market integration and greater mobility as tools to address youth unemployment.

13

In December 2012, the Commission proposed a Council Recommendation to establish a 'Youth Guarantee' in its 'Youth Employment Package'³. This can be considered a political commitment as it was adopted by the EU's Council of Ministers in April 2013⁴ and further endorsed by the June 2013 European Council⁵ (see **Box 1**).

- 1 Article 5(2) and Article 147 of the Consolidated Version of the Treaty on the Functioning of the European Union (OJ C 115, 9.5.2008, p. 47).
- 2 COM(2010) 477 final of 15 September 2010 'Youth on the Move'.
- 3 COM(2012) 729 final of 5 December 2012 'Proposal for a Council Recommendation on establishing a Youth Guarantee'.
- 4 Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (OJ C 120, 26.4.2013, p. 1).
- 5 European Council Conclusions, 27-28 June 2013, EUCO 104/2/13 (<http://www.consilium.europa.eu>).

Box 1

What is the 'Youth Guarantee'?

Under the Youth Guarantee, Member States should ensure that, within four months of leaving school or becoming unemployed, young people under the age of 25 can either find a good quality job suited to their education, skills and experience or acquire the education, skills and experience needed to find a job in the future through an apprenticeship, a traineeship or continued education.

14

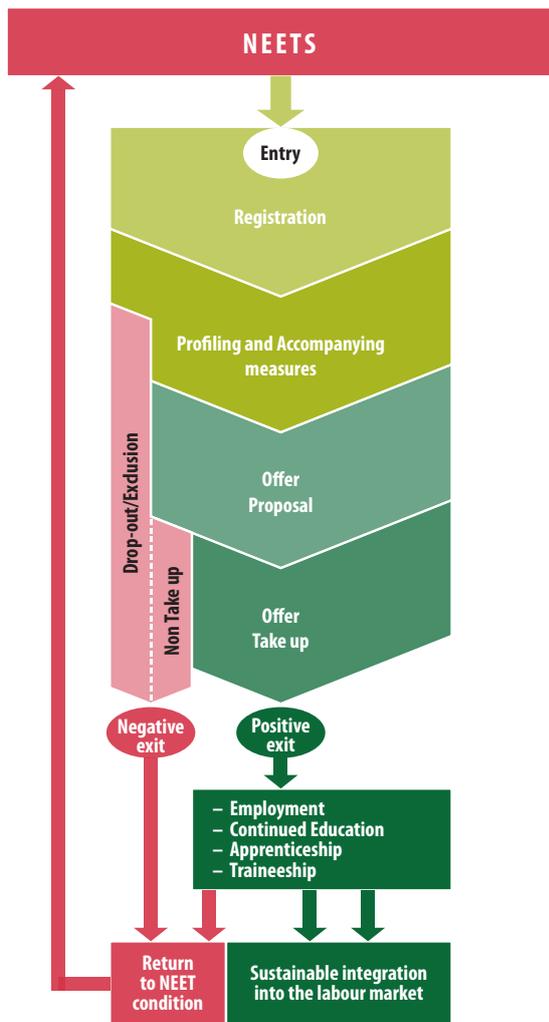
The novelty of the Youth Guarantee is that, in addition to the existing measures in place for young people actively searching for employment, it aims systematically to reach those young inactive people who are not looking for a job and who are not in education or training. It aims at a sustainable integration of all NEETs in the labour market.

15

The different stages of the Youth Guarantee pathway are described in **Figure 6**.

Figure 6

Youth Guarantee pathway



Source: European Court of Auditors.

16

The Council Recommendation requires that Member States should implement Youth Guarantee schemes 'as soon as possible'. It also states that: 'with regard to the Member States experiencing the most severe budgetary difficulties and higher rates of NEETs or youth unemployment, gradual implementation could also be considered'⁶. The Commission also encouraged Member States to prioritise youth employment in their national budgets.

17

There was no specified target date for the implementation of the Youth Guarantee for the entire NEET population. As a first step, Member States were asked to prepare their Youth Guarantee Implementation Plans (YGIPs). These plans were due to be adopted by the end of December 2013, or the end of spring 2014, depending on the individual Member State's level of youth unemployment.

Youth Guarantee monitoring arrangements

18

The Council Recommendation establishing the Youth Guarantee emphasises that Member States should monitor and evaluate all measures implemented under their Youth Guarantee schemes, so that more evidence-based policies and interventions can be developed on the basis of what works, where and why, thus ensuring the efficient use of resources and positive returns on investment.

19

It mandates the European Commission to monitor the implementation of Youth Guarantee schemes in each EU Member State 'through the multi-lateral surveillance of the Employment Committee (EMCO)'. In 2014, the EMCO⁷ endorsed an indicator framework for monitoring the Youth Guarantee, accompanied by a comprehensive methodological manual⁸.

6 Council Recommendation of 22 April 2013 on establishing a Youth Guarantee (OJ C 120, 26.4.2013) point 27.

7 EMCO meeting in Rome on 22-23 September 2014.

8 See <http://ec.europa.eu/social/main.jsp?catId=115>.

Youth Employment Initiative (YEI)

20

In parallel, in February 2013, the Council and the European Parliament agreed to establish the Youth Employment Initiative (YEI) with a dedicated budget line in order to increase the EU financial support available to regions and individuals that were struggling the most with youth unemployment and inactivity.

21

The YEI is part of overall ESF programming and is approved either in the form of specific YEI Operational Programmes or, within ESF Operational Programmes, either as a priority axis or as part of a priority axis⁹. The Commission therefore has a higher level of responsibility in this domain compared to the Youth Guarantee. While the Youth Guarantee is a political commitment to provide an offer to all NEETs less than 25 years old, the YEI is a funding instrument for measures that target individuals¹⁰ in the same population. The overall approved budget for the YEI is 6.4 billion euro for the 2014-2020 programme period, comprising 3.2 billion euro from a specific new EU budget line which is to be matched by at least 3.2 billion euro from national allocations under the existing ESF.

9 Article 18 of Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (OJ L 347, 20.12.2013, p. 470).

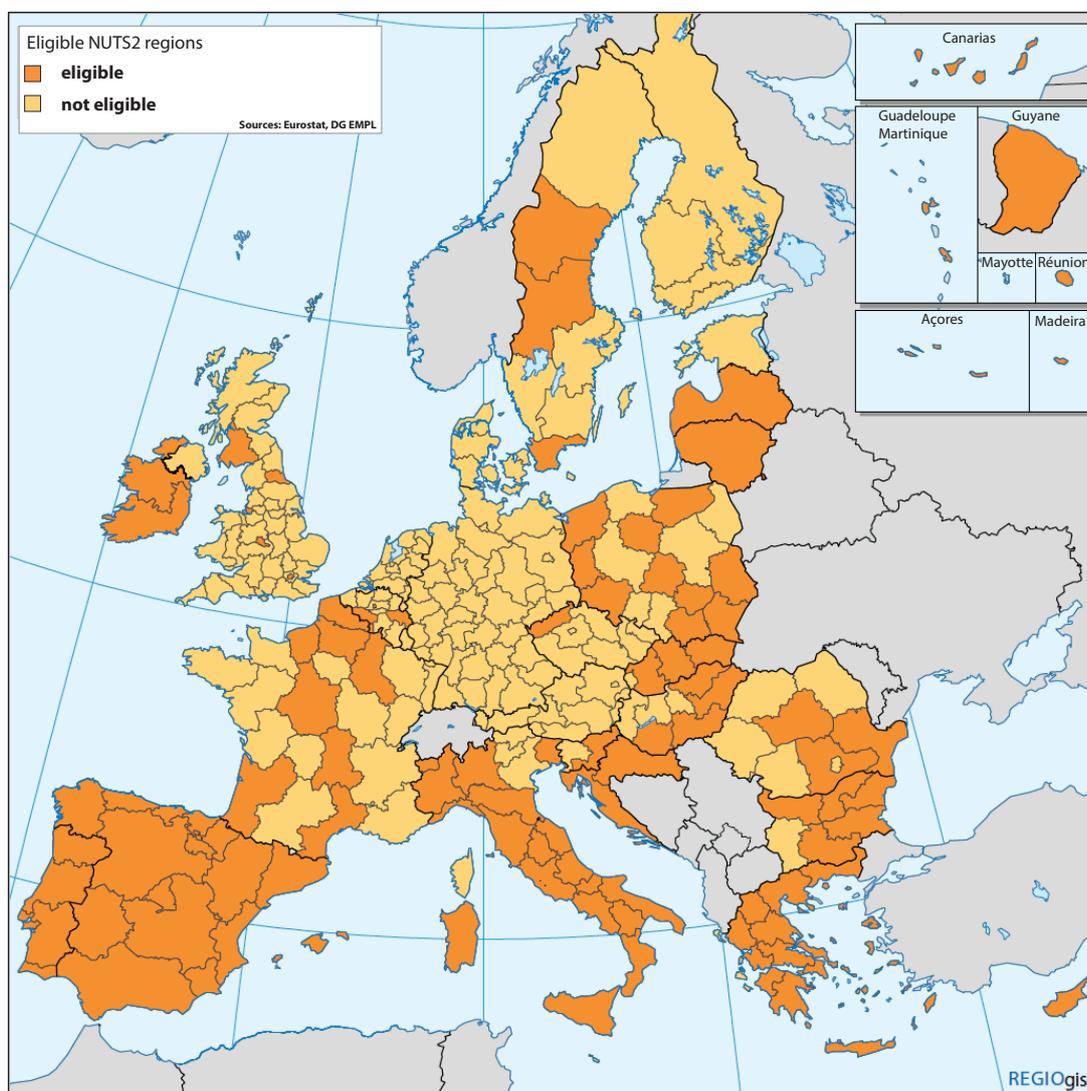
10 Regulation (EU) No 1304/2013, recital 11.

22

Regions eligible for YEI support are those that had a youth unemployment rate of more than 25 % for young people aged 15 to 24 in 2012 and Member States where the youth unemployment rate had increased by more than 30 % in 2012 and which had youth unemployment rates higher than 20 % in 2012¹¹ (see **Figure 7**).

11 Article 16 of Regulation No 1304/2013.

Figure 7 Regions eligible for YEI funding



Source: European Commission.

Introduction

23

The monitoring of YEI/ESF-funded Youth Guarantee measures follows the provisions set out in the legal framework for the European Structural and Investment Funds (ESIFs)¹².

24

In October 2016, the European Commission published a Communication¹³ that highlights the main achievements of the Youth Guarantee and the Youth Employment Initiative since their launch in 2013 and draws conclusions on how to improve the EU and national efforts for deploying national Youth Guarantee schemes¹⁴. In parallel, the Commission proposed that the budget for the Youth Employment Initiative should be extended and that it should provide an additional 1 billion euro for the YEI's specific budget allocation over the 2017-2020 period (matched by 1 billion euro from the ESF), to reach a total amount of 8 billion euro¹⁵.

Previous ECA assessment of the Youth Guarantee

25

In March 2015, the Court published a Special Report¹⁶ on the Commission's support for Member States for the implementation of the Youth Guarantee. It identified three main risks to effective implementation:

- the adequacy of the total funding;
- the way in which a good quality offer is defined; and
- the way in which the Commission monitors and reports on the results of the scheme.

26

The current report builds on and supplements this analysis by assessing the implementation of the Youth Guarantee at Member State level.

12 Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320) and Regulation (EU) No 1304/2013.

13 COM(2016) 646 final of 4 October 2016 'The Youth Guarantee and Youth Employment Initiative three years on'.

14 COM(2016) 646 final.

15 COM(2016) 603 final of 14 September 2016 'Mid-term review/revision of the multiannual financial framework 2014-2020. An EU budget focused on results.'

16 Special Report No 3/2015 'EU Youth Guarantee: first steps taken but implementation risks ahead' (<http://eca.europa.eu>).

27

Through this audit, we assessed whether the Youth Guarantee was delivering results in the Member States and whether the Youth Employment Initiative was contributing towards it. In particular, we examined whether Member States:

- o had made progress in implementing the Youth Guarantee. The aspects examined, based on the EMCO data reported by Member States, included the evolution of the number of NEETs, the identification and registration of NEETs, the provision of offers within four months and the subsequent sustainability of these offers;
- o had appropriately addressed related factors which might impact the progress of implementation of the Youth Guarantee based on the provisions of the Council Recommendation. This included appropriate strategies to ensure the registration of all NEETs, the assessment of implementation costs and the available funding, the Member States' approach towards the sustainable integration of NEETs, and the adequacy of monitoring and reporting by the Member States;
- o had implemented the Youth Employment Initiative (YEI) in such a way as to contribute to the achievement of Youth Guarantee objectives.

28

In order to assess the progress made regarding the implementation of the Youth Guarantee, we visited seven Member States: Ireland, Spain, France, Croatia, Italy, Portugal and Slovakia. For each of them our analysis is based on the age group they selected, i.e. 15-24 or 15-29 years of age. In addition, in order to evaluate the contribution provided by the Youth Employment Initiative (YEI), we visited the same Member States except for Ireland and Slovakia and we reviewed six OPs (five national and one French regional). The Member States were selected based on the following main criteria:

- o their youth unemployment rate;
- o the percentage of NEETs over the total population in the same age group;
- o their share of the total specific YEI financial allocation.

Audit scope and approach

29

Evidence was obtained from:

- documentary reviews at EU and national level;
- interviews with the national authorities responsible for implementing the Youth Guarantee and the managing authorities of the YEI/ESF OPs;
- an analysis of data (including those reported to EMCO);
- an examination of a sample of 175 individuals who benefited from YEI subsidised offers, 35 in each of the five Member States, to examine the contribution provided by the YEI.

The audit in the Member States covered the period between the official launch of the Youth Guarantee in April 2013 and May 2016.

Assessment of progress in the implementation of the Youth Guarantee

30

We considered that it was an appropriate time to assess progress in the implementation of the Youth Guarantee, given that the Council Recommendation had been approved in the first half of 2013.

31

On the basis of both the data reported by Member States to EMCO and EUROSTAT data on NEETs and the youth population, we assessed, for the seven Member States visited, whether:

- the number of NEETs had decreased since the introduction of the Youth Guarantee;
- the Member States had made progress in identifying and registering NEETs;
- all registered NEETs had received an offer of employment, a traineeship, an apprenticeship or continued education within four months;
- young people that had benefited from the Youth Guarantee were being sustainably integrated into the labour market.

Decrease in the number of NEETs correlated with the decrease in youth population

32

Between the launch of the Youth Guarantee and the first quarter of 2016, the overall youth population in the seven Member States visited had decreased by roughly 286 000. Demographic factors, including the natural decrease in the young population and net migration had contributed towards this.

Observations

33

In the same period, the NEET population decreased in all Member States visited, except for France, by almost 374 000. However, the increase in the youth population in France was due to a technical adjustment reported by Eurostat in the first quarter of 2014. Without France, the decrease in the youth and NEET population would have been 500 000, and 432 000 respectively (see **Table 1**).

Table 1

Youth population and NEET population in 2013 and 2016 (in thousands)

| | Youth population | | Change | NEET population | | Change |
|--------------|------------------|---------------|-------------|-----------------|--------------|-------------|
| | 2013Q1 | 2016Q1 | | 2013Q1 | 2016Q1 | |
| IE | 542 | 520 | -22 | 86 | 66 | -21 |
| ES | 4 562 | 4 398 | -165 | 839 | 622 | -217 |
| FR | 7 284 | 7 497 | 213 | 797 | 855 | 58 |
| HR | 778 | 743 | -36 | 181 | 135 | -46 |
| IT | 9 286 | 9 165 | -120 | 2 289 | 2 258 | -32 |
| PT | 1 720 | 1 658 | -63 | 293 | 227 | -66 |
| SK | 1 133 | 1 040 | -94 | 215 | 164 | -52 |
| Total | 25 306 | 25 020 | -286 | 4 701 | 4 327 | -374 |

Source: Eurostat data.

34

Our analysis shows that this reduction in the NEET population was not due to an increase in the number of young people employed. While youth unemployment rates have decreased as a whole in the seven Member States visited, the number of young people in employment actually decreased by 40 000 between the first quarter of 2013 and the same period of 2016.

35

The major contributing factor towards the decrease in the NEET population was the number of young people in education, which increased by 315 000 during the same period. This could be explained by the fact that young people tend to stay longer in education and defer their entry into the labour market during periods of low economic growth (see **Table 2**).

Table 2

Composition and evolution of the youth and NEET population for the Member States visited (in thousands) from the first quarter of 2013 to the first quarter of 2016

| Status | 2013Q1 | 2016Q1 | Change |
|-------------------------------|---------------|---------------|-------------|
| Unemployed NEETs | 2 699 | 2 312 | -387 |
| Inactive NEETs | 2 002 | 2 014 | 13 |
| Total NEETs population | 4 701 | 4 327 | -374 |
| Employed | 6 948 | 6 908 | -40 |
| Unemployed in training | 765 | 579 | -186 |
| Inactive in education | 12 891 | 13 206 | 315 |
| Total youth population | 25 306 | 25 020 | -286 |

Source: Eurostat data.

Limited progress in identification and registration of NEETs

36

The Youth Guarantee is aimed at all young people irrespective of their labour market status. Prior to the introduction of the Youth Guarantee, all Member States were already providing support to those NEETs who were actively seeking employment. In general, this was done by public employment services (PES) or similar providers, with registration being a pre-requisite for obtaining support.

37

The Council Recommendation calls on Member States to put in place Youth Guarantee schemes which aim to provide a good quality offer to all young people becoming unemployed or leaving formal education within four months. This requires the identification of all NEETs, in particular those not actively searching for a job (i.e. inactive NEETs), who are not covered by the existing systems. This required structural reforms, necessitating the involvement of new partners working closer with this target group, and additional financial resources.

The share of NEETs registered by the end of 2015 did not substantially increase after the introduction of the Youth Guarantee

38

The seven Member States visited had different starting points in terms of the NEET population already covered prior to the launch of the Youth Guarantee. The percentage of NEETs already identified in France was 82 %, compared to Italy, where it only represented around 38 % (see **Table 3**).

39

The different levels of progress by Member States are partially explained by the fact that their Youth Guarantee schemes were not launched at the same time. In addition, some Member States decided to transfer all young people who were already registered with the PES (or similar providers) to the Youth Guarantee scheme, whereas others decided to build up specific new Youth Guarantee registers.

Table 3 Registered unemployed before the Youth Guarantee and registered NEETs in 2014 and 2015¹ (in thousands)

| | | Before YG ² | 2014 | 2015 |
|-------------|-----------------|------------------------|-------|-------|
| IE 15-24 | Registered | 48 | 46 | 37 |
| | NEET population | 74 | 80 | 74 |
| | % | 65 % | 58 % | 50 % |
| ES 15-29 | Registered | 461 | 465 | 788 |
| | NEET population | 707 | 685 | 1 273 |
| | % | 65 % | 68 % | 62 % |
| FR 15-24 | Registered | 673 | 726 | 715 |
| | NEET population | 821 | 851 | 889 |
| | % | 82 % | 85 % | 80 % |
| HR 15-29 | Registered | 121 | 94 | 89 |
| | NEET population | 177 | 166 | 151 |
| | % | 68 % | 56 % | 59 % |
| IT 15-29 | Registered | 925 | 51 | 213 |
| | NEET population | 2 414 | 2 413 | 2 349 |
| | % | 38 % | 2 % | 9 % |
| PT 15-29 | Registered | 142 | 100 | 109 |
| | NEET population | 265 | 245 | 220 |
| | % | 54 % | 41 % | 50 % |
| SK 15-29 | Registered | 134 | 87 | 80 |
| | NEET population | 225 | 201 | 184 |
| | % | 60 % | 43 % | 43 % |

- 1 The 'before YG' figures used correspond to the percentage of persons registered at the PES as unemployed within the Youth Guarantee age bracket before it started. The data used in Spain were provided by the Spanish PES because EMCO data only covers NEETs who are registered with the SNGJ (the Spanish Youth Guarantee database). The 2014 data for France only takes into account *Pôle Emploi* in order to avoid double counting with the local employment offices, the *Missions Locales*. The 2014 and 2015 figures correspond to average figures over the year.
- 2 Data used as before YG were: Ireland 2013Q4; Spain 2014Q2; France 2013Q4; Croatia 2013Q4; Italy 2014Q1; Portugal 2014Q1 and Slovakia 2013Q4.

Source: PES for the baseline before YG; EMCO database for the number of NEETs in Youth Guarantee in 2014 and 2015; and Eurostat for the NEET population.

Observations

40

For example, in Italy, the national authorities decided not to automatically transfer to the Youth Guarantee scheme those young people that fulfilled the NEET criteria but had already registered as unemployed with the PES. Instead, they required all of them to re-register. This was a deliberate choice by the national authorities which created an additional burden for the NEETS and resulted in a very low registration rate.

Youth Guarantee contribution to NEETs registration process difficult to assess

41

The total number of NEETs entering the Youth Guarantee in the seven Member States visited (i.e. registering with a Youth Guarantee provider) totalled 2.6 million in 2014. In 2015, this increased by 32 %, reaching a total of more than 3.4 million. However, with the exception of Spain, Italy and France, the number of registered NEETs was lower in 2015 than for the previous year (see **Table 4**).

Table 4

Total number of people entering the Youth Guarantee¹

| | Registered entries | | Change 2015/2014 |
|--------------|--------------------|------------------|---------------------|
| | 2014 | 2015 | |
| IE | 60 200 | 54 600 | -9 % |
| ES | 572 694 | 1 268 613 | 122 % |
| FR | 1 046 478 | 1 082 215 | 3 % |
| HR | 272 154 | 171 739 | -37 % |
| IT | 144 368 | 420 279 | 191 % |
| PT | 335 151 | 266 311 | -21 % |
| SK | 174 397 | 165 425 | -5 % |
| Total | 2 605 442 | 3 429 182 | 32 % |

¹ The data from Spain was provided by the Spanish PES because EMCO data only covers NEETs who are registered with the SNGJ (the Spanish Youth Guarantee database). The 2014 data for France only takes into account *Pôle Emploi* in order to avoid double counting with the local employment offices, the *Missions Locales*.

Source: EMCO database and Eurostat.

42

Our analysis shows that the significant divergences between Member States were due to the following:

- in Spain, the two main factors were: 1) reporting on data on NEETs only started in July 2014; 2) the age bracket was extended in July 2015 to include NEETs aged 25-29, which resulted in almost 390 000 additional registrations;
- in Italy, reporting only covered the eight month period from May 2014, as the authorities decided not to migrate potential NEETs already registered with the PES prior to this date and started registrations from zero;
- in France, the source of data changed between the two years. The 2014 data only took into account the figures for the public employment service ('Pôle Emploi') in order to avoid double counting with the local employment offices ('Missions Locales'). For 2015, however, the figures compiled by EMCO also included the Missions Locales data;
- in Croatia and in Portugal, all previously registered NEETs were included in the 2014 figures, which explains the high number of registrations for 2014. In addition, Portugal only reported after March 2014, i.e., for 10 months of that year.

Increase in positive exits, but insufficient availability of offers

43

There are three ways for registered NEETs to leave the Youth Guarantee scheme:

- take up an offer of employment, traineeship, apprenticeship or continued education; or
- voluntarily abandon the scheme; or
- be excluded on the basis of national rules/practice (e.g. after a repeated failure to participate in planned activities).

44

NEETs can leave the Youth Guarantee preparatory phase through a positive or negative exit. A positive exit corresponds to the take-up of an offer. A negative exit means that the young person continues to be an unemployed or inactive NEET. If the Member State is not capable of verifying the status of the NEET after his/her departure from the scheme, his/her destination is registered as unknown, which may be linked to a positive or negative exit. The lower number of NEETs with unknown status is indicative of a monitoring system that performs well (see paragraphs 92 to 98).

45

All NEETs that participate in accompanying measures, such as individual action planning, individual case-management for those requiring more support or training services (e.g. basic skills, soft skills, mentoring, etc.) are considered as being in the Youth Guarantee preparatory phase and not as exiting the scheme.

46

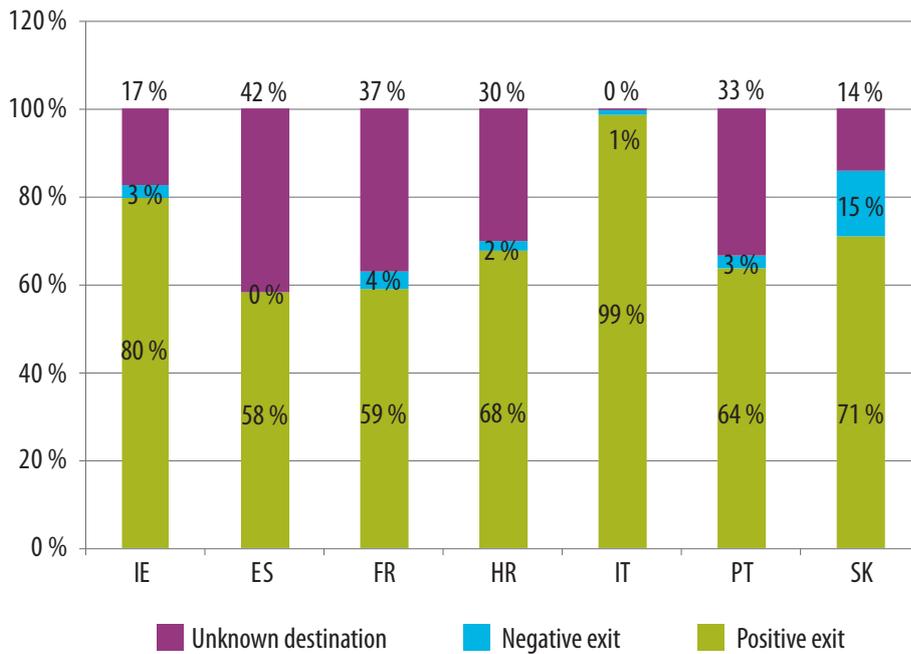
At the end of 2015, the share of positive exits varied substantially among Member States, ranging from 58 % in Spain to 99 % in Italy (see **Figure 8**).

47

The rate of unknown destinations, for example 42 % in Spain, generally reflects the poor quality of the data. The very low number of unknown destinations (< 1 %) in Italy can be attributed to the creation of a database that, amongst other things, tracks the situation of the Youth Guarantee participants. In addition, the low number of negative exits in Italy could be partly due to the fact that all participants sign a declaration of immediate availability to start a measure.

Figure 8

Percentage of exits by type (cumulative 2014-2015)¹



1 The data from Spain were provided by the Spanish PES because EMCO data only covers NEETs who are registered with the SNGJ (the Spanish Youth Guarantee database). The 2014 data for France only takes into account *Pôle Emploi* in order to avoid double counting with the local employment offices, the *Missions Locales*.

Source: EMCO database.

48

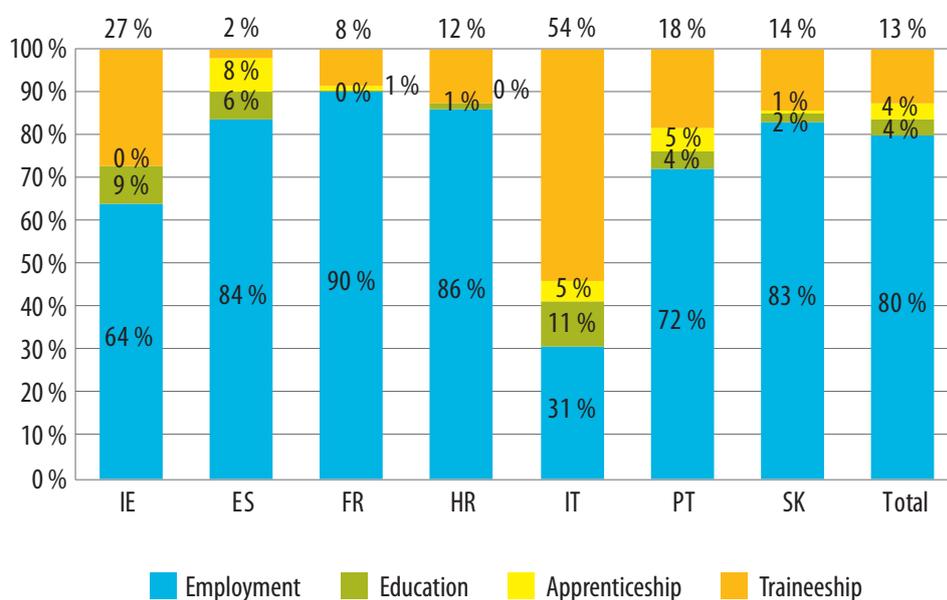
Slovakia registered the highest share of negative exits (15 % for 2014-2015). In 2014, however, Slovakia reported 2 % negative exits and 29 % unknown destinations. In 2015, the number of negative exits increased to 26 % and the number of unknown destinations decreased to less than 1 % due to changes in the reporting system, but this does not explain why there were so many negative exits.

49

Employment was the most common destination of positive exits in all Member States visited, with the exception of Italy, where traineeships represented 54 % of them. In all other Member States visited, exits towards employment ranged between 64 % in Ireland and 90 % in France (see **Figure 9**).

Figure 9

Distribution of positive exits by type of destination (cumulative 2014-2015)¹



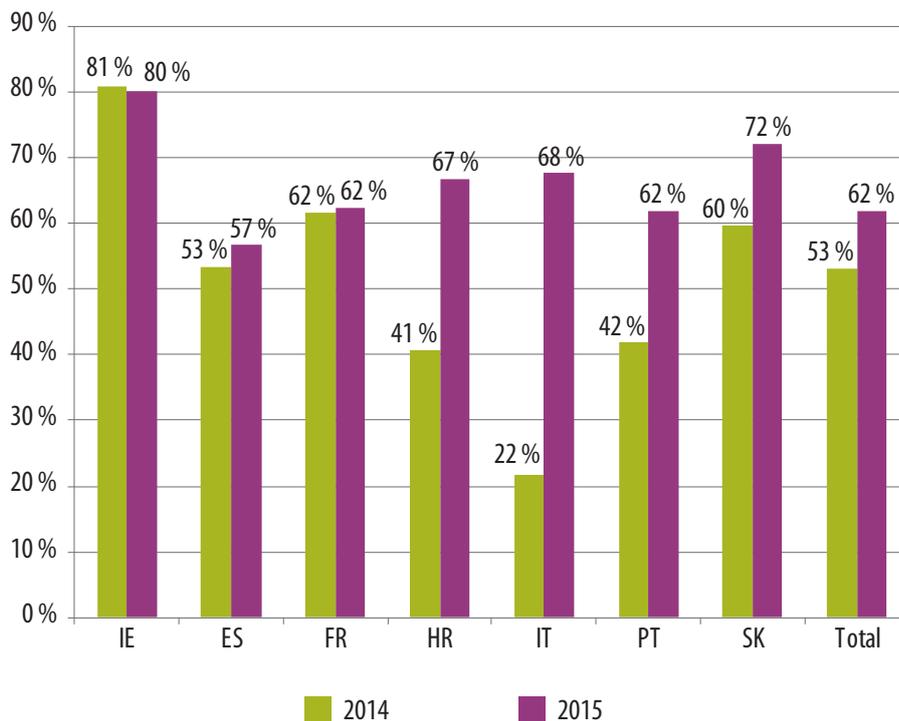
1 The data from Spain were provided by the Spanish PES because EMCO data only covers NEETs who are registered with the SNGJ (the Spanish Youth Guarantee database). The 2014 data for France only takes into account *Pôle Emploi* in order to avoid double counting with the local employment offices, the *Missions Locales*.

Source: EMCO database.

50

A comparison between the number of positive exits and the number of NEETs registered with the Youth Guarantee shows that, in 2014, the number of positive exits in the seven Member States visited covered only around half of the total registrations (53 % in 2014 and 62 % in 2015). In 2015, the rate of positive exits increased in all Member States covered (except Ireland) (see **Figure 10**). The increase in Croatia (from 41 % to 67 %) and Portugal (from 42 % to 62 %) was mainly due to the decrease in the newly registered NEETs (see paragraph 42, fourth indent). The increase in positive exits (from 22 % to 68 %) in Italy actually reflects a significant increase in the number of offers made and the shorter reporting period for 2014 (see paragraph 42, second indent). The above figures demonstrate that additional efforts are required to provide an offer to all registered NEETs as requested by the Council Recommendation.

Figure 10 Positive exits out of the total number of registered NEETs¹



1 The data from Spain were provided by the Spanish PES because EMCO data only covers NEETs who are registered with the SNGJ (the Spanish Youth Guarantee database). The 2014 data for France only takes into account *Pôle Emploi* in order to avoid double counting with the local employment offices, the *Missions Locales*.

Source: EMCO database.

70 % of 2014 positive exits took place within four months

51

The Council Recommendation states that Member States should provide offers to NEETs within four months. EMCO guidelines on reporting data consider the date of the NEETs' registration with a Youth Guarantee provider to be the starting point for the calculation of the four months.

52

None of the Member States visited during the audit were able to provide all NEETs the opportunity to take up an offer within four months of entering the Youth Guarantee scheme. However, for the positive exits in 2014, 70 % took place within the four month deadline. In France, Croatia, Italy and Portugal, the situation worsened in 2015 compared to 2014 (see **Figure 11**) resulting in an overall average of 59 %. We also note that the Italian starting date for the four month period for taking up an offer to the NEETs is the date when a NEET is assessed and profiled rather than the moment he/she registers for the Youth Guarantee scheme. This means that the actual waiting time for the individual is even longer. Additional efforts are required to increase the share of NEETs for which the four month target is met.

Sustainable integration remains a challenge

53

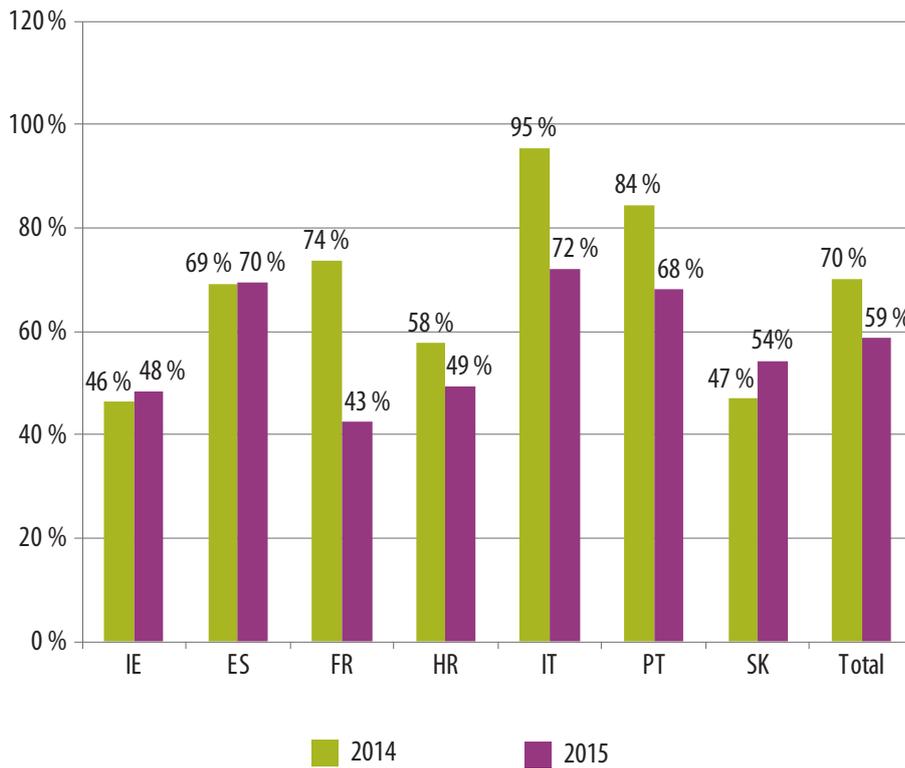
The final objective of the Youth Guarantee is to help young people join the labour market in a sustainable way. Therefore, the EMCO monitoring framework requests that the situation of young people at 6, 12 and 18 months after the date they leave the scheme is followed-up¹⁷. Their situation is considered positive if they are in employment, education or training and negative if they have returned to NEET status.

54

We analysed this data, which differs substantially among Member States, for young people who exited the scheme in 2014 or in 2015.

17 See EMCO Methodological manual, Indicator Framework for Monitoring the Youth Guarantee (YG), paragraph 81.

Figure 11 Positive exits from the Youth Guarantee within four months (2014 and 2015)¹



1 The data from Spain were provided by the Spanish PES because EMCO data only covers NEETs who are registered with the SNGJ (the Spanish Youth Guarantee database). The 2014 data for France only takes into account *Pôle Emploi* in order to avoid double counting with the local employment offices, the *Missions Locales*.

Source: EMCO database.

Situation six months after exiting the Youth Guarantee

55

The share of young people who exited the scheme in 2014 and were still employed, in education or training six months later ranges between 56 % (in Portugal) and 71 % (in Ireland). The French authorities did not provide the relevant data to EMCO in September 2016 (see **Table 5**).

Table 5

Situation six months after exiting the Youth Guarantee for people entering the scheme in 2014 and 2015¹

| | 2014 | | | | 2015 | | | |
|--------------|-------------|-------------|-------------|-----------------------------|-------------|-------------|-------------|-----------------------------|
| | Positive | Negative | Unknown | Not applicable ² | Positive | Negative | Unknown | Not applicable ² |
| IE | 71 % | 21 % | 8 % | 0 % | 71 % | 21 % | 8 % | 0 % |
| ES | 63 % | 15 % | 21 % | 0 % | 37 % | 47 % | 0 % | 16 % |
| HR | 61 % | 17 % | 22 % | 0 % | 60 % | 13 % | 17 % | 10 % |
| IT | 68 % | 0 % | 32 % | 0 % | 65 % | 0 % | 27 % | 8 % |
| PT | 56 % | 11 % | 33 % | 0 % | 47 % | 11 % | 25 % | 17 % |
| SK | 4 % | 16 % | 80 % | 0 % | 4 % | 14 % | 80 % | 2 % |
| Total | 54 % | 13 % | 33 % | 0 % | 48 % | 18 % | 26 % | 9 % |

1 The data for Spain are the data reported to EMCO and only cover the situation of people registered at SNGJ.

2 Not applicable: at the time data was collected, participants have not yet reached the six months since when they left the Youth Guarantee.

Source: EMCO database.

56

The trend in 2014 and 2015 for people maintaining a positive exit after six months is relatively stable, with the exception of Spain. Here, the percentage decreased from 63 % to 37 %, while the negative or unknown exits increased from 36 % to 47 %. These results partly reflected the change in the target NEET population to include the 25-29 age group (see paragraph 42, first indent).

57

In Slovakia, only 4 % of the people who exited the Youth Guarantee scheme in 2014 or 2015 were reported as still being in employment, education or training six months later. This result is heavily influenced by the high number (80 %) of unknown situations which makes it difficult to assess the level of sustainable labour market integration achieved. Indeed, for these cases there was no information on their status, which indicates that the Slovak national authorities are having difficulty monitoring the ongoing situation of participants.

Situation 12 and 18 months after exiting the Youth Guarantee

58

The Member States, with the exception of France and Italy, reported on the situation of individuals 12 months after exiting the scheme. In 2014, the situation of young people 12 months after a positive exit was similar to that after six months. Spain is the exception, as only 45 % maintained this status after 12 months, compared to 63 % after six months (see **Tables 5 and 6**). The rate for successful integration 18 months after a positive exit fell when compared to 12 months in all Member States except for Ireland.

Table 6 Positive, negative and unknown situations at 12 and 18 months for exits in 2014^{1,2}

| | 2014 - after 12 months | | | | 2014 - after 18 months | | | |
|--------------|------------------------|-------------|-------------|-----------------------------|------------------------|-------------|-------------|-----------------------------|
| | Positive | Negative | Unknown | Not applicable ³ | Positive | Negative | Unknown | Not applicable ³ |
| IE | 65 % | 28 % | 7 % | 0 % | 67 % | 25 % | 7 % | 0 % |
| ES | 45 % | 34 % | 21 % | 0 % | 33 % | 29 % | 38 % | 0 % |
| HR | 64 % | 17 % | 20 % | 0 % | 62 % | 14 % | 17 % | 7 % |
| PT | 56 % | 13 % | 32 % | 0 % | 41 % | 12 % | 26 % | 21 % |
| SK | 3 % | 18 % | 79 % | 0 % | 2 % | 19 % | 78 % | 2 % |
| Total | 46 % | 22 % | 32 % | 0 % | 41 % | 20 % | 33 % | 6 % |

- 1 Data for Spain are the data reported to EMCO, and only cover the situation of the persons registered at SNGJ.
- 2 The figures above are based on the situation of individuals at a given moment in time, which means that an individual in a negative situation after 12 months can change to a positive one after 18 months.
- 3 Not applicable: at the time data was collected, participants have not yet reached the 12 and 18 months since when they left the Youth Guarantee.

Source: EMCO database.

59

For young people who exited the scheme in 2015, the Court did not assess the situation 12 months after positive exits, as only four Member States reported figures. In addition, almost two-thirds of the reported participants had not yet reached the 12 month cut-off point.

Factors impacting the results of the Youth Guarantee

60

In this section, we assess whether the Member States had adequately addressed the factors which might negatively impact the implementation of the Youth Guarantee. In particular, we assessed whether Member States had:

- drawn up appropriate strategies to ensure the registration of all NEETs;
- estimated the overall cost of the Youth Guarantee and what would be the available level of funding;
- taken measures to ensure the sustainable integration of NEETs;
- set up an appropriate monitoring and reporting system.

No strategies with clear milestones and objectives to reach all NEETs

61

The Council Recommendation states that the Youth Guarantee aims to reach all young people under the age of 25 within four months after becoming unemployed or leaving formal education. Member States should actively seek to identify and register all NEETs and motivate them to join the Youth Guarantee scheme. The Council Recommendation also highlights the importance of strengthening cooperation between relevant stakeholders (such as public and private employment services, education and training institutions, employers, youth organisations and non-governmental organisations working with youth) in order to reach the entire NEET population.

62

Therefore we examined whether the Member States had:

- set out a coherent strategy with concrete and measurable objectives for reaching all NEETs; and
- involved and consulted the relevant stakeholders.

Some Member States only targeted a narrow sub-population of NEETs

63

Based on our analysis of the Youth Guarantee Implementation Plans (YGIPs), we found that, in two of the seven Member States covered (Italy and Ireland), the national authorities had decided to focus on a narrower sub-population (see **Box 2**). This led to a situation where a significant part of the NEET population was not targeted from the start.

Box 2 Target NEET population in Ireland and Italy: around 30 % of the overall NEET population excluded

Italy: The YGIP targeted young people aged 15-29 who were available for work (1 723 000 in 2013). However, those young people who had not provided a declaration of immediate availability (*DID - Dichiarazione di immediata disponibilità*) prior to registering for the scheme (28 % of the overall NEET population in the same year) were not considered in the calculation of the target.

Ireland: The YGIP focuses on young people aged 18-24 who, in the fourth quarter of 2013, were not in employment and were receiving unemployment benefits, and self-reported unemployed people (45 000 people, 70 % of the total NEET population). Unemployed students, inactive self-reported students, carers, and people who were inactive due to disability were excluded from the target. This latter group comprised 18 900 persons (30 % of the total NEET population).

NEETs are required to be proactive to participate**64**

Another approach which limits the scope of the Youth Guarantee in some Member States is the requirement of 'proactivity' from the individuals concerned. In Spain, in order to participate in the Youth Guarantee scheme, NEETs have to register, on their own initiative, with the *Sistema Nacional de Garantía Juvenil* (SNGJ). This proactivity is also required under National Employment Law 18/2014. As a result, people who were already registered elsewhere, for example with the PES, could not be migrated automatically to the Youth Guarantee but were required to register again.

65

We also note that Ireland followed a different approach which, although costly, proved to be effective in identifying the entire NEET population above 18 years of age (see **Box 3**).

Box 3**Income support subsidy in Ireland**

Ireland provides all unemployed people aged 18 or over with income support of a minimum of 100 euro a week per person without children. Because of this, the authorities believe that all but an insignificant number of NEETs aged 18 or over are registered with the Department of Social Protection.

66

We found that the Member States strategies were not focused enough, did not include quantified objectives and did not clearly set a calendar for reaching the entire NEET population. Nevertheless we noted that several of the Member States visited had developed innovative strategies for reaching previously unidentified NEETs, by making use of awareness campaigns through both traditional and modern media channels (e.g. social networks).

67

The Commission, in its communication¹⁸ has concluded that more effort is needed to support young people who are furthest away from the labour market - the NEETs who have traditionally been hardest to reach (even before the crisis) and have so far benefited the least from improvements. This corroborates our findings relating to progress in identifying and registering all NEETs.

18 COM(2016) 646 final - The Youth Guarantee and Youth Employment Initiative three years on, p. 11.

Relevant stakeholders' involvement not clearly defined

68

The seven Member States visited mentioned the need to involve and consult relevant stakeholders. However, they did not specify how these partnerships would contribute to the overall objective of reaching all NEETs. The only exception was Portugal, but even there it remained unclear as to how the partners were to contribute towards the identification and registration of all NEETs (see **Box 4**).

Box 4

The Portuguese YGIP - targets set for the identification/registration of the NEET population

The Portuguese YGIP aims to reach the entire NEET population by 2019. The relevant stakeholders are responsible for reaching 47 % of the NEETs who are not registered with the public employment service. However, it sets the targets to be attained by the relevant stakeholders in general terms, without specifying in detail the objectives per partner. It also does not mention any financial contribution to be provided to the relevant stakeholders or how they are meant to accomplish this objective without extra resources.

69

We also found that since the launch of the Youth Guarantee specific agreements with relevant stakeholders had been signed in all Member States visited. For example, the Spanish public employment service had signed agreements with institutions like *Instituto de la Juventud* (INJUVE), *Federación de Asociaciones Empresariales de Empresas de Inserción* (FAEDEI) and the Spanish Red Cross, with a view to reaching the most vulnerable NEETs. Slovakia had signed three agreements with ESF-supported social partners in 2015, with a view to motivating inactive NEETs to register with the employment services. However, in all cases, the exact targets to be achieved by the partner organisation were not defined.

70

This shows that there is an increasing involvement of relevant stakeholders which work in close contact with the inactive NEET subgroup. However, there still needs to be a clearer definition of their involvement and how they can contribute to the process in the most efficient and effective way.

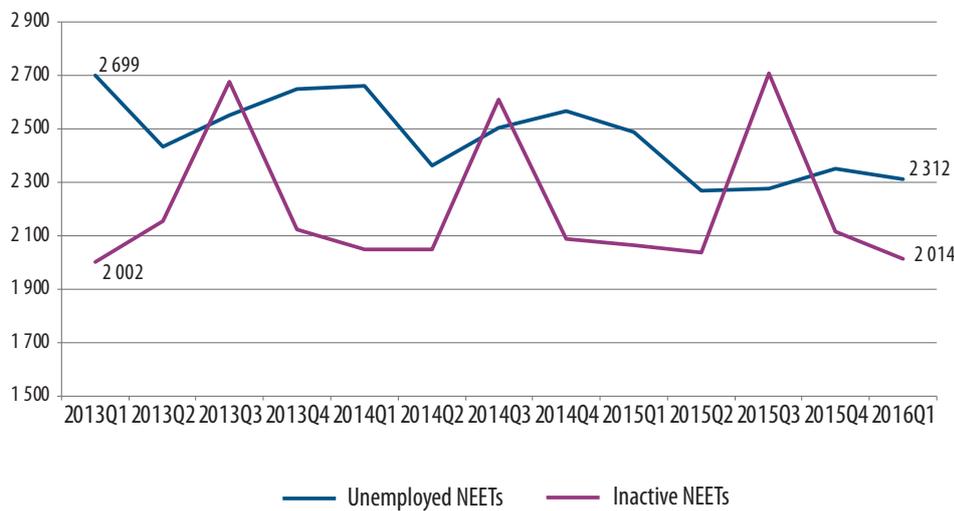
Unemployed NEETs decreased whereas inactive ones remained stable

71

The total NEET population targeted by the Youth Guarantee decreased in the seven Member States visited from 4.7 million people to 4.3 million people between the first quarter of 2013 and the end of March 2016 (see **Figure 12**).

Figure 12

Number of unemployed and inactive NEETs (in thousands) in the seven Member States visited (first quarter 2013 - end of March 2016)



Source: Eurostat data on the number of unemployed and inactive NEETs.

72

This reduction was due to a fall in the unemployed component of the NEET population (- 387 000 people), whereas the figure for inactive NEETs remained practically unchanged (+ 13 000 people)¹⁹. This corroborates the fact that additional efforts are needed to reach the inactive NEETs²⁰.

19 The seasonal peaks registered in the third quarters are related to the end of the academic year.

20 COM(2016) 646 final, p. 9.

Overall cost of the Youth Guarantee and available funding not assessed by Member States

73

Prior to the introduction of the Youth Guarantee, all Member States were already providing assistance to registered unemployed young people in the context of their active labour market policies and, in particular, through their PESs (or similar bodies). The introduction of the Youth Guarantee brought two additional challenges to the Member States:

- firstly, the support provided is meant to address all NEETs and not just those that are registered as unemployed with the PES; and
- secondly, the support provided to all NEETs is meant to lead to an offer within four months of their leaving formal education or becoming unemployed.

74

We therefore examined whether the Member States had estimated the additional cost of providing the required offer to all NEETs within four months as required by the Council Recommendation and identified the level of available funding.

75

We found that:

- None of the seven Member States visited could provide an estimate of the additional expected cost for their specific situation.
- In general, the YGIPs for all Member States visited presented a series of measures to be offered to NEETs based on the 2014-2020 ESIF funding, notably from the Youth Employment Initiative (YEI) and the European Social Fund (ESF).

76

Recent research by independent organisations provides indicative figures of what could be the cost of reaching all NEETs in EU. ILO estimates that the annual cost would be approximately 45.4 billion euro²¹ whereas Eurofound forecast that the cost would be 50.4 billion euro per year²².

77

In comparison, the total ESF/YEI funding available to the 28 EU Member States for the 2014-2020 period totals 86.4 billion euro (i.e. 12.3 billion euro per year). Moreover, during the seven year programme, 12.5 billion euro in ESF/YEI funds (or 1.8 billion euro per year) have been programmed to be spent on ESF investment priority 8.ii (sustainable integration into the labour market of young people), out of which 6.4 billion euro have been programmed under YEI initiative which directly target NEETs.

78

Therefore, it is not possible to address the whole NEET population, which was the expectation raised by the Council Recommendation, with the resources available from the EU budget alone. In this respect, there is a need for Member States to properly assess the costs of their Youth Guarantee schemes and prioritise the related measures according to the available financing.

Member States' approach impacts the sustainable integration of NEETs

79

The final objective of the Youth Guarantee is to enhance the skills/employability of the NEETs and enable their sustainable integration into the labour market. According to the Council Recommendation, measures implemented in the context of a Youth Guarantee scheme, aimed at boosting the competences of individuals, should help address existing skills mismatches to better meet labour-market demands. Moreover, the further the individuals concerned are detached from the labour market, the more assistance their integration requires. Offers should be tailored to the profile and qualification level of individuals. They also should comply with minimum requirements for a good quality offer.

21 ILO, 'The Youth Guarantee programme in Europe: Features, implementation and challenges', August 2015.

22 Eurofound, 'Social Inclusion of Young People', September 2015.

Observations

80

Thus, we examined whether the Member States visited:

- o systematically addressed the skills mismatch in the context of their Youth Guarantee;
- o assessed the NEETs' profiles and ensured a uniform approach among the various providers; and
- o made use of a definition of a good quality offer.

Skills mismatch not identified and addressed in the context of the Youth Guarantee

81

The NEETs group is highly heterogeneous²³. However, none of the Member States visited had performed a comprehensive analysis of the NEET population including a skill mismatch analysis. In Portugal and Spain, for instance, the YGIP was based only on the statistical data for NEETs provided by the national statistical offices, such as age distribution, qualifications and gender.

82

Among the Member States covered, only Ireland has developed a systematic approach to addressing skills mismatches and aligning the training portfolio of NEETs to meet the needs of the local area. This exercise is carried out on an annual basis for a certain catchment area, by a combination of census and a labour force survey, together with the local employers' representatives and the local training providers. However, this system was already in place before the launch of the Youth Guarantee.

83

All other Member States visited addressed the skills mismatch in specific studies and/or analyses carried out by various institutions. However, these studies were not, or were only partially, taken into account when designing the types and number of offers to be included in the YGIPs.

23 Eurofound, 'Exploring the diversity of NEETs' July 2016.

Profiling systems modified due to the Youth Guarantee in three of the Member States visited

84

The introduction of the Youth Guarantee triggered the modification of the profiling system for NEETs in Italy, Spain and Ireland. However, Croatia, Slovakia, France and Portugal maintained their previous systems.

85

In Croatia and Slovakia (where there is just one Youth Guarantee provider, the PES), the profiling system is based on a qualitative assessment by a case officer. In France the assessment is also made by a case officer, but there is a multitude of service providers assessing the NEETs and these do not follow a uniform approach.

86

Portugal, Ireland and Italy use a system that is based, firstly, on an automated scoring system and, secondly, on qualitative profiling via a case officer's assessment. In Ireland and Portugal, the sole Youth Guarantee provider responsible for assessing the NEETs is the PES, whereas this is done by multiple providers in Italy (see **Box 5**).

Box 5

A new profiling system for NEETs in Italy for the Youth Guarantee

For the Youth Guarantee scheme, Italy has introduced a standard NEETs profiling procedure for all YG providers. This involves calculating a vulnerability coefficient for each of the young people concerned (low, medium, high or very high). This calculation is based on their personal characteristics (such as age, gender, educational background, work experience, etc.) as well as their place of residence (profile of the local production system, regional or provincial unemployment rate, etc.) This assessment provides a standardised basis to help job centre advisors identify the most suitable service/offer for the individual. A wide margin of discretion is left to the job centre advisors when determining the pathway that the NEET will follow on the Youth Guarantee scheme. Guidelines are currently being drawn up to assist job centre workers in carrying out the qualitative profiling that subsequently leads to the signing of a personalised service agreement. The mandatory use of this system contributes to a consistent treatment of all NEETs.

87

Spain is migrating from a non-harmonised multi-regional profiling assessment, made by a case officer, to a common framework for assessing and profiling the NEETs across the country. This will be based on a standardised employability questionnaire which has been drawn up by the PES and the Autonomous Regions.

88

An automatised system is not necessarily better than a fully personalised or combined one. However, it is important to highlight that the former is more likely to guarantee a uniform and consistent treatment of all NEETs, whereas the second relies more on the ability and experience of the case officers.

Several Member States have defined a good quality offer

89

The notion of a good quality offer differs among Member States²⁴, but some common criteria do exist. In Ireland, France and Portugal, the definition of a good quality offer is set out in rather broad terms in the national YGIPs and is associated directly with sustainable integration into the labour market. On the other hand the Spanish YGIP defines the main characteristics of good quality for each type of offer.

90

In addition, in two Member States covered by this report (Italy and Slovakia), the Youth Guarantee has also contributed to the development of a comprehensive definition of a good quality offer, which in the case of Slovakia is legally binding (see **Box 6**). Croatia has not yet adopted a definition of a good quality offer, but this is currently under review by the newly-formed Council for Executing the Youth Guarantee Implementation Plan.

24 The Draft Council Conclusions on the implementation of the Youth Guarantee and the Youth Employment Initiative (15015/16, 1 December 2016) calls for a discussion of standards for quality criteria under the Indicator Framework.

Box 6

Definition of good quality offer in Slovakia

The definition of a good quality offer is set out in the Employment Services Act. Any job offer that is subsidised by either the state budget or the YEI/ESF must provide a minimum working time and duration of the employment contract/self-employment activity, and fulfil requirements for the sustainability of the job after cessation of support. In addition, it also covers the monthly amount of the subsidy and its total duration. The offer also needs to take account of the health status of the recipient, his/her qualifications and professional skills and previous experience. In April 2015, Act No 61/2015 Coll. on vocational education and training detailed what constitutes a good quality apprenticeship offer in the framework of dual education.

91

A legal definition of a good quality offer in itself does not guarantee a positive outcome for participation in the Youth Guarantee. Irrespective of the quality of the offers, sustainable integration of NEETs into the labour market requires economic growth.

Weak quality of data hampered the assessment of Youth Guarantee results

92

The Council Recommendation emphasises the need to monitor and evaluate all measures under the Youth Guarantee schemes. Good quality data is required to develop evidence-based policies and interventions on the basis of what works, where and why, thus ensuring the efficient use of resources and positive returns on investment.

93

Therefore, we examined whether the Member States had introduced systems which allowed the proper monitoring and evaluation of the implementation of their Youth Guarantee schemes.

94

A pre-requisite for assessing the progress made due to the Youth Guarantee is the availability of a baseline situation prior to its implementation (e.g. the number of NEETs receiving assistance from the PES before its launch). In this regard, all the Member States visited only had limited information on the type of assistance that NEETs had received, the number of offers/services provided and the related costs.

95

We also noted several inconsistencies and reliability issues in the data reported by Member States to EMCO. Comparability is affected as they have different ways of reporting data to EMCO regarding, for example, the targeted age group, the methodology for calculating the number of entries at the launch of the Youth Guarantee, information on exits and the availability of follow-up data (see also **Annex**).

96

Problems, including the completeness of data, were noted in Member States that had multiple Youth Guarantee providers but no single harmonised reporting system.

97

This is the case for France, for instance, where the national authorities are not able to report on the situation of NEETs after they have left the scheme (see paragraph 55). In addition, the French monitoring system does not cover all potential Youth Guarantee providers. For instance, offers provided to school drop-outs by the Ministry of Education through the *Réseaux Formation Qualification Emploi* are not included. A similar situation occurred in Portugal, where offers provided to NEETs by the Ministry of Education were not reported.

98

Italy, on the other hand, has introduced a comprehensive electronic monitoring system for the Youth Guarantee scheme (see **Box 7**).

Box 7

Use of an integrated database to monitor the Youth Guarantee (Italy)

In 2014, Italy set up an electronic system to manage the Youth Guarantee scheme. It is designed to register and subsequently check the NEET status of the programme participants in a single database. The data entered in the system containing information on the employment status of the participants also includes information provided by the provincial departments and job agencies. This system is also linked to the database of the Ministry of Education, allowing for a check on the educational situation of the persons concerned. Weekly reports on the number of registered NEETs and offers made are published in the monitoring section of a specific Youth Guarantee website.

Assessment of the contribution of the Youth Employment Initiative

99

The Youth Employment Initiative (YEI) was introduced to support the implementation of the Youth Guarantee and reinforce and accelerate the delivery of measures targeting individual NEETs.

100

As the YEI funding supplements financing available under the ESF and constitutes a significant share of the financial resources available for the implementation of the Youth Guarantee, we assessed how it contributes to the aspects already covered in the previous sections of this report relating to the overall implementation of the Youth Guarantee.

101

We therefore examined:

- whether adequate analyses and assessments had been carried out for the YEI interventions included in the OPs;
- whether meaningful objectives and monitoring mechanisms had been developed to assess the results; and
- what results had been achieved so far and whether they were in line with the established targets.

Insufficient assessment of the NEET population impacted the YEI OP design

102

Given the heterogeneity of the NEET population, a fact highlighted by the Council Recommendation, a detailed assessment would have been needed to properly establish the YEI target population.

103

We found that the assessments carried out by the visited Member States to establish the YEI target population were superficial and generic. All five Member States had divided the YEI target population into two subgroups: inactive NEETs and unemployed NEETs. Specific targeting was not carried out for categories such as early school leavers, economically and socially vulnerable people, the long-term unemployed, or people who are most detached from the labour market.

104

For instance, in France, the national YEI OP states that half of the NEETs between 15 and 24 are highly qualified and are temporarily absent from the labour market. However, it does not outline whether the YEI resources will be focused on the remainder of the population which are more likely to need assistance.

105

None of the five Member States visited made a global assessment of the characteristics of the NEET population, as they only used statistical data such as age and regional distribution and level of education to substantiate the options included in the OP. Therefore, no proper gap assessment was performed by the national authorities.

106

Moreover, no studies were carried out to identify the NEETs' locations, or their social, family and economic backgrounds. There were also no studies to determine which measures could maximise the sustainable integration of the different subgroups of NEET into the labour market. In addition, market assessments were not used to establish the number of people to be enrolled in YEI subsidised measures, such as job offers, training, traineeships or apprenticeships. No gap or skills mismatch assessments were performed to justify the priority areas for intervention.

107

For the five Member States visited the overall number of NEETs benefiting from YEI financing was established on the basis of the amount to be allocated to a certain type of offer and its unit cost. The allocation to be given to each specific type of offer was not based on an assessment.

Observations

108

For instance, Spain approved a set of measures to be financed by the YEI, but each region had the power to decide the exact features and cost of each measure to be co-financed by the YEI.

109

The lack of a comprehensive knowledge of the NEETs population contributed to a rather vague design of the OPs which did not define the target groups most in need or why the proposed measures would be the most appropriate ones to address the existing misalignments.

110

We found that the main driver for the allocation of funds was the availability of providers who could make offers to NEETs. The Croatian ESF OP explicitly mentions that the YEI funds target inactive and unemployed NEETs who can be rapidly included in measures, leaving long-term unemployed NEETs to be financed by the ESF from 2019 onwards.

111

Relevant stakeholders, in particular the youth organisations, unions and employers' organisations were indeed consulted during the preparation of the operational programmes. However, when we interviewed these organisations, some made complaints about the transparency of the procedure and considered that there was a lack of due consultation. For instance, in Portugal, the representatives of unions and youth organisations claimed that their involvement had only been requested at a late stage in the preparation of the OP.

Risk that YEI/ESF substitutes national funding

112

YEI funds are provided from the EU budget as a top-up to the already available ESF funds for 2014-2020 OPs, so that additional support can be provided to help individual NEETs, in particular those most in need. The EU funds used for the YEI/ESF should, however, not replace public or equivalent expenditure by the Member States²⁵.

25 Article 95(2) of Regulation (EU) No 1303/2013.

113

The Member States visited were not in a position to confirm whether YEI/ESF funds would generate a net increase in the public expenditure allocated to the NEETs. Therefore, there is a risk that YEI/ESF resources will not lead to a net increase in the level of available funding for NEETs and that they will at least partially substitute expenditure previously financed from the national budgets. The fact that expenditure was eligible as from September 2013 even though the Commission only approved the first YEI/ESF OPs/axis in June/July 2014 (in France and Italy), and the remaining four OPs assessed were approved at the end of 2014, only served to increase this risk.

114

In addition, our assessment of the YEI/ESF OPs/axis also showed that the majority of the measures which were to receive YEI financing already existed prior to the introduction of the Youth Guarantee. For Portugal, this was the case for 81 % of the YEI funds. While this in itself is not necessarily negative, it shows that there is a risk that YEI/ESF support substitutes national funding.

115

It is also unclear whether the target values for performance indicators for outputs from the YEI/ESF OPs correspond to a net increase in the number of NEETs receiving assistance or not. For instance, the YEI axis of the Spanish ESF OP aims to provide support to 1 057 527 NEETs. However, the national authorities did not confirm that this figure corresponded to a net increase in the number of offers that would be provided to them (as compared to before the YEI came into force).

116

It is even more difficult to assess the added value of the YEI funds in providing assistance to the NEETs when the OPs only partly substantiate the allocation of the funds available. This is the case for Croatia, where only 69 % of the funds available for the YEI axis of the ESF OP are allocated to specific measures, whereas the remaining 31 % are not yet linked to any measures.

The quality of data and the Commission guidance on data collection affect the measurement of the YEI results

117

To measure the achievements relating to the use of the YEI/ESF funding, the regulation has defined 12 mandatory result indicators²⁶. For all these indicators a baseline scenario and targets should be set and implementation data subsequently monitored and reported.

118

We assessed the adequacy of the baseline scenarios and the result targets set by the Member States visited as well as the way they are compiling and reporting the monitoring data.

Quality of data hampers the assessment of baseline scenarios and targets

119

During the negotiation of the operational programmes, the Commission is required to check the reliability of the baseline scenarios used in order to ensure the robustness of the targets. This is part of the ex-ante conditionality check, and where the baseline cannot be supported by evidence or historical data is missing, an action plan should be prepared by the relevant Member State.

120

The Commission provides guidance to the Member States on how to determine the baselines. However in all Member States assessed we observed that the baseline for the result indicators was generally based on historical data of success rates in finishing similar measures, on the participants' subsequent integration in the labour market and on statistical information such as the distribution between inactive and unemployed participants.

²⁶ Regulation (EU) No 1304/2013 (Annex II).

121

We asked the national authorities to provide evidence to support the underlying data in this regard. All Member States provided generic explanations about the process of compiling the data, but none was capable of providing the requested information in full.

122

For instance in Italy and Spain, the compilation of the data was the result of a bottom-up approach. Indeed, for both Member States, evidence was provided that data had been collected regionally on the NEETs' success rate in completing the measures, and their subsequent rate of integration into the labour market. However, the underlying data used by the different regions to obtain the baseline were not made available to the Court for assessment.

123

In Portugal, the underlying data was provided, but we found errors in the calculation of the indicators. In addition, the data used to estimate the baseline indicators were not sufficiently comprehensive (see **Box 8**).

Box 8**Identified weaknesses in the setup of baseline values in Portugal**

Calculation error: In the calculation of the baseline value for indicator CR01 ('unemployed participants who complete the YEI supported intervention'), the denominator used was not consistent with the data used to calculate the numerator, since the denominator included more measures than those used to calculate the numerator. If both had been consistent, the baseline ratio would have increased from 50.5 % to 79 %. Similar problems were detected in indicators CR04 and CR07 which constitute a variation of CR01 but applied to long term unemployed and inactive NEETs.

Insufficient representativeness: The results obtained from the INSERJOVEM programme were used as a proxy to estimate indicators CR02 ('unemployed participants who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving') and CR03 ('unemployed participants who are in education/training, gain a qualification, or are in employment, including self-employment, upon leaving'). However INSERJOVEM is not sufficiently broad to be representative of education or entrepreneurship measures. Similar problems were detected in indicators CR05, CR06, CR08 and CR09 which constitute a variation of CR02 and CR03 but applied to long term unemployed and inactive NEETs.

124

One important element for setting both baseline and target values for the performance indicators is the establishment of the expected success rate of the participants. In Croatia and Portugal, different success rates were used depending on the entrance status of the participants, with inactive NEETs having a lower expected success rate. However, no evidence was provided to substantiate the different rates used. In Spain and Italy, the expected success rates used were the same irrespective of whether the participants were inactive or unemployed as no statistical correlation existed between their entrance status and their success rate.

125

As regards the targets to be achieved in the reference year, it was found that not all Member States expected to make progress compared to the baseline situation. In the French national YEI/ESF OP, for instance, the objectives to be achieved were similar to those already observed in the past. Where higher estimated success rates were set as targets, these were not substantiated, or only in very general terms.

126

The reliability of the baseline scenarios and the targets set in all Member States could not be assessed due to the fact that either the underlying supporting data was not made available to us or, when provided, it was not considered to be of sufficient quality.

Issues with Commission guidance on data collection

127

In order to support Member States and ensure consistency in the reporting of the result indicators, the Commission issued guidance setting out the minimum requirements that each monitoring system must adhere to in order to be able to perform the tasks required by the Regulations²⁷.

²⁷ Annex D - Practical guidance on data collection and validation May 2016.

128

According to the Commission's guidance, YEI/ESF result indicators should capture whether participants complete the YEI intervention, whether they subsequently receive an offer or actually change their situation, irrespective of whether they complete the intervention or not, and whether or not the offer received is linked to their participation in the YEI/ESF supported measure. A person that does not complete a YEI/ESF co-financed intervention or operation can therefore be counted as a positive result in terms of offers received and take-up, which implies that the YEI/ESF indicators are no longer assessing the added value of a YEI action. This approach entails the risk of overstating the results (see **Box 9**).

Box 9**YEI results overstated**

As an example, let us take the case of a NEET flagged to participate in a one-year training programme aiming to provide a qualification designed to help him/her join the labour market, and let us suppose that, after six months, and without completing the training and obtaining a certificate, the person in question leaves the measure, for instance, to accept a two-month job offer in a completely different field. The Commission guidance suggests that this person should be counted as not having completed the YEI intervention, but as having received an offer upon leaving the intervention and as having taken up an offer within four weeks of completing the YEI measure. The indicator would then attribute the job offer to the YEI intervention, although this is not actually the case.

129

On the basis of this interpretation, it is difficult to measure whether the YEI interventions were contributing to the sustainable integration of NEETs in the labour market.

130

In addition, the Commission's guidance explicitly mentions that result indicators should take into consideration all offers, regardless of their quality, in order to clearly identify the situation of a person four weeks and then six months after his/her participation in the co-financed measure. However, it is not very precise as to when an offer counts towards the result indicators, due to a rather flexible interpretation of the 'upon leaving' condition. Offers received during YEI support are counted as a result, as are those which are not linked to the YEI-subsidised offer and those resulting from the participant's own initiative.

131

The Commission guidance also states that the result indicators should include 'those who have gained a qualification as a result of the intervention'²⁸. For instance, if the YEI intervention consists of providing certified training leading to a final qualification, this person is counted as having usefully completed the measure on qualification. However, this achievement is again automatically counted as a result in the reported indicators of the situation four weeks and six months later. This situation was observed during the visit to Spain.

132

Another issue that raises questions in the Commission guidance concerns participants that receive an offer in a YEI operation but do not accept it. The guidance indicates that this offer should be counted as a positive result even if declined and not appropriate to the profile of the person.

133

Similarly, there is the case where a YEI participant receives another offer (also subsidised by the YEI), either in the same or a different field. If the person accepts the second offer he/she is counted as not having completed the previous action and at the same time, he/she also counts as having received an offer due to the YEI. In reality, this person is being counted twice and the YEI resources are 'competing' for the same person in an inefficient way.

134

Based on the above, we conclude that the Commission's interpretation in its guidance leads to situations where the data used for reporting the result indicators do not accurately reflect the impact of the YEI-co-financed measures and tend to overstate the results.

28 Annex D - Practical guidance on data collection and validation May 2016, p. 95.

Member States only partially utilised the additional pre-financing for YEI/ESF OPs

135

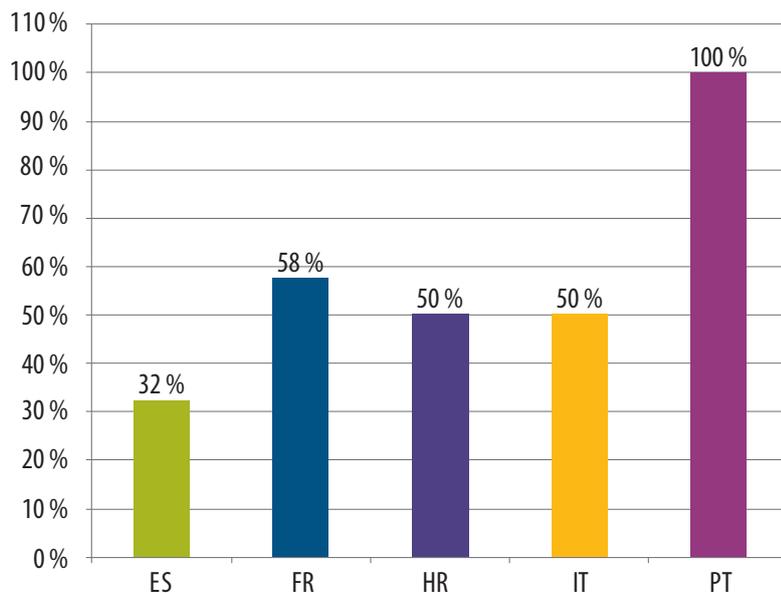
In May 2015, the Commission proposed an increase in the initial pre-financing rate for the specific YEI/ESF allocation to 30 % (instead of the normal 1 %), with the aim of providing a quick response to youth unemployment²⁹. The same regulation also requires that 50 % of the additional pre-financing amount, or 14.5 % of the total YEI funds allocated to the Member States, be substantiated through the submission of interim payment requests as of 23 May 2016. Member States that do not fulfil this condition are required to reimburse the total additional initial pre-financing amount.

136

Apart from Portugal, which managed to justify the total additional pre-financing received until 23 May 2016, the remaining Member States visited were only in a position to submit payment requests which correspond to a fraction of the additional pre-financing received, varying from the 58 % justified by France to 32 % in case of Spain (see **Figure 13**).

29 Regulation (EU) 2015/779 of the European Parliament and of the Council of 20 May 2015 amending Regulation (EU) No 1304/2013, as regards an additional initial prefinancing amount paid to operational programmes supported by the Youth Employment Initiative (OJ L 126, 21.5.2015, p. 1).

Figure 13 Percentage of additional YEI pre-financing justified as of 23 May 2016



Source: SFC2014.

Observations

137

In 2016, due to the justified amount being less than 50 %, the Commission requested from Spain a reimbursement of 273.6 million euro. However, this did not entail a loss of EU funding for the Member State, since the total EU contribution allocated remained unchanged.

138

The fact that Member States were only able to partially utilise the increased level of pre-financing indicates that, when proposing the increased additional pre-financing, the Commission underestimated the time required to put in place appropriate structures to spend and claim expenditure.

Reported results below expectations for YEI/ESF supported measures

139

The YEI's results must be clearly demonstrated and communicated, and envisage specific monitoring and evaluation arrangements³⁰ in addition to the standard annual implementation report which has to be submitted to the Commission for each ESF OP³¹.

140

For the five Member States visited, we reviewed the annual implementation reports to assess the progress made since 2013. Our analysis does not cover Croatia since the agreement on the YEI grant was only signed in November 2015, and implementation only started in the second half of 2015. Moreover, the 2015 annual implementation report for Spain did not provide any updated figures and reported the 2014 figures again³².

141

By the end of 2015, the extent to which Member States had achieved the YEI output targets differs: in France (Nord-Pas-de-Calais), the initial output targets, i.e. the number of participants, had already been exceeded (111 %), whereas, in Italy, only around 23 % of the initial target had been attained (see **Figure 14.1**).

30 Article 19 of Regulation (EU) No 1304/2013.

31 Articles 50(1) and 50(2) of Regulation (EU) No 1303/2013.

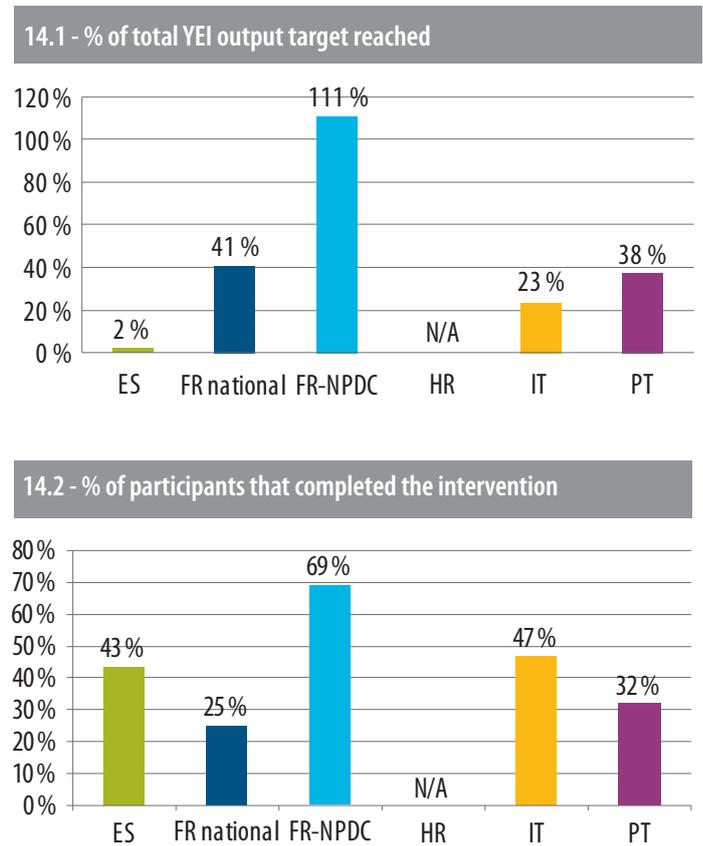
32 The 2015 annual implementation report for Spain did not provide any updates of the figures already provided as part of the first AIR, which had been estimations. This was due to the national authorities' decision not to report figures for operations which had not yet been formally selected or were only partially implemented.

142

Also, the share of participants that completed the YEI/ESF funded Youth Guarantee scheme varies among Member States: we note, in particular, that less than one third of the participants finished the intervention in the case of the national French YEI/ESF OP and the YEI/ESF axis of the Portuguese ESF OP. This raises concerns regarding the effectiveness of the Youth Guarantee measures funded by the YEI/ESF (see **Figure 14.2**).

Figure 14

Achieved with YEI/ESF funds as of the end of 2015¹



1 Data for Spain refer only to 2014.

Source: 2015 Annual Implementation Report.

143

The information reported by Member States also shows that the inactive NEET group benefitted least. For example, in Portugal, none of the participants were from the inactive group. Moreover, just 1 % of the participants in the five Member States visited had a disability, 8 % were immigrants (95 % of whom were in France) and 22 % came from an unemployed household (Portugal accounted for 50 % of these).

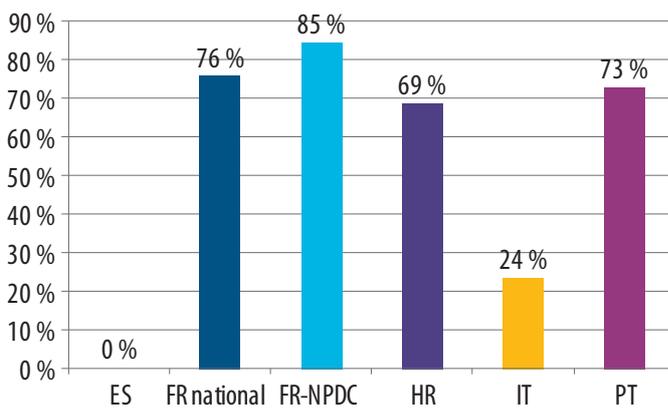
Limited use made of YEI/ESF funding by the end of 2015

144

The spending levels reported in the 2015 annual implementation reports show that only Portugal submitted a payment request equivalent to 47 % of the total YEI/ESF budget during the year. Apart from Spain, which did not declare any amount for committed expenditure, the remaining Member States committed between 24 % (Italy) and 85 % (France – Nord-Pas-de-Calais) of the overall budget (see **Figure 15**).

Figure 15

Percentage of expenditure committed at the end of 2015



Source: 2015 Annual Implementation Report.

145

This illustrates that the additional EU funding made available through YEI/ESF has not been fully used by Member States to provide additional support measures for NEETs, with the risk that the additional pre-financing may have to be reimbursed to the Commission (see paragraphs 135 to 138). In view of this, many of the Member States mentioned that they had not yet made the relevant administrative arrangements to certify the expenditure incurred (i.e. they had not yet designated the managing and certifying authorities). A common problem in this regard was the setting up of an IT system capable of ensuring that the expenditure was traceable.

Implementation delays limited the value of the first evaluations of YEI/ESF support measures

146

Member States should carry out an evaluation to assess the effectiveness, efficiency and impact of ESF/YEI support at least twice during the programme period. The first evaluation had to be completed by 31 December 2015³³ with a second by 31 December 2018.

147

Our analysis showed that since the programmes were still in their early stages none of the evaluation reports submitted by Member States assessed the efficiency of the YEI funded measures, their cost-effectiveness or their impact. Limitations in the monitoring systems and the lack of reliable data also impacted the quality of these evaluations. In particular, Spain, Croatia and Portugal reported having experienced difficulties in implementing the IT system used to manage the information database.

148

Based on the above, we consider that, although the regulation provided for the first evaluations by 31 December 2015, delays in implementation limited their usefulness.

33 Article 19(6) of Regulation (EU) No 1304/2013.

Implementation difficulties confirmed by the directly sampled individual cases

149

We also examined the individual cases for a sample of 175 participants in Youth Guarantee measures that had been co-financed by YEI/ESF. In each Member State 35 people were randomly selected, except for France, where 20 participants were selected from the national OP and another 15 from the Nord-Pas-de-Calais OP.

150

When entering the Youth Guarantee scheme, 78 % of all selected participants were unemployed, 14 % were inactive and 8 % did not fulfil the criteria for being considered NEETs (see **Figure 16.1**). Additionally, 11 % of the participants had started the measure before the Youth Guarantee was launched or were outside the age bracket set out in the OP³⁴, making them ineligible for co-financing.

34 The Spanish eligibility rules required prior registration in the YG database - *Sistema nacional de Garantía Juvenil*. Furthermore, although Spain asked the Commission if it could increase the age for YEI OP beneficiaries on 3.12.2015, it was found that some participants were more than 25 years of age before that date.

Figure 16

Characteristics of the YEI participants in the sample

16.1 - Entrance status

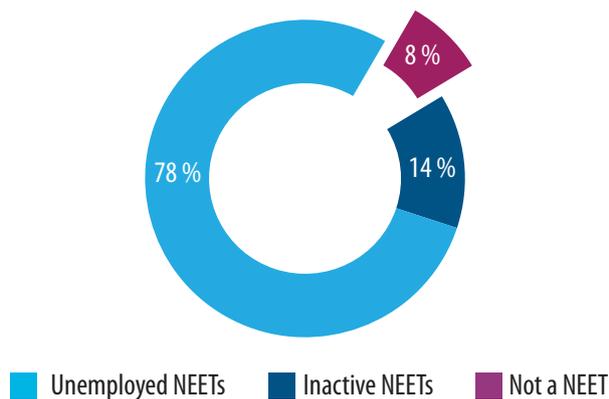
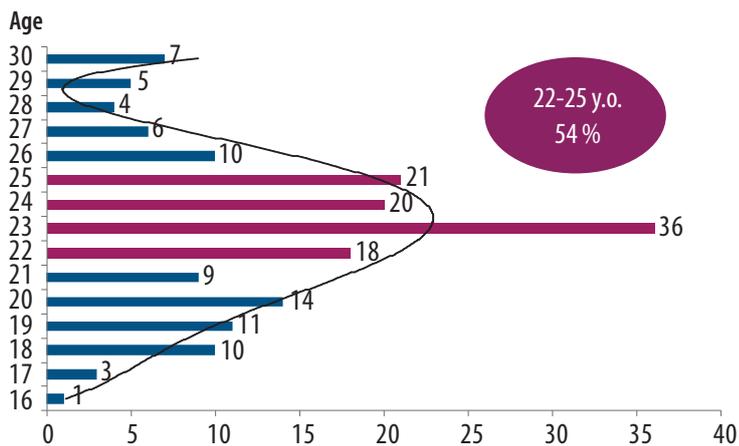
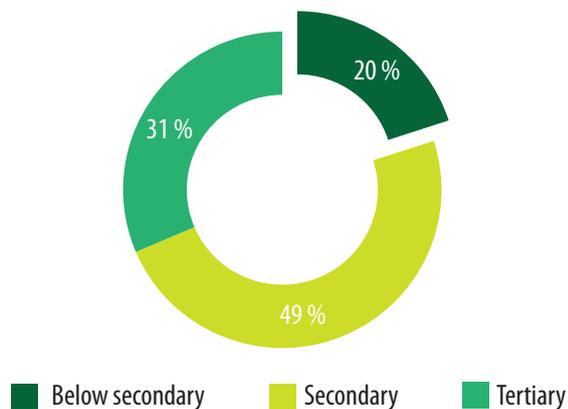


Figure 16

16.2 - Age distribution at registration for YG



16.3 - Level of education at entrance



Source: ECA based on information provided by the Member States on the individuals.

151

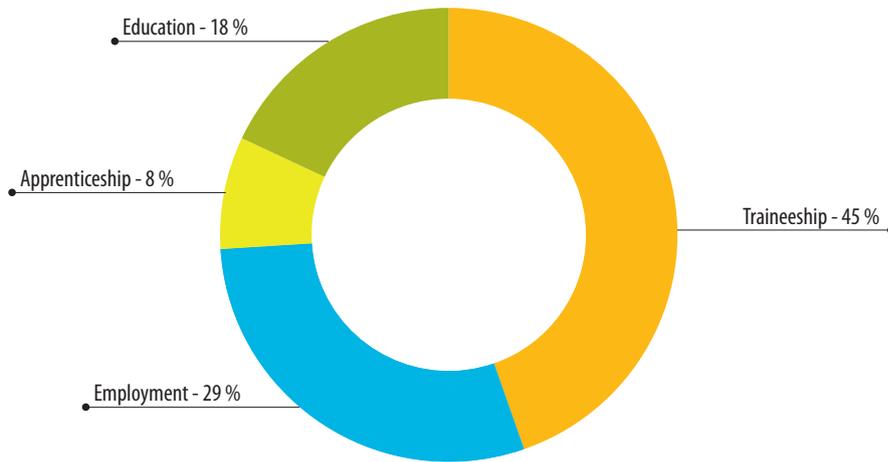
Of the participants 54 % were concentrated in the 22-25 age range (see **Figure 16.2**). Furthermore, 80 % had secondary education or above, with more than 30 % having tertiary education (see **Figure 16.3**). These numbers confirm that the people benefiting most from the YEI were the ones who were most qualified and better educated.

152

Of the 175 people covered by this review 25 had left the Youth Guarantee without receiving an offer of employment, a traineeship, education or an apprenticeship. The remaining 150 did receive one, with traineeships alone accounting for 45 % of the offers (see **Figure 17**). In the 25 cases where no offer was received, this was either because the beneficiaries dropped out, or because the accompanying measure expired without leading to an offer. This was the case in France, where some Youth Guarantee providers stopped providing support to the NEETs after four months due to a misinterpretation of how the four month rule should be applied.

Figure 17

Types of offer



Source: ECA based on information provided by the Member States on individuals.

153

In Italy, it should be noted that in all cases in the sample of people who took up a traineeship offer (nine people), there were significant delays in payments (at least two months). Italy acknowledged that the delay in payment was a recurrent problem overall for traineeships, and not only for the sample. Indeed, the average delay for receiving a payment was 64 days.

154

The time lag between registration for the Youth Guarantee and take-up of the offer was, on average, 112 days (i.e. less than four months). In 27 % of the cases, however, the time between registration and take-up exceeded four months, and in 7 % of the cases, one year.

155

Based on the Member States' criteria of what constitutes a good quality offer, the offers provided to the participants were considered to be of good quality in 91 % of the cases. However, mismatches were found between the participants' profiles and the offers (see **Box 10**).

Box 10

Examples of mismatches between individual profiles and offers

A person with a university degree in civil engineering and with three years of professional experience as a mathematics teacher received a one-year traineeship offer at a language school, where the objective of the training was to develop his skills as a teacher and learn how to act in the classroom. After nine months, the participant left the traineeship in favour of unemployment.

A person with a university degree in labour relations received a two-week job offer to work as a construction worker, whereas his file contained no reference to past experience in this area or any particular interest in work in this field.

A person with a Master's degree in legal and forensic psychology received a training offer in marketing and management without having shown any particular interest in this area.

156

At the time of the review, 62 % of the participants had completed the measure, 23 % were still in the measure and 15 % had abandoned the measure received (around two-thirds of them in Croatia) (see **Figure 18.1**).

157

The sustainability of the participants' integration in the labour market is still a challenge. 38 % of the participants were employed or attending education measures, but 19 % of the participants had returned to NEET status. In addition, for 27 % of the participants (mostly in Spain, France and Italy), the situation is unknown (see **Figure 18.2**).

158

The employment and traineeship offers showed better rates for the integration of participants in the labour market (see **Figure 18.3**). This can be partially explained by the fact that participants in these measures were less detached from the labour market, possessed the highest education levels and had more years of professional experience. Apprenticeships showed the best results in terms of preventing people from returning to NEET status. This is linked to length of the apprenticeships, which last from one to three years.

Figure 18

Rate of accomplishment of the measures and current status of participants

18.1 - Rate of accomplishment of the measures

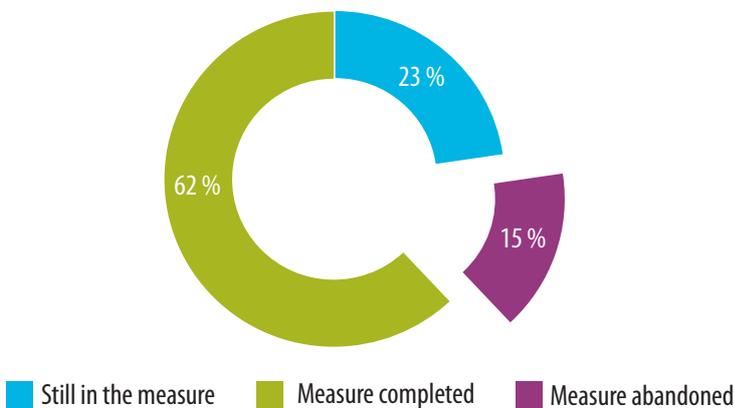
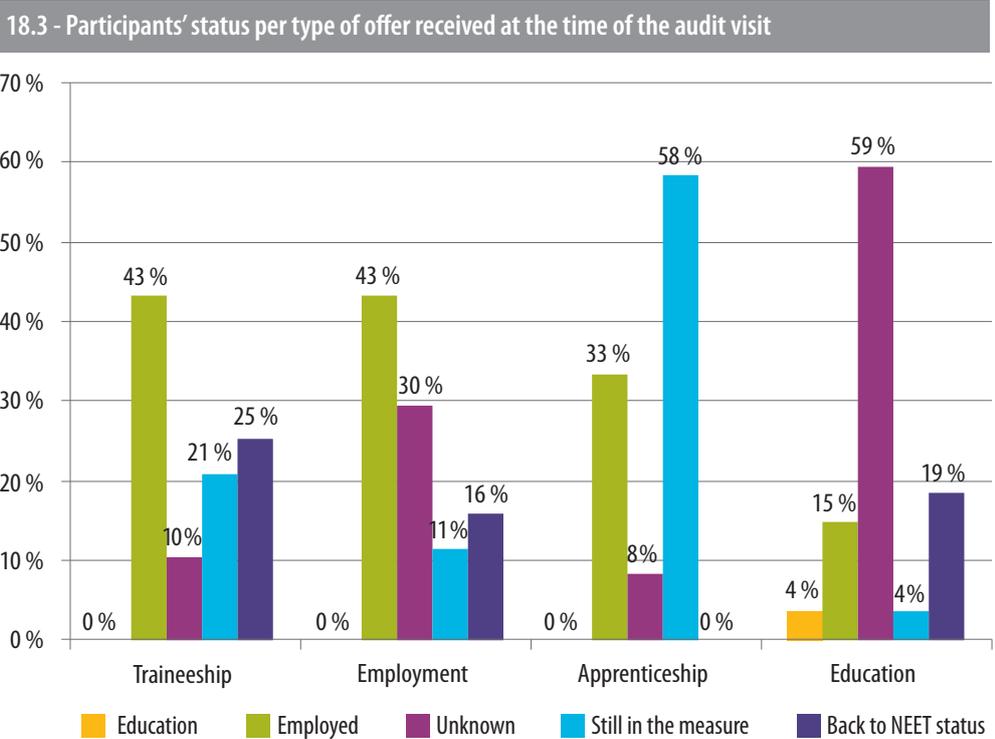
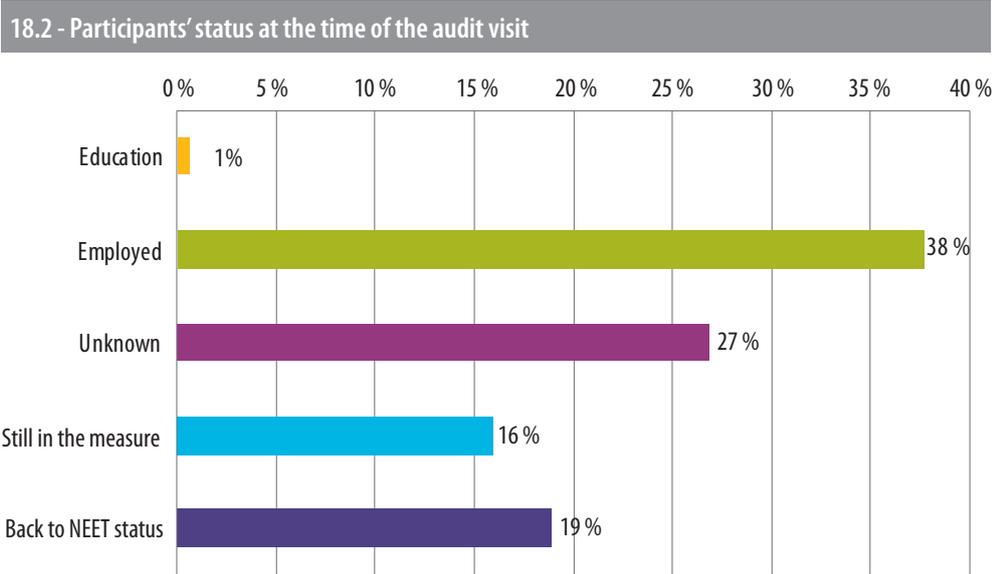


Figure 18



Source: ECA based on information provided by the Member States on the individuals.

159

We conclude that, while the seven Member States had made progress in implementing the Youth Guarantee and some results had been achieved, the current situation, more than three years after the adoption of the Council Recommendation, falls short of the initial expectations raised at the launch of the Youth Guarantee, which aims to provide a good quality offer to all NEETs within four months. In addition, the contribution of the Youth employment initiative to the achievement of the Youth Guarantee objectives in the five Member States visited was very limited at the time of the audit.

Assessment of the progress of the implementation of the Youth Guarantee

160

Our assessment, based on the expectations raised by the requirements of the Council Recommendation proposing the Youth Guarantee, is that none of the Member States had yet ensured that all NEETs had the opportunity to take up an offer within four months which would help them to integrate into the labour market in a sustainable way. As the Youth Guarantee is based on a Council recommendation, i.e. 'soft law', its implementation depends on the goodwill of Member States.

161

In relation to the progress made in the identification and registration of NEETs, we found that the share of NEETs registered by the end of 2015 had not shown a marked increase and, furthermore, it was difficult to assess the Youth Guarantee's contribution (see paragraphs 36 to 42).

162

For the same period, the level of positive exits from the Youth Guarantee varied across the Member States visited, with employment being the most common type of exit. For 2014, the number of positive exits covered only around half of the total registrations which increased in 2015 to 62 % (see paragraphs 43 to 50).

Conclusions and recommendations

163

Moreover, 70 % of the positive exits has complied with the four-month deadline in 2014. However, the situation worsened for four of the visited Member States in 2015, reducing the overall average to 59 % (see paragraphs 51 to 52).

164

With regard to the sustainability of positive exits, we analysed the information available for participants 6, 12 and 18 months after they left the Youth Guarantee. We found that the level of sustainability deteriorated progressively from 6 to 12 to 18 months (see paragraphs 53 to 59).

Recommendation 1

For future initiatives in the area of employment, the Member States and the Commission should:

- o manage expectations by setting realistic and achievable objectives and targets;
- o perform gap assessments and market analyses prior to setting up the schemes.

Deadline for implementation: whenever a new initiative is proposed.

Analysis of the factors impacting the results of the Youth Guarantee

Inadequate strategies to reach all NEETs

165

The Member States did not create adequate strategies with clear milestones and objectives to reach all NEETs. Indeed, some Member States did not target all young people as requested by the Council Recommendation, but only a sub-population. In addition to this, in some cases, the onus was placed on the NEETs to be proactive in participating in the scheme. Therefore, more effort is needed to support those young people who are most detached from the labour market, a conclusion also shared by the Commission in its communication³⁵ (see paragraphs 61 to 67).

35 COM(2016) 646 final.

Conclusions and recommendations

166

Relevant stakeholders can be key players in reaching those furthest away from the labour market. While they were involved to some degree in all the Member States visited, there is a need for a clear definition of how they should be involved and how they can contribute to the process in the most efficient and effective way (see paragraphs 68 to 70).

167

The inactive NEET population (who are the most detached from the labour market), remained stable at around 2 million people in the Member States visited, between 2013 and the end of March 2016, while the population of unemployed NEETs had decreased from 2.7 million to 2.3 million people (see paragraphs 71 to 72).

Recommendation 2

Member States should establish appropriate outreach strategies to identify the entire NEET population with the objective of registering them. These strategies should set out concrete and measurable annual objectives and identify the main challenges and appropriate action plans to overcome them. The Commission should support Member States in this respect.

Deadline for implementation: mid-2018.

No assessment of cost and available funding by Member States

168

While employment policy is primarily the competence of Member States, none of the seven visited were able to provide an estimate of the additional expected cost of providing an offer to all NEETs within four months. In addition, their YGIPs presented a series of measures to be offered to NEETs based on 2014-2020 ESI funding, notably from the YEI and the ESF (see paragraphs 73 to 75).

169

Compared to the estimated costs for implementing a Youth Guarantee at EU level, according to recent research by the ILO and Eurofound, the level of YEI/ESF funding available for the 2014-2020 would only address a small proportion of the required amount. Therefore, it is not possible to address all young people becoming unemployed or leaving formal education, which was the expectation raised by the Council Recommendation, with the resources available from the EU budget alone (see paragraphs 76 to 78).

Recommendation 3

Member States should establish a complete overview of the cost of implementing the Youth Guarantee for the entire NEET population. Based on this estimate, they should prioritise the related measures to be implemented according to the available financing.

Where requested by Member States, the Commission should support them in this process.

Deadline for implementation: mid-2018.

Difficulties with the sustainable integration of NEETs

170

According to our assessment, no comprehensive analysis of the NEET population has been carried out. However, all Member States visited addressed skills mismatches in different studies, but their conclusions were not taken sufficiently into consideration when designing the types and number of offers to be included in the YGIPs (see paragraphs 81 to 83).

Conclusions and recommendations

171

All Member States have considered a definition of a good quality offer, and while this concept differs, some common criteria do exist. In three Member States, the definition is set out in rather broad terms in their YGIPs and is associated directly with sustainable integration into the labour market. While this is a welcome development, it does not in itself guarantee a positive outcome of participation in the Youth Guarantee, as sufficient economic growth is a pre-requisite for the sustainable integration of NEETs into the labour market (see paragraphs 89 to 91).

172

We highlighted this problem in the results section above when we showed that the proportion of positive exits decreased as time went by after the participants left the scheme (after 6, 12 and 18 months respectively). An adequate skills assessment and proper profiling in view of labour market demand are crucial for better sustainability (see paragraphs 84 to 88).

Recommendation 4

The Commission should, together with EMCO, develop and propose standards for quality criteria for offers to be made under the Youth Guarantee.

Member States should ensure that offers are only considered to be of good quality if they match the participant's profile and labour market demand and lead to sustainable integration in the labour market.

Deadline for implementation: mid-2018.

Poor quality of data

173

All Member States visited had only limited information on the type of assistance that NEETs had received prior to the launch of the Youth Guarantee, on the number of offers/services provided and the related costs. We also noted several inconsistencies and reliability issues in the data reported by Member States to EMCO; these affected comparability. Problems, including the completeness of data, were noted in Member States that had multiple Youth Guarantee providers but no single harmonised reporting system (see paragraphs 92 to 98).

Recommendation 5

The Commission should identify and diffuse good practice in monitoring and reporting based on its overview of the existing systems across Member States.

The Member States should improve their monitoring and reporting systems in order to regularly provide quality data to facilitate the development of more evidence-based youth policies. In particular they should improve the capacity to follow up the participants that exit the Youth Guarantee in order to reduce the number of unknown exits to the maximum extent possible.

Deadline for implementation: mid-2018.

Assessment of the contribution of the Youth Employment Initiative

174

As the YEI funding supplements the funding available under the ESF and constitutes an important part of the financial resources available for the implementation of the Youth Guarantee, we assessed how it contributed to the overall implementation of the Youth Guarantee. We conclude that the contribution of the YEI in the five Member States visited has so far been very limited due to shortcomings in the design of OPs in terms of the YEI, issues regarding the measurement of the YEI results and the fact that additional pre-financing made available was only partially used.

Shortcomings in the design of OPs in terms of the YEI

175

None of the five Member States visited made a global assessment of the characteristics of the NEET population and there was no proper gap assessment performed by the national authorities. The overall number of NEETs benefiting from YEI financing was established on the basis of the amount to be allocated, without any assessment of the type of offer and its unit cost. Although they were consulted, some relevant stakeholders made complaints about the transparency of the procedure and considered that there was a lack of due consultation (see paragraphs 102 to 111).

Recommendation 6

The Commission should ensure through its approval process for OP amendments, in particular in view of the impending significant increase in YEI funding, that Member States perform a global assessment of the characteristics of the NEET population in order to ensure that the YEI measures included in the OPs will adequately address the needs of the young persons.

Implementation date: amendment of OPs following increase in YEI budget allocation.

Risk that YEI/ESF substitutes national funding

176

The Member States visited were not in a position to confirm whether YEI/ESF funds would generate a net increase in the public expenditure allocated to the NEETs. Therefore, there is a risk that YEI/ESF resources will not result in a net increase in the available funding for NEETs and that they will at least partially substitute expenditure previously financed from the national budgets. Our assessment of the YEI/ESF OPs/axes showed that the majority of the measures which were to receive YEI financing already existed previously, which increases such a risk (see paragraphs 112 to 116).

The quality of data and the Commission guidance on data collection affect the measurement of the YEI results

177

We conclude that the reliability of the baseline scenarios and the targets set for the YEI result indicators could not be assessed in all Member States visited due to the fact that either the underlying supporting data was not made available or when provided it was not of sufficient quality (see paragraphs 119 to 126).

178

In addition, the interpretation of the Commission in its guidance on data collection leads to situations where the data used for reporting the result indicators do not accurately reflect the impact of the YEI co-financed measures and tend to overstate the results (see paragraphs 127 to 134).

Recommendation 7

The Commission should revise its guidance on data collection to minimise the risk of overstatement of results. In particular:

- The YEI result indicators should only report the situation of YEI participants that completed the measure, assessing their situation at four weeks and six months after completion.
- In the case of training measures aiming at certification, their accomplishment should not be counted again as an achievement at four weeks and six months after completion.

Member States should revise their baselines and targets accordingly.

Deadline for implementation: September 2017, in time for Member States to be able to reflect it in their 2017 annual implementation report.

Pre-financing for YEI/ESF OPs not fully used

179

Both the Commission and the Member States underestimated the time needed to make the necessary administrative arrangements on the ground to start spending and claiming the YEI funds, resulting in the Member States only partially using the additional pre-financing. At the end of 2015, only Portugal had submitted a payment request to the Commission. Spain was requested to reimburse 273.6 million euro (see paragraphs 135 to 138).

Reported results below expectations for YEI/ESF supported measures

180

Based on a review of the reported results in the AIRs of the Member States visited we noted different levels of achievement of the YEI output targets and in the percentage of participants that completed the intervention. We also noted that the inactive NEET group benefited the least from the support provided and that limited use had been made of the YEI/ESF funding by the end of 2015 (see paragraphs 138 to 142).

Conclusions and recommendations

181

While the regulation provided for the first evaluations of the YEI by 31 December 2015, delays in implementation limited their usefulness (see paragraphs 144 to 148).

Implementation difficulties confirmed by the directly sampled individual cases

182

The results of the sample revealed that the people who benefited most from YEI co-financed measures were the ones that were easiest to reach, whereas the most disadvantaged groups were under-represented. Issues concerning the eligibility of participants were detected and the sustainability of the integration of participants in the labour market was a challenge. There were further shortcomings in the profiling of individual participants and the matching of offers received (see paragraphs 149 to 158).

This Report was adopted by Chamber II, headed by Mrs Iliana IVANOVA, Member of the Court of Auditors, in Luxembourg at its meeting of 8 March 2017.

For the Court of Auditors



Klaus-Heiner LEHNE
President

Monitoring of the Youth Guarantee: Member State differences in the data provided

| | IE | ES | FR | HR | IT | PT | SK |
|---|--------------|-----------|--------------|--------------|----------|------------|--------------|
| Age group | 18-24 | 15-29 | 16-25 | 15-29 | 15-29 | 15-29 | 15-29 |
| Starting Point | January 2014 | July 2014 | January 2014 | January 2014 | May 2014 | March 2013 | January 2014 |
| Entrants | IE | ES | FR | HR | IT | PT | SK |
| New starts only: new starts in the year (including re-entries) | X | X | | | X | | |
| New starts plus initial stock: new starts in the year (including re-entries) plus stock of people already registered on the YG launch date | | | | X | | X | X |
| Continuous reporting: new starts in the year (including re-entries) | | | X | | | | |
| Characteristics of entrants | IE | ES | FR | HR | IT | PT | SK |
| Entry to YG coincides with registration as unemployed (or with the start of a claim for full unemployment benefits) | X | | | X | | X | X |
| Individual application to YG service followed by validation of NEET status (not clear that people necessarily have to be registered unemployed) | | X | | | | | |
| Individual application to join YG, followed by assessment of status | | | | | X | | |
| Unknown | | | X | | | | |
| Stock | IE | ES | FR | HR | IT | PT | SK |
| All people currently registered in the YG (and not having taken up an offer) By definition will include only people that joined since the YG launch date (in 2014) | X | X | | | X | | |
| All people currently registered in the YG (and not having taken up an offer), irrespective of registration date | | | | X | | X | X |
| All people currently registered (and not having taken up an offer), irrespective of registration date | | | X | | | | |

| Exits | IE | ES | FR | HR | IT | PT | SK |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| All exits in the year - by definition means people that also joined in 2014 | X | X | | | X | | |
| All exits in the year | | | X | | | | |
| All exits in the year, including those that were part of the initial stock and who initially registered before the YG launch date | | | | X | | X | X |
| Completeness of data on exits by destination (positive) | IE | ES | FR | HR | IT | PT | SK |
| YES | | X | | | X | X | |
| Partial | X | | X | X | | | X |
| Completeness of data on exits by destination (negative) | IE | ES | FR | HR | IT | PT | SK |
| YES | X | | | X | | X | X |
| Partial | | | | | X | | |
| NO | | X | X | | | | |
| Completeness of different situations in follow-up data | IE | ES | FR | HR | IT | PT | SK |
| YES | X | X | | X | X | X | X |
| NO | | | X | | | | |
| Duration | IE | ES | FR | HR | IT | PT | SK |
| Measured from registration date | X | X | | | X | | |
| Measured from date of registration - any duration is possible | | | X | | | | |
| Measured from the date of YG launch (for those already in the stock prior YG) and registration date (for new entrants in the year) | | | | X | | X | X |

Specific comments:

| | |
|-----------------|--|
| Ireland | <ul style="list-style-type: none"> ○ Exits to apprenticeships included under education. |
| Spain | <ul style="list-style-type: none"> ○ The original target group was 15-24 years of age and it was extended to include 25-29 year-olds in 2015. ○ All exits are reported as being subsidised. Not clear if/how open market offers are counted. For this reason, the data used for Spain are the data sent by the PES, since they also incorporate non-subsidised offers. ○ 6-month follow-up data, 2014, concerning different situations only complete for employed and unemployed. |
| France | <ul style="list-style-type: none"> ○ France provided data for two providers <i>Pôle Emploi</i> and <i>Missions Locales</i>. ○ Since there is a risk of double counting, the datasets have not been aggregated and tables showing the results of the data collection only include data for the provider that covers the largest population of young people (<i>Pôle Emploi</i>). |
| Croatia | <ul style="list-style-type: none"> ○ Exits to apprenticeship included under education. |
| Italy | <ul style="list-style-type: none"> ○ Entrances in Italy for 2014 cover the period May 2014-December 2014, so that a significant proportion of entrants will not have had the chance to reach four months. |
| Portugal | <ul style="list-style-type: none"> ○ Exits to unemployment include participants in short-term training (25-300 hours). |

Executive summary

About this report

The Commission considers that the current results in Youth Guarantee implementation do not fall short of initial expectations.

Whilst recognising that additional efforts are still needed to reach out to all young people, delivering quality and timely offers, the Commission underlines that the Youth Guarantee has led to positive results. In particular, as highlighted in the Commission Communication (COM/2016/646) 'The Youth Guarantee and the Youth Employment Initiative three years on', it has provided a strong impetus on structural reforms and policy innovation, areas which are outside of the scope of this report.

Common Commission reply to paragraphs VI to VIII

The Commission considers that the current results in Youth Guarantee implementation do not fall short of initial expectations. The Commission notes that the Court's conclusions are based on an assessment of the aspects set out in the scope of the audit. The October 2016 Commission Communication (COM/2016/646) 'The Youth Guarantee and the Youth Employment Initiative three years on' points at first positive results and additional crucial elements, such as the Youth Guarantee's impetus on structural reforms and policy innovation. This has been recognised by the European Council which on 15 December 2016 called for the continuation of the Youth Guarantee and welcomed the increased support for the Youth Employment Initiative. Besides, the EPSCO Council of 8 December 2016 confirmed first positive results achieved by measures and reforms implemented to date.

In its October Communication, the Commission recognises that Youth Guarantee schemes have not yet reached all young people who have become unemployed or left school and identifies a number of key areas for improvement, including better engaging with non-registered NEETs and the low-skilled.

The Commission considers that the YEI has made a substantial contribution for the Youth Guarantee in these Member States. In spite of delays in some of Member States, implementation has advanced steadily in 2016. In July 2016 1.4 million people had participated in a measure supported by the YEI in the 20 eligible Member States. By end of November 2016 this number had increased to 1.6 million people. The YEI is perceived by all these Member States as a key mechanism or lever through which to operationalise the Youth Guarantee. In some cases, it is being used to support most or all measures planned under Youth Guarantee schemes, for instance in Spain where 80% of all Youth Guarantee actions are funded through the YEI. In Italy the YEI became the driver for a major reform and led to the set-up of new youth employment services.

The Commission's Communication (COM/2016/646) 'The Youth Guarantee and the Youth Employment Initiative three years on' highlights these results.

Although it is still early to assess the results – as operations are ongoing and many of these young people are still being supported – we can already say that the YEI has achieved one of its first objectives – to place youth employment at the core of political decisions in Member States.

IX First bullet

The Commission considers that the recommendation is primarily addressed to Member States.

The Commission accepts the recommendation insofar as it concerns the Commission and intends to set out appropriate actions when new initiatives will be proposed.

Whilst fully recognising the importance of managing expectations and setting realistic targets, the Commission would however like to underline the importance of setting an ambitious policy goal, which has contributed to creating political momentum around the Youth Guarantee.

IX Second bullet

The Commission considers that the recommendation is primarily addressed to Member States.

The Commission accepts the recommendation insofar as it concerns the Commission and intends to set out appropriate actions when new initiatives will be proposed.

In the process of preparing Member States' YGIPs, the Commission has asked Member States to identify and analyse key structural challenges and specific gaps relevant to their national situation, and outline an indicative timeline for gradual implementation of the Youth Guarantee, if envisaged.

X First bullet

The Commission notes that the recommendation is addressed to Member States.

The Commission is already supporting Member States to establish their outreach strategies by offering financial support and policy advice in the form of technical assistance, capacity building and mutual learning.

X Second bullet

The Commission notes that the recommendation is addressed to Member States.

The Commission would indeed welcome a better overview of the estimated cost of all planned measures to implement the Youth Guarantee and will wherever possible and upon request of the Member States, support them in this process. The modalities for such support can however not be defined at this stage.

X Third bullet

The Commission notes that the recommendation is addressed to Member States.

X Fourth bullet

The Commission notes that this recommendation is addressed to Member States.

XI First bullet

The Commission accepts this recommendation insofar as it concerns the Commission and will explore the possibility of discussing standards for quality criteria in the context of the work on Youth Guarantee monitoring in EMCO.

XI Second bullet

The Commission accepts the recommendation and considers it partially implemented.

The Commission is already cooperating closely with Member States in this field, in particular through the work in the EMCO Indicators Group, the support offered to Member States reporting data under the Indicator Framework and the ILO targeted support given to 3 Member States as part of the EC-ILO action on youth employment.

XI Third bullet

The Commission does not accept this recommendation.

The Regulations do not set out a specific requirement for a detailed assessment of the characteristics of the different subgroups of young people supported by the YEI in the Operational Programme.

Nevertheless, the Commission works with Member States in different fora for supporting them in activities reaching out to the inactive young persons. In this context, the Commission will continue providing guidance to Member States for the design of measures that are tailored to the needs of the different groups of population targeted by the YEI.

XI Fourth bullet

The Commission does not accept this recommendation.

By measuring the situation of only YEI participants who have completed the operation, there is a potential risk of under-reporting of results. In addition, the revision suggested by the Court would entail a change in the rationale of measurement whereas the common result indicators are compulsory for all Member States and have been agreed upon with them.

The Commission would like to underline that the counting methodology adopted for YEI is based on the conventions used for ESF indicators, notably counting positive exists, independently of the completion of operations. Furthermore, any such change of the rules in force would place a significant burden on Member States and hamper comparability of data reported prior to a change in the convention.

An evaluation is required in order to conclude on whether the results for a participant are directly attributable to the YEI (or ESF) intervention and this is not feasible within the monitoring system.

The Commission will pursue its efforts to shed more clarity on monitoring issues by continue providing guidance and requesting Member States' feedback in the several existing relevant fora.

Observations

40

This procedure was a choice to create a nationwide reliable registry for Youth Guarantee.

48

Slovakian projects under Youth Guarantee primarily target long term unemployed young people. The success rate in these cases of hard-to-place groups is in general lower as they are more prone to drop out of the programme.

52

The Commission considers this result particularly positive taking into account the high bar set by the Indicator Framework: exit from YG scheme occurs on take-up of an offer and not on acceptance.

Common Commission reply to paragraph 63 and Box 2

Even though the NEET indicator is very important for policy making and it is the best available proxy for the monitoring of the YG, disentangling the heterogeneity of NEETs is important in order to have a better understanding of the characteristics and needs of the various subgroups. This will allow Member States to identify the initiatives and measures most urgently needed to effectively re-integrate young people into the labour market or education, in the spirit of gradual implementation of the Youth Guarantee. Since 2017, and in the spirit of gradual implementation foreseen in the Council Recommendation, Italy is working in the direction of expanding the target population.

64

In Spain, the Royal Decree-Law of 23 December 2016 states that young people who register or re-register as unemployed in the Public Employment Service will be automatically registered in the national Youth Guarantee system.

75 First alinea

The Commission would welcome a better overview of the estimated cost of all planned measures to implement the Youth Guarantee in each Member State but it is also aware that any estimates of the costs of a Youth Guarantee are subject to caveats, since for many Member States implementation of the Youth Guarantee also requires in-depth structural reforms of training, job-search and education systems to drastically improve school-to-work transitions and the employability of young people.

That is why the resources needed to implement a Youth Guarantee may greatly vary from one Member State to another and although significant EU financial support is available the investment of national resources in supporting young NEET and implementing the necessary reforms is crucial. These should be prioritised in national budgets.

Common Commission reply to paragraphs 77 and 78

Within the ESF/YEI allocation, the amount of EUR 12,5 billion referred to by the Court does not represent the total amount of funding programmed for the Youth Guarantee as Member States have allocated resources under other investment priorities for measures that implement the Youth Guarantee. Around EUR 11 billion are allocated to measures such as modernisation of employment services and self-employment measures which will also indirectly support youth employment and around EUR 27 billion are allocated to thematic objective 10 (education) that benefits in particular young people.

78

As stated above, the amount of resources available from the ESF/YEI to address the Council recommendation on the Youth Guarantee is higher than 12.5 billion euros. The Commission has also provided guidance to Member States urging them to allocate more resources from the ESF and their national budget in order to tackle youth unemployment¹.

85

In France, while it is true that procedures differ between Pôle Emploi and Missions locales, this is justified by the fact that the latter deal with a specific target group - mostly low-qualified young people. At the same time, a common monitoring of the two systems effective as of 2017, called Trajam, will enable to have an overview of the 2 systems and to get follow up indicators that will improve monitoring.

The share of common tools of diagnosis between education (PSAD) and employment operators (ML) are being developed.

95

The 2015 data collection exercise has seen a clear improvement in the completion and quality of data compared to that for 2014. A number of countries have made substantial efforts to adjust the methods used to collect and/or compile their Youth Guarantee monitoring data in order to improve coherence with the specifications of the Indicator Framework. Qualitative data on the characteristics of offers have also been improved. These efforts contribute to improved comparability of the data between countries, even if there are still some specific issues that need to be taken into account when interpreting results.

Key areas for improvement relate to the completion of follow-up data (still not available for 8 countries) and reducing the number of unknown destinations and subsequent situations in both exit and follow-up data.

¹ Guidance on implementing the Youth Employment Initiative – European Social Fund thematic paper – September 2014 – European Commission – Directorate-General for Employment, Social Affairs and Inclusion.

97

The Commission notes that the completeness of the French monitoring system is limited by the fact that by virtue of the law 'Informatique et Libertés' of 1978, there is no easy way for identifying one person throughout the system (no one personal administrative number), implying a risk of double counting. That is why it has been decided to limit data collection only to the two main providers of public employment services - Pôle Emploi and Missions Locales.

Common Commission reply to paragraphs 102 and 103

It should be noted that Article 16 of the ESF Regulation states that the YEI should target young people below 25 or below 30 that are not in employment, education or training without requiring a detailed assessment of the characteristics of the different subgroups of young people. In the context of shared management, it is up to Member States to identify the target group of the YEI. Member States decided to concentrate YEI resources on specific target groups and use the ESF for other measures targeting most difficult and hard to reach groups of young people.

Several means were used by the Commission to assess the YEI target population during the discussions with Member States on the programmes. First, the Commission relied on the ex-ante evaluation, which was part of all Operational Programmes (as set out in Articles 26(4) and 55 of the Common Provisions Regulation (CPR)). Moreover, in the case of the YEI, Member States had to comply with an ex ante conditionality which required them to have in place a strategic policy framework for promoting youth employment.

Second, the Commission requested Member States to include in their Operational Programmes a description of the main groups of young people targeted by the YEI based on their assessment, in particular with regard to the age group despite that there is no specific.

Finally, the Commission also provided guidance to Member States on how to identify the target population of the YEI².

Common Commission reply to paragraphs 104 to 106

The Regulations do not require Member States to identify the different subgroups of the population targeted by the YEI. Nevertheless, the measures supported by the YEI in France clearly target low qualified young people far away from the labour market, with some 40% of the total budget exclusively focussed on this group. Indeed, according to the 2015 Annual Implementation Report, 45.9% of the participants had a qualification level inferior to upper secondary education.

² Guidance on implementing the Youth Employment Initiative – European Social Fund thematic paper - September 2014 - European Commission – Directorate-General for Employment, Social Affairs and Inclusion, page 7.

Reply of the Commission

108

According to Article 4(4) of the CPR, Member States prepare and implement programmes at the appropriate territorial level in accordance with their institutional, legal and financial framework. Therefore, this stems from the specific institutional organisation of the Member State.

In Spain there is a common catalogue of offers defined in the Youth Guarantee law at national level and each region with competences in delivering active labour market policies has the right to select those that are more appropriate for the social and economic situation in the region.

111

According to Article 4(4) of the CPR Member States prepare the Partnership Agreement and Operational programmes in accordance with their institutional and legal framework. These procedures should be transparent and ensure due consultation and involvement of relevant partners, also in line with the provisions set out in the European Code of Conduct on Partnership (Article 5 and Article 26 of the CPR). The Regulations require involvement and consultation of relevant partners. Accordingly, the Operational programme should provide information on the actions taken to involve partners in the preparation of the operational programme.

In Portugal, regarding the preparation of the YEI part in the Operational Programme, the cooperation / validation already done for the YGIP was considered as valid. The consultation procedures for the OP were fulfilled.

113

Article 95 of the CPR does not require Member States to increase public expenditure regarding certain types of measures or target groups. What is required is that Member States maintain a certain level of public or equivalent structural expenditure. According to Article 95(4) and Annex X compliance with additionality is verified, when applicable, only at regional or even national level and not by type of measure or target group.

Common Commission reply to paragraphs 115 and 116

Article 95 and Annex X of the CPR do not impose that there is a net increase in the people covered by previously funded measures under the national budget. What is required by the Regulations is that the funds are used for measures that contribute to specific objectives and investment priorities identified in the operational programmes.

119

In addition to the requirement described by the Court, the Commission had made available to the Member States two background papers on setting and adjusting targets for the ESF well ahead of the discussions in 2013. Further, the Commission required a methodological document from Member States if the information supporting the baseline scenario could not be found in the ex-ante evaluation. The Commission considers that these provisions taken together were sufficient.

120

The approach followed by Member States in setting baselines is coherent with the guidance provided and makes use of relevant statistical data.

121

See Commission reply to paragraph 119.

122

See Commission reply to paragraph 119.

123

See Commission reply to paragraph 119.

The baseline estimate for the indicators took into account the past policy/measures that were considered as objectives and/or target groups. However, this was the first time that such a methodology was put into practice and that the employment and training measures financed included specific young inactive NEETs as one of the target groups. This made it difficult to establish the baseline and projection of results. The main obstacle of the exercise for Portugal was the lack of historic data on inactive NEETs.

Box 8 - Identified weaknesses in the setup of baseline values in Portugal

See Commission reply to paragraph 119.

124

See Commission reply to paragraph 119.

125

See Commission reply to paragraphs 119 and 120, in particular as regards the need to take into account macro-economic conditions and level of ambition in the target setting.

In France the expected success rates reflect the fact that most of the implemented schemes are targeted to low-qualified young people far away from the labour market and reflect both past experience and the estimated rate of identification of the NEETs.

Reply of the Commission

Common Commission reply to paragraphs 128 to 134

The Commission would like to underline that the methodology adopted for YEI is based on the conventions used for ESF indicators, notably counting all positive exists, including early exits. The Commission has been providing guidance³ to Member States on how to measure common result indicators, notably requiring that positive exits are counted only once in the case of a participant repeating the same operation. Therefore the Commission considers the risk to be limited. Further, Managing Authorities are required to evaluate at least twice during the life of the programme the effectiveness, efficiency and impact of the YEI, including the sustainability of results.

138

The Commission proposed to increase the pre-financing under the YEI to help some Member States that were struggling to launch or continue measures due to lack of funding. The last reporting from Member States shows that the additional pre-financing had a positive impact on the ground. Even if some Member States were unable to declare sufficient expenditure in order to secure the additional pre-financing it helped boost implementation. Moreover, it should be noted that most of the Member States succeeded in securing the additional pre-financing.

142

In France, the reason why a relatively large number of participants do not complete the action is that a significant proportion actually manages to exit the scheme with a positive outcome before the end. Indeed, the 2015 Annual Implementation Report indicates that 53% of participants had a positive exit whether before (e.g. finding a job which is the most desired outcome) or at the end of the scheme.

143

It is up to Member States to identify the target group of the YEI. As the YEI has a limited amount of resources, Member States have decided to concentrate these resources on certain target groups and use the ESF (or national budget) for others.

The Commission considers the fact that participants in Portugal did not belong to the inactive NEET group as normal for the following reasons:

- at the time of the audit only the Public Employment Service's measures had been financed through YEI. The PES mainly works with the unemployed NEET group in two typologies: Internships and Employment Support;
- the Young Guarantee in Portugal started by assessing the NEET situation of all young people already enrolled in the public employment service, signalling them for priority intervention;
- data analysed on Figure 5 demonstrate that the NEET rate is more representative in the group of the unemployed than in the inactive ones.

³ Monitoring and Evaluation of European Cohesion Fund – European Social Fund – Programming period 2014-2020 – June 2015 – Annex D – Practical Guidance on data collection and validation – May 2016.

145

The fact that certain Member States did not manage to secure the additional pre-financing does not mean that they had a slow start in the implementation of measures under the YEI. In many cases, Member States had sufficient expenditure but were unable to claim it because they did not meet the necessary condition for submission of payment applications to the Commission (i.e. they had not yet designated the managing and certifying authorities).

147

The YEI evaluations managed to exploit at the most possible degree the information and data available.

Most of the first YEI evaluations submitted by Member States to the Commission focused on design of the measures adopted, their relevance and implementation of the operations.

148

Given that expenditure was eligible since September 2013, the Commission considers that the evaluation findings were useful to steer the programmes for the remaining period.

153

The Commission is closely monitoring this issue. The Managing authority of the YEI programme together with the regions is trying to elaborate new solutions for the payment of traineeships to participants in the framework of the programme in order to reduce the delay.

Conclusions and recommendations

Common Commission reply to paragraphs 159 and 160

The Commission considers that the current results in Youth Guarantee implementation do not fall short of initial expectations. The Commission notes that the Court's conclusions are based on an assessment of the aspects set out in the scope of the audit. The October 2016 Commission Communication (COM/2016/646) *'The Youth Guarantee and the Youth Employment Initiative three years on'* points at first positive results and additional crucial elements, such as the Youth Guarantee's impetus on structural reforms and policy innovation. This has been recognised by the European Council which on 15 December 2016 called for the continuation of the Youth Guarantee and welcomed the increased support for the Youth Employment Initiative. Besides, the EPSCO Council of 8 December 2016 confirmed first positive results achieved by measures and reforms implemented to date.

In its October Communication, the Commission recognises that Youth Guarantee schemes have not yet reached all young people who have become unemployed or left school and identifies a number of key areas for improvement, including better engaging with non-registered NEETs and the low-skilled.

The Commission considers that the YEI has made a substantial contribution for the Youth Guarantee in these Member States. In spite of delays in some of Member States, implementation has advanced steadily in 2016. In July 2016 1.4 million people had participated in a measure supported by the YEI in the 20 eligible Member States. By end of November 2016 this number had increased to 1.6 million people. The YEI is perceived by all these Member States as a key mechanism or lever through which to operationalise the Youth Guarantee. In some cases, it is being used to support most or all measures planned under Youth Guarantee schemes, for instance in Spain where 80% of all Youth Guarantee actions are funded through the YEI. In Italy the YEI became the driver for a major reform and led to the set-up of new youth employment services.

The Commission's Communication (COM/2016/646) 'The Youth Guarantee and the Youth Employment Initiative three years on' highlights these results.

Although it is still early to assess the results – as operations are ongoing and many of these young people are still being supported – we can already say that the YEI has achieved one of its first objectives – to place youth employment at the core of political decisions in Member States.

161

In its October 2016 Communication the Commission recognises more effort is needed to support those young people who are furthest away from the labour market. While results are becoming visible on the ground, Youth Guarantee schemes have not yet reached all young people who have become unemployed or left school and young people in the most vulnerable situations, including the low-skilled and non-registered NEETs, are under-represented among beneficiaries.

However, as indicated in the Communication, the Youth Guarantee has shifted the focus to early intervention and non-registered NEETs, highlighted existing gaps in service delivery and ensured a new focus on outreach. It has also helped to break down silos across policy areas and build viable partnerships between key players in charge of outreach.

Figures corresponding to the average annual stock of young people in the Youth Guarantee preparatory phase in 2014 and 2015 reflect for some Member States a legitimate choice to opt for a gradual implementation of their Youth Guarantee schemes. Only in the medium term, once additional data collection exercises have been completed, will the Commission be in a position to assess progress made in the identification and registration of NEETs.

163

The Commission considers these results particularly positive taking into account the high bar set by the Indicator Framework: exit from Youth Guarantee scheme occurs on take-up of an offer and not on acceptance. Moreover, for the EU as a whole, the percentage of timely and positive exits (take-up of an offer within four months) from the Youth Guarantee has increased in 2015 compared to 2014. Increases are also recorded at EU level in the percentage of positive situations 6 months after exits and in the proportion of NEETs reached by the Youth Guarantee.

Recommendation 1 First alinea

The Commission considers that the recommendation is primarily addressed to Member States.

The Commission accepts the recommendation insofar as it concerns the Commission and intends to set out appropriate actions when new initiatives will be proposed.

Whilst fully recognising the importance of managing expectations and setting realistic targets, the Commission would however like to underline the importance of setting an ambitious policy goal, which has contributed to creating political momentum around the Youth Guarantee.

Recommendation 1 Second alinea

The Commission considers that the recommendation is primarily addressed to Member States.

The Commission accepts the recommendation insofar as it concerns the Commission and intends to set up appropriate actions when new initiatives will be proposed.

In the process of preparing Member States' YGIPs, the Commission has asked Member States to identify and analyse key structural challenges and specific gaps relevant to their national situation, and outline an indicative timeline for gradual implementation of the Youth Guarantee, if envisaged.

165

The Commission agrees that more efforts are needed to support those young people who are most detached from the labour market but wishes to remind the Court that the Council Recommendation allows for gradual implementation of Youth Guarantee schemes and that there is no specified target date for the implementation of the Youth Guarantee for the entire NEET population.

Besides, outreach was an important element in Member States' approach to the Youth Guarantee. Most encouraged young people to register with providers and two-thirds of public employment services engaged in outreach work when implementing the Youth Guarantee. Increasing awareness, accessibility and the range of services was instrumental in this regard, through the development not only of online registration and targeted campaigns but also of one-stop-shops, mobile or decentralised services and proactive work with a broader range of partners.

Recommendation 2

The Commission notes that the recommendation is primarily addressed to Member States.

The Commission accepts the recommendation insofar as it concerns the Commission and notes that it is already implementing it. The Commission is indeed already supporting Member States to establish their outreach strategies by offering financial support and policy advice in the form of technical assistance, capacity building and mutual learning.

168

The resources needed to implement a Youth Guarantee may greatly vary from one Member State to another. In many Member States EU resources are likely not to be sufficient to complete the ambitious reforms required to implement the YG and should be complemented by national budgets.

The Commission would however welcome a better overview of the estimated cost of all planned measures to implement the Youth Guarantee in each Member State but it is also aware that any estimates of the costs of a Youth Guarantee are subject to caveats, since for many Member States implementation of the Youth Guarantee also requires in-depth structural reforms of training, job-search and education systems to drastically improve school-to-work transitions and the employability of young people.

169

The Commission has always underlined that although significant EU financial support is available to support the Member States, Member States must also prioritise youth employment measures in their national budgets.

However, the Commission acknowledges there is a need to increase the resources made available at EU level for tackling youth unemployment. Accordingly, the Commission has recently proposed to increase the amount of resources under the YEI for 2017-2020.

Recommendation 3

The Commission notes that the recommendation is primarily addressed to Member States.

The Commission would indeed welcome a better overview of the estimated cost of all planned measures to implement the Youth Guarantee and will wherever possible and upon request of the Member States, support Member States in this process. The modalities for such support cannot, however, be defined at this stage.

Recommendation 4

The Commission accepts this recommendation insofar as it concerns the Commission and will explore the possibility of discussing standards for quality criteria in the context of the work on Youth Guarantee monitoring in EMCO.

The Commission notes that the second part of the recommendation is addressed to Member States.

173

The 2015 data collection exercise has seen a clear improvement in the completion and quality of data compared to that for 2014. A number of countries have made substantial efforts to adjust the methods used to collect and/or compile their YG monitoring data in order to improve coherence with the specifications of the Indicator Framework. Qualitative data on the characteristics of offers have also been improved. These efforts contribute to improved comparability of the data between countries, even if there are still some specific issues that need to be taken into account when interpreting results.

Key areas for improvement relate to the completion of follow-up data (still not available for 8 countries) and reducing the number of unknown destinations and subsequent situations in both exit and follow-up data.

The EPSCO Council has in this respect called on Member States to pursue efforts to achieve better alignment of national data with the common Indicator Framework for Monitoring the Youth Guarantee, taking into account the current possibilities and limitations of national data.

Recommendation 5

The Commission accepts the first part of the recommendation and considers it partially implemented as explained below. The Commission is already cooperating closely with Member States in this field, in particular through the work in the EMCO Indicators Group, the support offered to Member States reporting data under the Indicator Framework and the ILO targeted support given to 3 Member States as part of the EC-ILO action on youth employment.

The Commission notes that the second part of this recommendation is addressed to Member States.

174

The Commission considers that the YEI has made a substantial contribution for the Youth Guarantee in these Member States. In spite of delays in some of Member States, implementation has advanced steadily in 2016. See Commission reply to paragraph 159. The Commission adopted on the 4th October a Communication reporting on progress made by Member States in the Youth Guarantee and the YEI - COM (2016) 646, The Youth Guarantee and Youth Employment Initiative. One of the conclusions of this Communication is that in spite of delays in the set-up of the structures, the YEI is regarded across the 20 eligible Member States as a key mechanism to implement the Youth Guarantee. In some cases it is used to support most or all measures under the Youth Guarantee schemes. This report also shows that progress has been increasing since end of 2015. The fact that Member States did not submit the full amount of the additional pre-financing in payment applications does not mean that they have not used it fully or even more. As Member States were only required to claim half of the additional pre-financing in Union Contribution (which includes both the specific allocation for the YEI and the ESF contribution to the YEI), they may have decided not to claim the expenditure immediately (e.g. for treasury reasons, for reasons linked to verification of expenditure).

Finally it is important to note that at this stage results should be read with caution and be regarded as preliminary. Firstly, because operations may take longer than one or three years. Secondly, because many Member States prefer to report only on completed operations (as this option is allowed in accordance with the legal framework applicable to the YEI).

Reply of the Commission

175

The Commission notes that the Regulations do not set out a specific requirement for a detailed assessment of the characteristics of the different subgroups of young people supported by the YEI. The Regulations require involvement and consultation of relevant partners but they do not require that all proposals from relevant partners are taken into account. Accordingly, the Operational Programme should provide information on the actions taken to involve partners in the preparation of the operational programme.

176

The Commission notes that Article 95 and Annex X of the CPR do not determine that Member States cannot use the ESI Funds to support measures previously supported with the national budget. In addition, these provisions also don't require Member States to increase public expenditure regarding certain types of measures or target groups.

The purpose of Article 95 is to prevent that Member States reduce their level of public investment. The verification of compliance with additionality is made in accordance with Article 95(4) and Annex X. This verification, where applicable, is based on the overall level of public investment at national or regional level and not on the type of measures funded by the Member State.

Recommendation 6

The Commission does not accept this recommendation.

The Regulations do not set out a specific requirement for a detailed assessment of the characteristics of the different subgroups of young people supported by the YEI in the Operational Programme.

Nevertheless, the Commission works with Member States in different fora for supporting them in activities reaching out to the inactive young persons. In this context, the Commission will continue providing guidance to Member States for the design of measures that are tailored to the needs of the different groups of population targeted by the YEI.

177

The Commission considers that the provisions put in place were sufficient.

In particular, during the discussions on the programmes, baseline scenarios were assessed by the Commission to check the robustness of the targets.

In case that the information was not found in the ex-ante evaluation, the Commission usually asked for a methodological document.

The Commission had made available to the Member States two background papers on setting and adjusting targets for the ESF well ahead of the discussions in 2013. If the baseline could not be supported by evidence or historical data was missing, an action plan was required in the framework of general ex-ante conditionality 7.

178

The Commission considers that the indicators count different steps in a path towards inclusion/the labour market. In case the participant is supported by two consecutive interventions, that are the same, the completion of the YEI intervention and the reception of the offer are counted only once, upon leaving. In case the participant is supported under two different operations, and both are completed, then the participation would be counted twice as completing the YEI supported intervention and at least once as receiving an offer upon leaving the first intervention.

Recommendation 7

The Commission does not accept this recommendation.

By measuring the situation of only YEI participants who have completed the operation, there is a potential risk of under-reporting of results. In addition, the revision suggested by the Court would entail a change in the rationale of measurement whereas the common result indicators are compulsory for all Member States and have been agreed upon with them.

The Commission would like to underline that the counting methodology adopted for YEI is based on the conventions used for ESF indicators, notably counting positive exists, independently of the completion of operations. Furthermore, any such change of the rules in force would place a significant burden on Member States and hamper comparability of data reported prior to a change in the convention.

An evaluation is required in order to conclude on whether the results for a participant are directly attributable to the YEI (or ESF) intervention and this is not feasible within the monitoring system.

The Commission will pursue its efforts to shed more clarity on monitoring issues by continue providing guidance and requesting Member States' feedback in the several existing relevant fora.

179

The Commission notes that, in many cases, Member States had sufficient expenditure but were unable to claim it because they did not meet the necessary condition for submission of payment applications to the Commission (i.e. they had not yet designated the managing and certifying authorities).

Common Commission reply to paragraphs 180 and 181

At this stage results should be read with caution and be regarded as preliminary. Firstly, because operations may take longer than one or two years. Secondly, because many Member States prefer to report only on completed operations (as this options is allowed in accordance with the legal framework applicable to the YEI). It is also not possible to draw conclusions on the basis of the expenditure claimed to the Commission as financial implementation does not reflect implementation on the ground.

181

Carrying out the first YEI evaluation by December 2015 was explicitly required by the Regulation, in light of eligibility of expenditure since September 2013. The Commission considers that the evaluation findings were useful to steer the programmes for the remaining period.

182

The Commission agrees that the measures should be tailored to the needs of the young persons and that the profiling of participants is very important. In this context, the Commission has provided guidance to Member States on the design of measures.

Article 16 of the ESF Regulation determines that the YEI should target young people below 25 or below 30 that are not in employment, education or training. It does not impose any requirements on the specific groups that should be supported. Therefore, it is up to Member States to identify the target group of the YEI, within the limits set out in Article 16 of the ESF Regulation and in accordance with the reality in the Member State. As the YEI provides for a limited amount of resources, Member States decided to concentrate YEI resources on specific target groups and use the ESF for other measures targeting most difficult and hard to reach groups of young people. Many of the measures targeting these vulnerable groups are programmed under investment priority 9i.

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| Event | Date |
|--|-----------|
| Adoption of the Audit Planning Memorandum/Start of audit | 9.9.2015 |
| Official sending of draft report to Commission (or other auditee) | 26.1.2017 |
| Adoption of the final report after the adversarial procedure | 8.3.2017 |
| Commission's (or other auditee's) official replies received in all languages | 31.3.2017 |

This report examines the progress made by the EU Youth Guarantee in ensuring that under 25's receive an offer of employment, education, apprenticeship or training within four months of leaving school or becoming unemployed. It also evaluates the Youth Employment Initiative, which increased financial support for those struggling the most. We found limited progress and results which fall short of expectations with regard to providing a good quality offer to all NEETs (those not in employment, education or training). We make a number of recommendations both to the Member States and to the European Commission to improve the current and future initiatives in the area of employment.

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