

## YOUTH EMPLOYMENT INITIATIVE

### Fiche no 34

Brussels 5 April 2013

Commission Proposal	Relevant Article
ESF Regulation [COM(2013) 145]	Chapter III bis (Articles 15i – 15 viii)
Common Provisions Regulation [COM(2013) 146]	Annex II Annex IIIter Annex V

*This draft working paper has been drawn up on the basis of the proposals for regulations adopted by the European Commission on 6 October 2011 (as amended in 2012 and 2013). It does not prejudge the content of delegated or implementing acts to be prepared by the Commission*

This explanatory fiche aims to respond to the questions on the Youth Employment Initiative received from Member States in the context of the SAWP meeting of 22/03/2013.

## **1. ESF Regulation**

### **1.1. Scope of the IP on youth and reference to the 15-24 age range**

The European Council called for a direct link of the Youth Employment Initiative and the Council Recommendation on Establishing a Youth Guarantee. The Recommendation itself explicitly refers to the issue of addressing youth unemployment among the under 25-age group of young people who are the worst affected. Member States should ensure that all young people up to the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education.

The Eurostat definition of young persons is also 15-24. Note that this is also the definition of young persons applied for the ESF common indicators (Annex to the ESF Regulation). We therefore do not see a contradiction or excessive restriction posed by stipulating the age group concerned also in the wording of the IP.

The age group 15-24 applies at the level of the entire investment priority (IP) under Article 3 (a)(ii). MS can programme measures for young persons up to age 24 under this IP also as regards regions that do not qualify for the YEI.

Member States are entitled to programme measures for other groups (e.g. 25-29 years) under the other relevant ESF investment priorities, namely those related to access to employment, active inclusion, or related to life-long learning.

The YEI-supported interventions under Article 3 (a)(ii) are to be specifically limited to 15-24 in those regions with the biggest problems with youth unemployment.

### **1.2. Target group of the YEI**

The YEI will target unemployed (registered or not) persons, and inactive not in education or training, aged 15-24. They could be school drop-outs above the age of 15. Full-time students will not be a target group for the YEI and the investment priority under Article 3(a)(ii).

The YEI aims to support individuals and not structures and systems as such. Therefore, as regards activities of the Public Employment Service, only those that provide directly assistance to NEETs would be eligible. By contrast, structural measures to reform the PES to better assist NEETs would not be eligible under YEI. The latter can of course be supported by the ESF outside YEI, by programming the respective measure under another IP, e.g. Modernising labour market institutions.

### **1.3. Measures to be supported by the YEI**

The precise measures to be supported through the YEI will be agreed between the Commission and the Member States in the context of the ESF programming process. As the needs in the different regions may be quite different, we consider that it is not useful to have a mandatory list of measures. However, the Member State / Region will have the obligation to clearly demonstrate in their operational programmes that it has selected the appropriate actions to address the existing needs and ensure the implementation of the youth guarantee.

Examples of measures targeted to the individual young person:

- Direct support for high-quality traineeships and apprenticeships
- Provision of first job experience (placements for at least 6 months)
- Reduction of non-wage labour costs
- Targeted and well-designed wage and recruitment subsidies (these could for example be delivered through voucher schemes)
- Mobility measures to bring skills and jobs together
- Start-up support for young entrepreneurs (mentoring and access to finance)
- Quality vocational education and training
- Second chance programmes

The YEI is intended to support in particular the measures outlined in the Youth Employment Package, more specifically, the Youth Guarantee schemes. If other activities are supported, then they have to feed into the process of the youth guarantee schemes, provided that they address young persons directly, and not structures.

### **1.4. Monitoring and reporting requirements, evaluation**

For the common indicators set out in Annex 1, the process of developing the underlying definitions has been an iterative one, between Commission and Member States, in the framework of the Evaluation Partnership network. The Commission is planning a similar process regarding the YEI indicators once they have been adopted by the co-legislators. However, the Commission's view is that with regard to the YEI indicators in Annex 2 only for additional elements not yet agreed in the context of the common indicators appropriate definitions will be developed. That means that all definitions that were developed for the common indicators and are also relevant for YEI remain valid (e.g. "unemployed", "long-term unemployed", etc.)

As regards evaluation, a second evaluation is foreseen in order to better and continuously assess and increase the effectiveness and impact of the funding: The NEETs are a key target group for the ESF. Furthermore, given the dramatic rates of youth unemployment, the risk of a lost generation is substantial. Therefore a high degree of accountability is expected from MS with regard to the YEI funding allocated to the NEETs. This requires regularly assessing the situation and ensuring that the measures are adequately targeted and provide results. Therefore the Commission considers the requirement for two impact evaluations during a period of nine years as a minimum requirement.

The result indicators (measuring the situation 4 months after the start of the intervention) aim to demonstrate the effectiveness, that a result is evident within 4 months of the participant's

inclusion in the operation, e.g. that the person is in training, or about to receive a qualification, or has been offered a job. This proposal aims to avoid that activities are delayed and/or back-loaded in time.

As regards the longer-term result indicators (measuring effects 6 months after leaving), the aim is to ensure that results are sustainable and to promote quality interventions (i.e. measures that are likely to significantly improve the employment prospects of the person).

The additional indicators in Annex 2 are only to be used for the YEI funding and NEETs-related activities. The reporting and evaluation requirements are not applied across the board for all IPs and in the Commission's view therefore they are not disproportionate. The enhanced monitoring and evaluation of NEETs related activities will allow to demonstrate the effectiveness and sustainability of the funding. The latter is therefore important also in the case of Member States that do not qualify for the YEI but would still implement targeted actions towards NEETs in the context of the Youth Guarantee (see also comment on the scope of the youth investment priority on p. 1 above).

With regard to the more detailed nature of the YEI the proposed result indicators respond to the expectation on Member States to demonstrate clear results of the YEI in the regions – this is what the European Council has requested.

For the progress reports under art.46 CPR, MS will have to provide YEI-specific information on the basis of the data already collected for the Annual Implementation reports. So in the Commission's view there is no additional data collection requirement.

In the Commission's view it is doubtful that merging Annex 2 with the Annex on ESF Common Indicators would improve clarity and visibility of the indicators. On the contrary, it might lead to confusion between the common indicators and the YEI indicators. The two sets of indicators follow a different reporting regime, with the YEI indicators requiring a slightly enhanced monitoring.

As regards the frequency of reporting, all common longer-term result indicators (presented in Annex 1) with the exception of indicator number 23 (improvement of the labour market situation), as well as the longer-term result indicator listed in Annex 2, will have to be reported annually (instead of twice during the programming period). Continuous monitoring of the longer-term result indicators is particularly relevant for young people because only these data can demonstrate the sustainability of the effect for the NEETs who have a rather unstable position in the labour market.

## **1.5. Flexibility**

The 10% flexibility option is a proposal of the Commission, with a view to addressing potential cases of statistical anomalies (for instance a municipality or big city, with above-25% youth unemployment rate in a NUTS 2 region which itself has a low youth unemployment rate).

Sub-regions should thus be understood as NUTS 3 level regions. Redirection of YEI resources to such sub-regions should be based on NUT 3 level statistical data (youth unemployment rates) where these exist, otherwise on equivalent data from national statistics.

The reference in Article 15(i) to "high youth unemployment" is not linked to a figure due to the absence of reliable data below NUTS 2 regions level. In principle, the above-25% youth unemployment rate criterion should be considered as applicable also for the case of the sub-regions.

The same eligibility and allocation requirements will apply as the overall YEI eligibility and allocation mechanism: 2012 annual data, and the relevant eligible sub-regions (if any) shall be determined in the OPs at the start of the programming period.

This redirection to NUTS 3 level regions should be kept to a minimum and is considered rather an exception than the rule, in view of responding to the call by the European Council. The Commission has therefore proposed to limit this flexibility option to 10%.

Member States which do not qualify for the YEI (i.e. do not have NUTS level 2 regions with above-25% youth unemployment in 2012, as stated in the EU Council conclusions) will not benefit from the 10% flexibility option either.

### **1.6. Information and publicity**

The Commission's proposal on YEI (Article 15(v)) provides for a specific reference to YEI support in the case of YEI actions. There is no derogation from the requirements under the CPR related to information and publicity of ESF operations. The purpose of Article 15(v) is rather to increase the visibility of the Initiative as such given the importance that the EU has attributed to the goal of combating unemployment. Thus with regard to YEI-funded operations would mean that the beneficiary will be expected to inform participants that he operation is supported by the ESF through the Youth Employment Initiative.

For the purpose of the implementation of the intervention, however, there is no distinction between YEI-funded and match ESF- funded participants as regards the source of funding: the entire YEI is considered as a bundle with regard to the activities implemented. A participant will be supported by the Initiative itself, so the source of funding is not relevant: the reimbursement system is based on total or public expenditure and the exact nature of the public expenditure is not important.

### **1.7. Thematic concentration**

In the text of Article 15ii, "specific allocation" refers only to the additional 3 bn budget line outside ESF.

With regard to calculating thematic concentration, it is important to underline that it is not the Initiative itself that is not taken into account for the purpose of calculating thematic concentration but only the specific allocation for YEI (the 3 billion dedicated budget line). The ESF contributing to the initiative is taken into account for thematic concentration given that it is fully integrated in the programming process.

The 3 billion of the specific allocation are exclusively focused on youth employment therefore they are by principle "concentrated" and should not interfere with the concentration mechanism under Article 4 of the ESF regulation.

It is also important to clarify that the specific allocation is not taken into account to calculate the MS amount or the OP amount on the basis of which concentration is checked. For instance if the case of a MS with a single ESF OP (for less developed regions) of 100 MEUR ESF and 5 MEUR of the 3 bn allocation dedicated to the the YEI.

The 20% for social inclusion will be assessed as the ESF allocated to the social inclusion thematic objective divided by 100 (and not 105).

The assessment on concentration on 4 investment priorities will be calculated on the same basis: total ESF amount on up to four IPs divided by 100 (and not 105).

**1.8. Technical assistance**

The YEI priority axis cannot, due to its nature and focus on a single IP, include a technical assistance allocation. However, the overall amount available for TA will be increased thanks to the YEI (article 15 vi) which will also expand the basis for calculating the TA. TA can thus be used to support additional tasks required to implement the Initiative. It should be noted, however, that the maximum TA rate will remain unchanged.

**1.9. Application of the co-financing rate to the YEI**

During the SAWP meeting of 22 March 2013 Member States asked the Commission to produce worked examples of how the co-financing rate will work in practice.

In the case of a dedicated YEI priority axis covering a mix of several categories of regions in one MS which qualifies for the YEI, the highest rate (e.g. that for the less-developed region) is applicable for the entire set of regions.

The additional YEI allocation leads to an overall increase of the maximum co-financing for the category of region concerned.

The following example covers the case of a national ESF OP with one specific priority axis dedicated to YEI and covering three eligible regions: one less-developed region, one transition region and a more developed one. In this example, the authorities have decided to allocate 2€of matching ESF credits for 1€of YEI additional allocation.

	Less-developed	Transition	More developed	Total	Ratio YEI additional allocation/ESF (as fixed in the OP decision)
Step 1: YEI additional allocation	300	400	500	1200	33,3%
Step 2: ESF matching	600	800	1000	2400	66,6%

At OP level and on the basis of public support, the co-financing rate of the specific Priority Axis would be the following

	Total eligible (1) (1) = (2)+(3)	EU (2)	National Public (3)	Co-financing rate (4) (4) = (2)/(1)
YEI additional allocation	1.200	1.200	0	100%
ESF matching credits	2.824	2.400	424	85%*

<b>YEI Priority Axis</b>	<b>4.024</b>	<b>3.600</b>	<b>424</b>	<b>89%**</b>
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\*maximum co-financing rate for less-developed regions applies to all eligible regions

\*\* overall co-financing rate to be applied to interim payments submitted under this YEI priority axis

At interim payment level and on the basis of public support, a payment claim of 1.000 € submitted would undergo a two-step process :

- step 1 : calculation of EU amount to be paid  $\rightarrow 1.000 \times 89\% = 890 \text{ €}$
- step 2 : breakdown of the EU amount into
  - o YEI additional allocation ( $890 \text{ €} \times 33,3\% = 297 \text{ €}$ )
  - o ESF matching credits ( $890 \times 66,6\% = 593 \text{ €}$ )

### **1.10. Frontloading the YEI**

The YEI is an additional effort to target an emergency situation, 'here and now'. The investments supported by the YEI should be strongly oriented towards achieving concrete results and on achieving them quickly.

With regard to automatic decommitment, the 'N+3' rule also applies to the YEI priority axis/OP. The ratio of the ESF/YEI breakdown per year will be fixed as part of the OP budget at the outset (Article 15 vii).

The Commission has proposed not to make this initiative subject to the performance reserve. Thus, all funds related to the YEI are available as from the start of the programming period. It will then be up to the MS to set the OP financial plan in a way that would permit speedy delivery of the YEI actions in the first years of the programming period.

## **2. CPR amendments**

### **2.1. Annex IIIter**

The eligibility of NUTS level 2 regions according to the methodology set out in Annex IIIter of the CPR is set out only once at the outset of the programming period. It is based on 2012 annual Eurostat data on youth unemployment rates at NUTS level 2, which will become

available shortly (April 2013). The number of unemployed young persons (Eurostat definition is used as a basis to determine the allocation of the YEI top-up across MS.

The YEI operations should target the eligible NUTS 2 level regions as a group so yes, reallocations could be foreseen, as long as they only extend to the eligible regions.

## **2.2. New ex-ante conditionality:**

The ex-ante conditionality applies to the whole investment priority (as indicated in the second column of Annex V in the Commission proposal COM(2013)146 final). It is an important prerequisite to ensure that Member States' ESF investments in this policy field are embedded in a strategic policy framework for achieving the objectives of the Youth Employment Package and in particular for setting up youth guarantee schemes, as defined in the Council Recommendation on Establishing a Youth Guarantee. Evidence shows that Member States with developed youth guarantee schemes (understood as integrated youth employment approaches) are more effective in addressing the issue of youth unemployment. Therefore this ex-ante conditionality will increase the effectiveness of ESF investments.

The Commission's proposal for a new ex-ante conditionality builds on the Recommendation on establishing a Youth Guarantee agreed on by EPSCO. It should be noted that the conditionality does not call for establishing a new strategy but for the existence of a strategic policy framework. It can be established in a single policy document or in a set of inter-linked policy documents. However, it is more than a collection of measures. In case measures are contained in different policy documents, they need to be embedded in a strategic approach towards achieving the policy objectives.

The Commission is aware that many MS do not have such a policy framework in place yet. However, as is the case for all ex-ante conditionalities, when the MS cannot demonstrate the fulfilment of the criterion at the start of the programming period, they will need to commit to an action plan and to implementing these actions/ measures with a view to completing it by end-2016 at the latest.

The reference to the use of counterfactual impact evaluation is an option and recommendation as one of a number of possible approaches. The Commission does require the use of impact evaluations, as stated in Article 15(iv)(6) to assess the effectiveness of YEI interventions. However, we do recognise that impact evaluations may use other methods which are not necessarily be based on quantitative counterfactual impact evaluations. Through the Evaluation Partnership the Commission will continue to support MS in their evaluation activities, including counterfactual impact evaluations.