



Europe's Lost Generation

The profound economic crisis in Europe now has a human face – that of desperately protesting youth who feel cheated out of their future. More than seven million young people under the age of 25 in the European Union are not in employment, education or training. This is more than a socially explosive situation. If the young generation turns away in despair from the “European idea,” the entire European project would be at risk of disintegration.

Against this background, the latest EU summit rightfully put this problem at the top of the agenda. However, many of the quickly proposed remedies are ill-suited to bring about sustainable solutions. The “Youth Guarantee” scheme, which seeks to provide all young people under age 25 with a job or training opportunity within four months after registering as unemployed, is certainly a well-meaning idea. But it would be an illusion to believe that this guarantee will amount to much more than a mere extension of the dead-end. By the same token, the billions of dollars allocated by EU leaders to youth employment initiatives will result in great disappointment if policymakers fail to tackle the roots of the crisis.

After all, European youth unemployment is not a peculiarity of the crisis – it rose in proportion to overall unemployment. The dramatic scope is a result of the economic crisis in general, paired with a lack of structural reforms aimed at improving the labor market situation of the young. New jobs are not created at the push of a button, nor by emergency action programs passed during political summits.

What Europe needs is a common labor market that is characterized by mobility, flexibility and innovative entrepreneurship. But these are precisely the areas in which the European Commission lacks the power to

force the member states to implement fundamental reforms. All the more importantly, each individual country must be encouraged to do their homework when it comes to solving country-specific problems. France, for example, has created enormous labor market entry barriers for unemployed youth by setting high minimum wages and maintaining strict employment protection. Spain, on the other hand, has lots of university students in the humanities but very few vocational trainees. In Greece, medium-sized enterprises that are willing and able to train young workers are practically non-existent.

Youth all across Europe need solid, practice-oriented training. Countries like Germany, the Netherlands and Austria therefore rely on a successful “dual training system,” combining the attendance of vocational schools with hands-on experience in a firm. On the downside, as German firms regularly complain, the much-appraised dual model is also quite costly. This is why the vast amount of money poured into youth employment initiatives should be used primarily to promote investment among Southern European firms who, in turn, agree to create training positions.

At the same time, policymakers should provide further incentives to enhance cross-border mobility. Even if few young people actually choose to move to another EU country, those who do, and succeed in the labor market, will be perfect proof that the “European idea” does offer great opportunities after all – also, and particularly, during the current crisis.



Klaus F. Zimmermann



Institute for the Study of Labor



Editor: **Prof. Dr. Klaus F. Zimmermann**
 Managing Editors: **Mark Fallak, Holger Hinte**
 Address: IZA, P.O. Box 7240, 53072 Bonn, Germany
 Phone: **+49 (0) 228 - 38 94 223**
 Fax: **+49 (0) 228 - 38 94 510**
 E-Mail: **compact@iza.org**
 Web: **www.iza.org**
 Graphics/Photographs: IZA
 Printing: Güll GmbH, Lindau
 Layout: Thomas Wasilewski, Benedikt Kliche