Opinion of the European Economic and Social Committee on the 'Proposal for an amendment to the Commission Proposal COM(2011) 607 final/2 — For a regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006'

COM(2013) 145 final — 2011/0268 (COD)

and on the 'Proposal for a regulation of the European Parliament and of the Council 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 covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006'

COM(2013) 146 final — 2011/0276 (COD)

(2013/C 271/19)

Rapporteur general: **Mário SOARES**

On 25 March 2013 the Council decided to consult the European Economic and Social Committee, under Articles 164 and 177 of the TFEU of the Treaty on the Functioning of the European Union, on the

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and

Proposal for a Regulation of the European Parliament and of the Council 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 covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006

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On 16 April 2013 the Committee Bureau instructed the Section for Employment, Social Affairs and Citizenship to prepare the Committee's work on the subject.

Given the urgent nature of the work, the European Economic and Social Committee appointed Mário SOARES as rapporteur-general at its 490th plenary session, held on 22 and 23 May (meeting of 22 May), and adopted the following opinion by 135 votes to 3 with 4 abstentions.

1. **Conclusions & Recommendations**

1.1 In spite of the misgivings that it has expressed about the amounts and manner of funding secured for the Youth Employment and Youth Guarantee initiatives, the EESC agrees with the Commission about the need to adjust, in line with the proposal put forward, the Parliament and Council regulations on the European Social Fund and the Structural Funds.

1.2 The EESC stresses the need for policies decided upon now to contribute to growth and the creation of high-quality, stable jobs and to strengthen social cohesion.

1.3 The EESC regrets the fact that funding for the Youth Employment initiative has not come from an increase in funds from the Union, but instead comes from a reduction in the overall budgetary envelope for cohesion, which is already lower than that available in the 2007-2013 period.

1.4 The EESC firmly believes that the 6 000 million euros earmarked for this is not enough to cope with the magnitude of the problem and the urgent need to resolve it.

1.5 Since the crisis has not yet come to an end, and since job creation has not yet begun, the EESC is recommending either that there be greater flexibility in setting the percentage of youth unemployment enabling access to the allocated funds, in such a way as to be able to assess developments in the youth unemployment situation, or that this percentage be set at 20 %.

1.6 The EESC recommends that the age limit for accessing the Youth Guarantee be raised to 30, particularly in those countries with higher levels of youth unemployment.

1.7 Lastly, the EESC calls on Member States not to cut back the financial commitment provided for in the proposal for the Multiannual Financial Framework for promoting Youth Employment, and to accept that the Commission's suggestion that additional resources be used to achieve the objective of eradicating a problem which is jeopardising the future of a whole generation of young Europeans.

2. **Key elements of the Commission proposal**

2.1 Following the European Council's decision of 28 February 2013 to create a Youth Guarantee, the Commission submitted two proposals: one amending Commission proposal COM(2011) 607 final/2 – Regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (COM(2013) 145 final); the other amending Commission proposal COM(2012) 496 laying down common provisions on various funds and repealing Council Regulation (EC) No 1083/2006 (COM(2013) 146 final).

2.2 These proposals are designed to provide funding for the Youth Employment initiative as part of the 'Youth Guarantee', which aims to secure a decent supply of jobs for all young people up to the age of 25, or to provide continuing education or professional apprenticeships/traineeships in the four months after the end of their studies or after they become unemployed.

2.3 The total funding provided for the 2014-2020 period is 6 000 million euros: 3 000 million investment allocation from the European Social Fund and 3 000 million as a specific allocation for the Youth Employment initiative as part of sub item 1b: 'Economic social and territorial cohesion'.

2.4 The funding is earmarked for NUTS 2 regions which, in 2012, registered youth (15 to 25 years) unemployment rates of over 25 %.

3. **General comments**

3.1 The drastic youth unemployment picture can be seen in various Member States and amply warrants the initiative decided upon by the Council on 28 February 2013 to create a Youth Guarantee which the social partners and civil society organisations have called for on several occasions in a variety of forms.

3.2 According to the European Commission, there are 7,5 million youth NEETs [1] in the European Union, representing 12,9 % of young Europeans between the ages of 15 and 24. Many have not finished their secondary education and left school early; many are immigrants or belong to more vulnerable sectors of society. However some countries have seen a deterioration in the situation of middle-class youths (the new poor) who have not yet finished their studies and run the risk of not completing them.

3.3 In previous opinions, the EESC has highlighted the catastrophically bad youth unemployment figures in the EU and has called on all interested parties to adopt urgent, effective and definitive measures to break the vicious circle which is jeopardising the future of a whole generation [2]. This is not just a concrete problem for the people involved, but also a threat to the social cohesion of the EU which could, in the long-term, compromise economic growth and competitiveness in Europe.

3.4 The EESC points out that the policies being decided on now must help restore growth and create high-quality, stable jobs with the guarantees and protection which historically have contributed to building up the European social model and social cohesion. At the same time, it reaffirms the importance of full participation by the social partners and civil society organisations in planning, implementing and monitoring these policies.

3.5 In truth, the Youth Employment initiative, incorporated in the Youth Guarantee, will only work if corresponding stimulus is given to 'demand on the labour market' (in other words if there is economic growth). Moreover, education, apprenticeships and traineeships and efforts to improve the skills of millions of young people with little prospect of getting jobs, entail huge risks in themselves.

3.6 The EESC is concerned to note that the European Council is viewing Europe's economic difficulties as essentially a problem of budgetary consolidation, without even trying to quantify the opportunity costs or the subsequent negative impact, such as mass youth unemployment, disillusion and despair [3].

(1) NEETs refers to young people who are neither in education, employment or training.

(2) See in particular EESC opinion on *Moving Youth into Employment*, OJ C 161, 6.6.2013, p. 67-72

(3) The cost of young people not getting jobs, either in terms of excessive social transfers (welfare benefits) or in terms of taxes which cannot be collected, amounts to over 150 000 million euros.

4. **Specific Comments**

4.1 Since the amendments to the regulations submitted by the Commission are designed to adapt the current European Social Fund regulation and the more general regulation on various European funds to the European Council decision of 7 and 8 February, the following comments are not directed at the Commission proposals, but at the assumptions decided upon by the Council.

4.2 Against the background of the current crisis, the EESC feels it must express its concern that the Council is proposing a budget for Europe for the 2014-2020 period which is lower than that provided for in the previous period, and this has a negative impact on the resources needed to cope with the present-day situation.

4.3 As a consequence of this decision, the funding proposed for combating youth unemployment does not mean a budgetary addition, but rather a reduction of the resources earmarked for other areas: 3 000 million from the European Social Fund and 3 000 million from cohesion policy funds.

4.4 Likewise, the overall 6 000 million euros allocated for this purpose, spread out over seven years, is clearly inadequate ([4]).

4.5 Setting 2012 as the year for determining the youth unemployment rate (25 %) which triggers access to the funds now allocated does not take into account either the developments in the crisis or the current recession and may fail to take account of dramatic situations which might arise during this period. The EESC therefore holds the view that there has to be greater flexibility to be able to assess developments in the youth unemployment situation or, as a preventive measure, that the relevant rate should be brought down to 20 %.

4.6 On the other hand, the EESC recommends that the age limit for receiving the Youth Guarantee should be raised to 30, so as to allow young people leaving university later or finding themselves in a transition phase between training and employment, to have access to the Guarantee. This situation is particularly important for countries with higher youth unemployment rates.

4.7 The EESC supports the decision a) to exempt Member States from co-financing the specific allocation for Youth Employment (EUR 3 000 million), and b) not to apply the 5 % performance reserve to the resources allocated to the Youth Employment initiative.

4.8 Lastly, despite the above comments, the EESC would reiterate that this initiative deserves support and recommends that it be converted into a structural measure for active employment policies and not limited to being an instrument for coping with the current economic crisis ([5]).

Brussels, 22 May 2013.

The President
of the European Economic and Social Committee
Henri MALOSSE

([4]) According to the ILO, which welcomes this initiative - albeit cautiously, the level of funding required to generate significant changes to this situation would amount to EUR 21 000 million.

([5]) The Youth Employment initiative must be linked to the European Semester. This is consistent with the EESC opinion on *Moving Youth into Employment*, OJ C 161, 6.6.2013, p. 67-72.