

Main findings and opinions of the National Audit Office

Dealing with youth unemployment

The social guarantee (introduced in 2005) and the youth guarantee (2013) have been the most important active labour market policy tools for tackling youth unemployment in Finland in the 2000s. The measures taken as part of the above-mentioned programmes, their implementation and monitoring and the assessment of their impacts were evaluated in the audit. Any impacts of the reform of the TE Services on the implementation of the youth guarantee in 2013 and the overall impact of staff reductions at TE Offices on the duration of unemployment were also assessed.

According to the official figures, published by Statistics Finland, unemployment among young people under 25 was about 65,000 in 2013. However, the Ministry of Employment and the Economy puts the figure at about 39,000. The difference is mainly due to the fact that Statistics Finland also considers full-time students seeking work as unemployed whereas they are not included in the ministry's statistics as unemployed job seekers. The unemployment security expenditure for young people under 25 totalled about 228 million euros in 2012.

It was found out in the audit that the targets set out for the youth guarantee were not achieved in 2013. There are many factors behind this and the most important of them is probably the weak economic situation.

Youth unemployment increased despite the guarantee

In the audit, the quantitative results of the youth guarantee were assessed on the basis of the programme's monitoring indicators. The effect of the number of labour administration personnel on the duration of unemployment was assessed with statistical methods.

According to a rough estimate based on the statistics, the impact of the youth guarantee on the duration of unemployment during the first programme year (2013) was about zero. According to the observations and time series, the changes in the flow of young people to unemployment lasting for more than three months did not differ noticeably from the corresponding figures for middle-aged unemployed. Likewise, there were only slight differences between trends in activation rates. However, the economic downturn is probably the main reason for the poor results.

It was noticed that the number of staff in TE Services had a small but statistically significant effect on the prolonging of the unemployment. The higher the number of staff, the shorter the periods of unemployment. Thus, the cuts in the number of staff at TE Offices have also led to longer periods of unemployment among the young.

Youth unemployment increased in 2013 despite the youth guarantee. However, we do not know how much worse the situation would have been without the guarantee. Implementation of the youth guarantee was hampered by the weak economic situation and possibly also by the reform of TE Services. The economic downturn increased the number of unemployed job seekers, which in turn increased the work load of TE Offices and made it more difficult to provide young people with supported employment. Moreover, the reform of TE Services slowed down the service process. Even though on the basis of the audit, it is not possible to assess the benefits of the youth guarantee as such, it can be said that the targets set out for the youth guarantee were not achieved in 2013.

TE Services reformed - only slight changes in measures

Finland's labour administration has dealt with youth unemployment by applying an active labour market policy, which is based on a social guarantee introduced in 2005. The model was revised in 2013 when the youth guarantee was introduced. At the same time, the range of labour market policy measures was updated and an organisational reform was introduced. In the new organisation, the number of TE Offices is smaller and the TE Services are provided under three service lines.

In the new youth guarantee, the target group is larger so that in addition to those under 25 it now also covers recently graduated unemployed job seekers aged between 25 and 29. With the introduction of the new youth guarantee scheme, only a few changes were made to the measures. The labour market policy measures offered as part of the guarantee (practical training, preparation for working life and work try-out) were combined into work try-out, while orientation training was replaced by career, job search and job coaching. At the same time, the pay subsidy for young people was increased and the link between the granting of the subsidy and the duration of the unemployment was abolished.

With the introduction of the new guarantee scheme, the number of young people under 30 coming under the activation measures increased by about eight per cent from 2012 to 2013. The activation rate dropped, however, because at the same time there was a substantial decrease in the number of unemployed youngsters.

According to the Ministry of Employment and the Economy, a quick assessment of the service needs, preparation of an employment plan and the immediate start of the service process are the most important considerations in the implementation of the youth guarantee.

At the TE Offices visited by the auditors, the service process for young job seekers had been laid out in accordance with the service lines. The way in which the services were organised mainly depended on which of the lines was responsible for the initial assessment and whether there was a separate staff member for young job seekers.

The audit also highlighted problems concerning the service process. These include the challenges that customer service staff working alone face when encountering young people with serious problems and the question of ensuring the quality and availability of the services in a situation where the number of staff is being reduced. Even though it is important to provide TE Services without delay, their quality should also be guaranteed. Particular attention should be paid to the services required by young people in need of extensive support.

According to the Employment Service Statistics, in 2013 an employment or similar plan had been prepared for 92.6 per cent of the young job seekers within three months of the start of the job-seeking process. A total of about 250 employment plans were examined in the audit. The plans were fairly brief and cursory. The overall quality of the plans was not assessed in the audit.

Implementation of the youth guarantee requires more effective cooperation between the authorities

Cooperation between the authorities and its effectiveness was given a prominent role in the preparation of the youth guarantee.

Under the Youth Act, the municipalities must have a counselling and service network for young people for the planning of multi-sectoral cooperation between local-level authorities and the development of its implementation, in which the youth, education, social welfare and health services and the labour and police administration are represented. In 2013, most municipalities had such networks. The audit findings suggest that the networks do not yet work in a manner that promotes the coordination and effectiveness of the services directed at young people.

Outreach youth work, workshops, Labour Service Centres and interaction between the TE Administration, municipal education services and social welfare and health services serve as forums for practical cooperation between the TE Administration and other authorities. The cooperation

has also resulted in different types of local operating models, which have proved promising.

Most municipalities provide outreach youth work services and workshops activities. The Ministry of Employment and the Economy issued new guidelines on assigning young people to workshops in early 2013. The audit findings indicate that as a result of the new guidelines, fewer young people have been assigned to workshops. According to the feedback on the draft audit report submitted by the Ministry of Employment and the Economy, the matter has been dealt with by providing TE Offices with more detailed guidelines on assigning young people to workshops for work trials.

The system of Labour Service Centres is in the process of being put on a statutory basis and extended to all parts of Finland. It was highlighted in the audit that the Labour Service Centre model could be used to support the youth guarantee scheme more extensively, especially for young people in need of special support.

Under a legislative amendment introduced at the start of 2014, it was made easier for young people to qualify for vocational rehabilitation. This is a welcomed amendment and the improvements that it will result could facilitate the implementation of the youth guarantee and reduce the unnecessary referral of customers from one authority to another.

It is not known how much of the employment appropriations are allocated to young job seekers

In the 2013 budget proposal, a total of 60 million euros was allocated for the implementation of the youth guarantee. Of this sum, a total of 28 million euros was allocated for the administrative branch of the Ministry of Employment and the Economy and 32 million euros for the administrative branch of the Ministry of Education and Culture. The youth guarantee appropriations in the administrative branch of the Ministry of Employment and the Economy are contained as unspecified appropriations on item 32.30.51. According to a report of the Parliamentary Finance Committee, the appropriations are not earmarked as the implementation of the guarantee will be steered with performance targets.

The expenditure allocated for the youth employment in the state budget has not been separated from the overall employment expenditure. According to an estimate prepared as part of the audit, in 2013 a total of about 110 million euros was spent on the procurement and provision of TE Services at TE Offices for youngsters under 25. Thus, the 28 million euros allocated for the youth guarantee scheme was a major additional input. Ho-

wever, in order to know how the funding is actually allocated, the Ministry of Employment and the Economy would have to conduct a separate study on the matter.

A total of 3.3 million euros of this additional funding was allocated for employing additional staff for services intended for young job seekers. TE Offices spent an average of 80 per cent of the additional funding for employing staff for services for young job seekers and the funding allowed the hiring of a total of 68 staff members in 2013. However, only 33 persons were actually added to the staff providing services for young job seekers as the fixed-term employment relationships of 35 staff members in youth employment services were discontinued at the end of 2012.

The number of staff at TE Offices has been reduced in recent years and the reductions are continuing. In 2010, person-years totalled 3,641 and the target for 2014 is 3,053.

Implementation of the measures has been monitored but their impacts have not been adequately assessed

The implementation of the youth guarantee is monitored with the following indicators: flow to unemployment lasting for more than three months, unemployment rate and activation rate, number of unemployed, employment plans drawn up within a period of three months, the number of people participating in the measures, duration of unemployment among the young and the reasons for the end of the unemployment.

So far, there have been few changes to the monitoring indicators of the revised youth guarantee scheme, compared with the previous scheme. Implementation of the youth guarantee is reported on the websites of the ELY Centres on a monthly basis.

The Ministry of Employment and the Economy examines the number of unemployed finding work after participating in labour market policy measures. The latest report is based on information for 2011. According to the report, the number of participating youngsters becoming unemployed again after each measure is significantly lower than the number of such people among other age groups. However, the fact that a fairly large number of young people remain outside the labour market and training can also be considered a failure. For many young people, marginalisation means that their entry in working life is delayed and it may even lead to exclusion from the labour market. Among the young people that have only completed basic education, the risk of being excluded from the labour market is still significantly higher than among more highly educated youngsters.

The Ministry of Employment and the Economy commissioned an evaluation of the 2005 guarantee model in 2007. According to its results, the social guarantee helped to make the service process for young job seekers at TE Offices more effective. The guarantee had a particularly positive impact on the situation of those youngsters who in other respects too had good chances of finding work. At the same time, however, the guarantee was less effective in the case of those youngsters who needed more support than young job seekers in general.

An independent study for which only preliminary results are available at this stage characterised the impacts of the 2005 guarantee scheme in a similar manner. Even though there have been some positive developments the guarantee has not provided an all-round solution for unemployment among the young.

The Ministry of Employment and the Economy commissioned a report on the implementation of the new youth guarantee scheme in which the implementation of the scheme in 2013 was monitored and indicators for assessing the effectiveness of the measures in the future were developed. There are plans to carry out an evaluation of the implementation of the youth guarantee scheme on the basis of the report at a later stage.

Prolonged unemployment among the young also involves the risk of social exclusion. Social exclusion and marginalisation are concepts that do not have any clear content. Social exclusion may mean being outside the labour market or training or being marginalised in society. NEET (*Not in Employment, Education or Training*) youngsters are often considered as excluded even though the definition only means that the young persons in question are not working or studying or in practical training at the time of the survey. The estimates of excluded and marginalised youngsters in Finland vary between 10,000 and 57,700, depending on the study and the definition used.

The losses arising from the social exclusion and various degrees of marginalisation of young people are both of human and economic nature. Human losses cannot be measured in money terms. Even though there have been calculations of the economic losses, the estimates of the costs arising from social exclusion involve many uncertainties and leave therefore room for interpretation.

Recommendations of the National Audit Office

1. The Ministry of Employment and the Economy should commission a comprehensive and reliable evaluation of the impacts of the measures carried out as part of the youth guarantee when the guarantee scheme

has been in use for such a long time that enough statistical information about its results is available.

2. The Ministry of Employment and the Economy should also
 - pay particular attention to ensuring the availability of services for young people in need of extensive support
 - examine whether the Labour Service Centre model could be developed so that it would better support the implementation of the youth guarantee, particularly in the case of young people in need of special support.