POLO-Cro28 Policy Paper

SEARCHING FOR THE BEST PRACTICES TO REDUCE YOUTH UNEMPLOYMENT IN CROATIA

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LIST OF ABBREVIATIONS

ALMPs – Active Labour Market Policies
CEDEFOP (fr.) – European Centre for the Development of Vocational Training
CES – Croatian Employment Service
CISOKs (hr.) – Lifelong Career Guidance Centres in Croatia
CQF – Croatian Qualifications Framework
EES – European Employment Strategy
ESF – European Social Fund
EMCO – Employment Committee of EPSCO
EPSCO – Employment and Social Affairs Council of the European Union
ET 2020 – Strategic Framework for European Cooperation in Education and Training
EQF – European Qualifications Framework
EU28 — 28 member states of the European Union
GRC – Government of the Republic of Croatia
ISIOs (sl.) – Adult Education Guidance Centres in Slovenia
LEMPLMI – Law on Employment Promotion and Labour Institutions (Poland)
LLCG – Lifelong Career Guidance
MFLSARP – Ministry of Family, Labour, and Social Affairs of the Republic of Poland
MLFSERS – Ministry of Labour, Family, Social Affairs, and Equal Opportunities of the Republic of Slovenia
MLSPRP – Ministry of Labour and Social Policy of the Republic of Poland
MLPSRC – Ministry of Labour and the Pension System of the Republic of Croatia
NEET – not in employment, education, or training
NPR – National Reform Programme
OMC – Open Method of Coordination
PQF – Polish Qualifications Framework
SES – Slovenian Employment Service
SMEs – Small and Medium Enterprises
STEM – Science, technology, engineering, and mathematics
SQF – Slovenian Qualifications Framework
VET – Vocational Education and Training
VLC – Voluntary Labour Corps in Poland
YEI – Youth Employment Initiative
YG – Youth Guarantee (programme)
YGIP – Youth Guarantee Implementation Plan

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INTRODUCTION

The global economic crisis beginning in 2008 has had serious social consequences for many EU member states, and this is very clear from the rise of youth unemployment. Youth have been more affected by the crisis because they have limited work experience, low social capital, low company-specific knowledge, and short (if any) years of service (Eichhorst et al., 2013). Additionally, young people have a much greater likelihood of working under short-term contracts than older workers, which makes them a highly vulnerable group in the labour market (Gray, 2009). One serious problem with youth unemployment stems from its long-term effects: it reduces lifetime earnings, increases the risk of unemployment in the future, increases the likelihood of precarious employment, and has negative impact on job satisfaction even decades after its occurrence (Bell & Blanchflower, 2011).

The youth unemployment rate at the level of the 28 EU member states (EU28) is still almost twice as high as that for the total population, despite the fact that for most EU member states economic recovery started in 2014 (see Table 1). However, the principal problem in the EU is that the rise of youth unemployment has been distributed very unevenly throughout its member states. The new and Mediterranean member states were hit much harder than the rest of the countries due to the severe impact of the crisis on their economies and structural weaknesses of their labour markets. These countries were also most affected by the spread of the NEET (not in employment, education, or training) youth population, for which the size in the EU is currently estimated at 6.6 million people (European Commission, 2016b).

Employment represents the policy area where competences of the EU are very limited. However, since the beginning of the economic crisis, the EU has increased its efforts in this area, particularly concerning youth, in order to support national polices. The responses to the problem of youth unemployment in the EU member states tend to be diversified. Still, they all relate to EU guidelines and initiatives. The goal of this paper is to make a comparative assessment of the practices aimed
at combating youth unemployment in Croatia, Slovenia, and Poland. Based on that assessment, the paper will make recommendations for improvement of these practices in Croatia, which as the newest EU member state has the least experience with EU governance processes. Poland and Slovenia were selected among other new EU member states due to the potential relevance of their experience for Croatia. Poland is the largest new EU member state and is among the few that avoided a recession in the post-2009 period. Slovenia, on the other hand, is interesting for Croatia due to shared legacies and geographic proximity.

In terms of methodology, this paper primarily relies on quantitative and qualitative analysis of secondary data sources. These include statistical sources, most importantly EU and national documents as well as academic sources that address youth unemployment. Comparative analysis was also applied regarding youth-related indicators and policies in selected EU member states. The selected indicators were analysed by paying particular attention to causes and effects of specific developments.

The policy paper is structured as follows. The first part presents the EU actions since 2009 aimed at reducing youth unemployment in its member states. It describes how youth unemployment is addressed through processes of the European Semester and reviews specific EU initiatives in this area. The second and central part of the paper reviews situations in selected new EU member states. It assesses relevant statistical indications, legislative frameworks, and characteristics of school-to-work transitions, with particular focus on vocational education systems. It also analyses active labour market policies designed for reducing youth unemployment and examines how selected countries implement the Youth Guarantee (YG) programme. The third part of this paper comparatively analyses approaches pursued by selected countries in order to detect elements of best practice and make conclusions. It also formulates recommendations concerning possible improvements for youth unemployment policy in Croatia.

EU FRAMEWORK FOR REDUCING YOUTH UNEMPLOYMENT

Youth unemployment has been addressed by EU institutions through various strategic documents and initiatives in the last 20 years. However, after the
outbreak of the financial crisis, the EU intensified its efforts. The primary strategic
document for addressing youth unemployment in the EU is the European
Employment Strategy (EES), which dates to 1997, when it was established as a set
of common objectives and targets for employment policy within the EU member
states. The EES is now part of the Europe 2020 Strategy and is implemented
through the surveillance mechanism of the European Semester.\(^1\) Europe 2020 incorporates targets for dealing with education and employment, with special
attention to youth unemployment. These targets envisage that 75% of the
population aged 20–64 should be employed by 2020. Additionally, the share of
eyear school leavers in comparison to the total number of pupils should be under
10%, while at least 40% of the younger generation should have a tertiary degree
(European Commission, 2010a).

The Europe 2020 flagship initiatives Youth on the Move and An Agenda for New
Skills and Jobs, which support implementation of the headline targets, also
concern youth. The Youth on the Move programme aims at improving the general
education, vocational training, higher education, and mobility of young
apprentices and job seekers, and it also supports start-ups and the labour market
entrance of young people in member states with above-average youth
unemployment rates (European Commission, 2010b). The Agenda for New Skills
and Jobs sets out 13 key actions aimed at reforming labour markets, upgrading
skills, and matching them with market demand to boost employability and make it
easier to move between jobs, improve working conditions and job quality, and
create jobs (European Commission, 2010c).

Implementation of the EES is supported by the work of the Employment
Committee (EMCO), which is the main advisory committee in the field of
employment in the Employment and Social Affairs Council (EPSCO). The EMCO
assists with the following steps of the European Semester: i) formulation of
employment guidelines by the European Commission and their adoption by the
Council; ii) preparation of the Joint Employment Report, which is published
annually by the Commission and adopted by the Council; iii) analysis by the
European Commission of National Reform Programmes (NRPs), which are issued

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\(^1\) The European Semester provides a framework for the coordination of economic policies across the European Union. It allows EU countries to discuss their economic and budget plans and monitor progress at specific times throughout the year.
by the national governments and concern compliance with the Europe 2020 Strategy; and iv) publishing of country reports and country-specific recommendations by the Commission.

The last set of employment guidelines was published in October 2015 for a period of three years. This document explicitly deals with youth unemployment within guideline 6, “Enhancing labour supply, skills and competences”. It stresses that structural weaknesses in education and training should be addressed in order to reduce the number of young people leaving school early. Additionally, it urges structural improvements in the school-to-work transitions and full implementation of the YG programme, in order to reduce the high numbers of unemployed young people and NEETs (Council of the EU, 2015a).

When discussing youth unemployment in the EU, the Strategic Framework for European Cooperation in Education and Training (ET 2020) also needs to be mentioned (Council of the EU, 2009a). This is a key instrument for supporting implementation of Europe 2020 objectives in the areas of education and training. ET 2020 is a forum for the exchange of best practices, mutual learning, and gathering and dissemination of information. Its working groups comprise experts and other stakeholders working on common EU-level tools and policy guidance (European Commission, 2017b). In addition to the EES and the ET 2020, youth unemployment in the EU is also addressed through the EU Youth Strategy, which sets common objectives and approaches for member states covering the years 2010–2018. The strategy has two main objectives: i) provide more and equal opportunities for young people in education and the job market, and ii) encourage young people to actively participate in society (Council of the EU, 2009b).

Youth unemployment was targeted as one of the key policy priorities of the European Social Fund (ESF) in the 2014–2020 period. Under the ESF, 6.3 billion euros are directly dedicated to fighting youth unemployment. Furthermore, young unemployed people are an important target group under education, lifelong learning, and social inclusion measures of the ESF (European Commission, 2017a). Finally, the Youth Employment Initiative (YEI) was approved with a separate source of funding and implemented in accordance with ESF rules. For the period 2014–2020, 6.4 billion euros are available through YEI to all young people living in the regions where youth unemployment was higher than 25% in 2012 (European Commission, 2017d). From the countries analysed in this article, only Croatia is
eligible for YEI funding within both of its statistical regions, while in Slovenia and Poland YEI funding is not possible for all statistical regions.

At the level of specific initiatives for reducing youth unemployment, the YG programme launched in 2013 is currently very much in focus. It represents a commitment by the member states to ensure that all young people under the age of 25 years receive a good-quality offer of employment, continued education, apprenticeship, or traineeship within a period of four months after becoming unemployed or leaving formal education (Council of the EU, 2013). The YG programme entails three kinds of measures: i) education and training for employment, ii) employment intermediation services, and iii) Active Labour Market Policies (ALMPs) affecting labour demand, such as hiring subsidies or start-up incentives. Therefore, in most member states, proper implementation of the YG requires the reform of vocational training systems, education systems, and public employment services (Escudero & Lopez Mourelo, 2015). The practice so far indicates that there seem to be five elements of crucial importance for effective implementation of the YG programmes: early intervention, identification of the right target groups, good institutional frameworks, high-quality programmes, and sufficient resources (ibid).

Despite numerous strategies and initiatives, the main problem with addressing youth unemployment at the EU level is that the EU mostly relies on the Open Method of Coordination (OMC) as its main regulatory instrument. The OMC is a “soft” governance instrument, and therefore the EU’s power to lead its member states into adopting specific policy approaches is very limited (Graziano, 2011). Furthermore, initiatives concerning youth unemployment are divided among different OMCs (social, training and education, and employment). As a result, youth unemployment policy is discussed in different contexts and lacks a more coherent coordination (Schulz et al., 2011). The outstanding role of the national level in implementation of EU guidelines and initiatives in the area of youth unemployment makes research into member states’ practices that much more relevant. The following section will examine how and to what extent European guidelines and initiatives have been effected in Croatia, Slovenia, and Poland.
RESPONSES IN SELECTED NEW EU MEMBER STATES

Recent trends
In the post-2009 period, Croatia experienced a dramatic increase in youth unemployment (aged 15–29)—from 17.8% in 2009 to 34.1% in 2013 (see Table 1 in Annex). Since 2014, the situation has improved as a result of economic recovery but also due to the effects of joining the EU (2013), which opened the European labour market for Croatian citizens and provided additional funds for reducing youth unemployment. In 2016, youth unemployment in Croatia was 24.63%, which is still far from the EU average (14.7%) but close to the pre-crisis level. In the observed period, similar patterns conditioned by the crisis were also recorded in the areas of youth employment and the rates for youth activity, long-term youth unemployment, and NEET youths. However, despite improvements since 2014, all of these indicators are still among the most troubling in the EU.

In Slovenia, as indicated in Table 1 (Annex), youth unemployment (aged 15–29) between 2009 and 2013 increased very rapidly (from 11.6% in 2009 to 19.0% in 2013). With the start of the economic recovery, youth unemployment started to decrease, and in 2016 it fell to 14.7%, which was at the EU average but still higher than the pre-crisis level. Following the introduction of the YG programme in 2013, the rates for youth employment, long-term youth unemployment, youth activity, and NEET youths started to improve. However, the youth employment and youth activity rates deteriorated in 2016 despite continued reduction of youth unemployment, which could probably be explained by the impact of cross-border labour force migration.

Youth unemployment in Poland increased from 14.2% in 2009 to 19.8% in 2013, despite the fact that this country didn’t experience a recession but only an economic slowdown (see Table 1 in Annex). Since 2014, following acceleration of economic activity, youth unemployment started to decrease, and in 2016 it was 11.8%, which was slightly below the EU average (14.7%) and also below the pre-crisis level. The oscillation of youth unemployment figures in Poland in the observed period is more pronounced than what was recorded at the level of the EU average. Nonetheless, in the areas of youth employment, long-term youth unemployment, and NEET youth, the percentages for Poland are close to the EU average throughout the observed period. Regarding the activity rate, the figures
for Poland are slightly below the EU average and the changes since 2009 have been rather small.

**Croatia**

The economic crisis together with a new, more flexible labour law adopted in 2014 contributed to an increase in nonstandard work and further segmentation in the labour market. This particularly affected youth because their paths to standard work contracts became longer and much more uncertain. In 2016, some 52.0% of workers aged 15–29 worked on temporary contracts, while the rate for the total working population (aged 15–65) was 22.2% (see Table 1). Furthermore, in 2014 some 65% of all regular students worked on so-called student contracts (Mrnjavac, 2015). This kind of work has a very similar status as casual and provisional work, with tax relief, in Germany and some other countries. In Croatia, student work is often misused by employers regarding the number of worked hours and the achieved income. Additionally, the person undertaking this kind of work is frequently not a student (ibid). Compared to standard contracts, student contracts could be considered precarious concerning the dimensions of job security, wages, and social security.

The effect of the crisis notwithstanding, youth unemployment in Croatia is also the result of difficult school-to-work transitions caused by a mismatch between the skills of employment seekers and the needs of the labour market (World Bank, 2016). Therefore, within the process of the European Semester in its latest National Reform Programme, Croatia included “Raising of employability and linking the education system with the labour market” as the second out of three main goals in 12 areas for reform. This particularly refers to integration in the labour market, harmonization of education programmes with labour market needs at the level of vocational and higher education, and implementation of school reform (GRC, 2017).

To remedy difficult school-to-work transitions, in 2013 Croatia adopted the Law on Croatian Qualifications Framework (CQF), which is a reform instrument that regulates the system of educational qualifications at all levels. The CQF enables the linking of Croatian qualification levels to the levels of the European Qualifications Framework (EQF) for lifelong learning, thus reconciling the
qualifications acquired in Croatia with the European labour market. However, the reform is in the initial stages, with the higher education sector moving ahead faster than others (European Commission, 2016a, 83). In 2016, only 3% of the adult population (aged 25–64) participated in education and training programmes, compared to 10.8% at the EU level, which underlines the necessity for acceleration of the CQF reform (see Table 2). Furthermore, the Commission underlines that there are no significant improvements on recognition of skills and validation of non-formal and informal learning (European Commission, 2017c, 57). Another area important for successful transitions is vocational training. The level of participation in vocational education and training (VET) at the upper secondary level in Croatia is one of the highest in the EU, at 70.3%, compared to an EU average of 46.7 % in 2015 (see Table 2, Annex). However, in 2016 the employment rate of upper secondary level VAT graduates was 62.1%, compared to the EU average of 73.1% (Table 2). Additionally, about 45% of Croatian graduates are employed in jobs outside their field of education (European Commission, 2016a, 82). To improve the poor employment outcomes of vocational education graduates, Croatia in September 2016 adopted a Vocational Education and Training Development Plan 2016–2020, which will guide, in line with the CQF methodology, the update of the vocational education curricula, increase the share of work-based learning, and improve the quality of teaching (GRC 2016a). The 2017 EC country report on Croatia acknowledges this move but notes that the scope of training actions provided by the public employment services seems inadequate in view of the size of the challenge (European Commission, 2017c, 57). In order to improve the quality of VET, in 2017 the Croatian government is planning to form a working group that will coordinate efforts on development of a Croatian model of a dual VET system. Similar to a successful German model, the idea is to gradually establish a VET system that would leave much more space for the active involvement of employers (GRC, 2017, 21). In Germany, the vocational training (also called a dual VET system) connects with the changing needs of the economy. It allows trainees to obtain specific knowledge and experience through a close connection to their training company. The companies, on the other hand, make a significant contribution to the management and costs of this system (Eichhorst et al., 2013).
In 2013, Croatia established 11 Lifelong Career Guidance Centres (CISOKs) that operate under the Croatian Employment Service (CES). These centres improve the quality of school-to-work transitions because they are located in different areas of the country and provide tailor-made lifelong career guidance (LLCG) services to Croatian youth and to all citizens (MLPSRC, 2016, 18). In October 2015, Croatia adopted the Strategy for Lifelong Career Guidance and Career Development 2016–2020 (GRC, 2015). This was the first step in implementation of lifelong guidance in education systems and systems of employment and social inclusion (GRC, 2016b, 66). The strategy is addressing the aforementioned problem of a mismatch between the skills of employment seekers and the needs of the labour market. It underlines the necessity of increasing the university graduation rate. In 2016, this rate was at 29.5%, compared to the EU average of 39.1% (see Table 2). Additionally, the LLCG strategy underlines the necessity for shortening the average length of university studies, reducing the enrolment quotas for university programmes that generate unemployment, and increasing such quotas for STEM programmes (science, technology, engineering, and mathematics), which produce graduates for needed occupations. Implementation of the LLCG strategy could play an important role in responding to the 2016 Council country-specific recommendation for Croatia, which calls for providing appropriate follow-up and re-skilling measures to enhance the employability of the working-age population (Council of the EU, 2016a).

ALMPs are used to prevent the occurrence or reduce the duration of youth unemployment and to smooth young people’s path to employment and qualifications (Dietrich, 2012). In 2014, expenditures on ALMPs in Croatia comprised 0.17% of GDP, while in 2015 they increased to 0.37%. This means that Croatia is approaching the EU average of 0.45% in 2011 (last year for which data are available) (see Table 1). The coverage of ALMPs in 2014, based on the number of newly included beneficiaries, was only 8.6%. However, in 2015 it increased to 14.5%, while in 2016 it was 15.6% (Table 1). The significant increase in 2015 is mostly related to an increase in the volume of occupational training measure that occurred as a consequence of increased EU funding. Although there are no data on the coverage of ALMPs at the EU level, based on comparison with other EU member states the coverage in Croatia could be considered low (Table 1).
Additionally, the coverage of ALMPs in Croatia is very uneven with respect to the level of education. The data for newly included beneficiaries in 2016 show that coverage among unemployed high school graduates was only 13%, while among unemployed university graduates it was 40.3% (CES, 2017c, 40). Young people are generally overrepresented compared to other age groups. In 2015, there were 64,773 total beneficiaries of ALMPs, out of which 41,950 or 64.5% were younger than 29 years (MLPSRC, 2016, 17). In 2016, the share of newly included beneficiaries within different categories of ALMPs was the following: i) occupational training without commencing employment, 39.9%; ii) public works, 23.3%; iii) subsidies for job creation, 15.1%; iv) education of unemployed, 10.1%; v) subsidies for self-employment, 6.2%; vi) subsidies for protection of workplaces, 5.1%; and vii) subsidies for specialization, 0.3% (CES, 2017c, 39).

Occupational training measure has been in use since 2010, but in 2012 the initial circle of people who could benefit from this measure was extended. Since 2014, this measure has been implemented in Croatia within the framework of the European Youth Guarantee programme, and it is principally financed from the ESF. The measure stipulates that the state pays for the salaries (since 2015 at the approximate level of minimum wage) as well as contributions for employers who train young university graduates for a period of 12 months. It also applies to young high school graduates in crafts professions, who are trained for a period of 24 months. The labour law and collective agreements apply to occupational trainees, except for provisions that concern material rights (Butković et al., 2016). According to data from 2015, close to 80% of occupational trainees attend training within the public sector. This in itself represents a problem because in the post-crisis period possibilities for new employment in the public sector have been significantly reduced (Levačić, 2015, 50).

A relatively high percentage of expenditures on subsidies for job creation is caused by changes introduced in 2014 to the Contributions Act (OG 143/14). According to these changes, an employer that employs a young worker (under 30 years) on an open-ended contract is freed from paying contributions for a period of five years. Additionally, profit-oriented companies can receive a subsidy for employment of a young person (several age groups), which covers up to 50% of that person’s gross wage for a period of 12 months (CES, 2017b). In November 2015, an agreement on inter-institutional data exchange for establishing a NEETs
tracking system was signed, which should allow better identification and follow-up of NEETs and better tailoring of YG measures towards that particular group of young people.

In February 2017, the Croatian government adopted a new ALMPs package, consisting of nine measures, which replace the previous set of 41 measures. The purpose of this new package was to make the ALMPs more coherent, clear, and accessible for potential users. The government has allocated 1.5 billion Kuna for this purpose, out of which 650 million is to be absorbed from the ESF. In the area of self-employment, grants have been raised from 25,000 to 35,000 Kuna. Similarly, the level of financial support for public works was increased. Occupational training has been extended to all high school graduates, while the age limit for its usage was lowered from 35 to 30 (MLPSRC, 2017a). Occupational training is likely to remain the most popular measure because it could be applied to a large number of potential beneficiaries and offers attractive terms for employers. However, the extension of occupational training to all high school graduates runs contrary to findings of an external evaluation of active labour market policies in Croatia in the 2010–2013 period. This study recommended decreasing the volume of this measure in order to allow creation of alternative entry points into the labour market (CES, 2016, 63b).

The first Youth Guarantee Implementation Plan (YGIP) in Croatia was adopted in April 2014. This plan was to be in effect until 2020, but it was set to be periodically upgraded in order to reflect changes in the labour market. It concerned all youth between 15 and 30 and consisted of 37 measures: 20 reforms and initiatives for early intervention and activation and 17 measures for integration in the labour market (MLPSRC, 2014). YGIP was developed by the YGIP Council, which was coordinated by the Ministry of Labour and the Pension System and assembled 17 different stakeholders, including social partners (Bussi et al., 2014).

The second YGIP, for the 2017–2018 period, was adopted by the Croatian government in June 2017 (MLPSRC, 2017b). It put forward 22 measures whose implementation is entrusted to various institutions such as the Ministry of Labour,

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2 In June 2016 Croatian Employment Service published an additional study which evaluates the occupational training measure. This study among other things recommended: evaluation of experiences of beneficiaries after ending of the program, better detection of employers who are misusing the measure, promoting guidelines for the preparation of the occupational training program, better monitoring of mentors etc. (CES, 2016a).
the Croatian Employment Service, and the Croatian Chamber of Commerce. The new YGIP promotes measures that support inclusion in the labour market and return to education. Additionally, it puts forward measures aiming to strengthen the institutional system for implementation of YG and improve outreach to unregistered NEETs, and some complementary measures that contribute to strengthening the position of youth in the labour market.

According to the 2016 Multilateral Surveillance Conclusions of the EMCO, in order to improve implementation of the YG scheme in Croatia more efforts should be made to improve the capacities and coordination among different bodies, the delivery of services, and the effectiveness of education system reform (Council of the EU 2016b, 23). It remains to be seen to what extent the new YGIP will contribute to successful implementation of these tasks.

**Slovenia**

The aims of the labour law reform in 2013 were to increase flexibility in the labour market but also to reduce increasing labour market segmentation by making employment of workers on temporary contracts more difficult. This had particular relevance for Slovenian youth because in 2016 some 51.4% of workers aged 15–29 worked on temporary contracts, while the rate for the total working population (aged 15–65) was 16.9% (see Table 1). However, although the reform may have slowed down the increase of temporary contracts compared to standard employment contracts, it did not reverse the general trend (Bembič & Stanojevič, 2015). In 2014, another important intervention in the area of labour legislation was implemented aimed at reducing labour market segmentation. According to these changes, both employees and employers have the obligation to pay full social contributions on the two most used types of civil contracts (European Commission, 2015a, 57).

After the outbreak of the crisis, there was an increase in the share of student work compared to other forms of work. Half of all students in Slovenia hold a job during their study years, at the expense of performance and prolonged duration of their study (ibid). Student work is not regulated by the labour law, and it is probably the most flexible working arrangement in the country. The revised student work regulation, which entered into force in February 2015, made this type of work
costlier, but the trend of increasing student work has persisted (European Commission, 2016c).

Similar to Croatia, youth unemployment in Slovenia is often the result of difficult school-to-work transitions caused by a frequent mismatch between needed and available skills in the labour force. During the 2010–2014 period, some improvements took place in the validation of non-formal and informal learning in higher education. Higher education institutions in Slovenia are now required to validate non-formal and informal learning, which has allowed learners to transfer between institutions more easily (Košmrlj, 2016). Additionally, in 2014 Slovenia adopted the Law on Slovenian Qualifications Framework (SQF), which is referenced to the EQF for lifelong learning and is seen as a first step towards centralising the system of qualifications in the country (ibid). Unlike in Croatia, in 2016 the university graduation rate of Slovenian students (44.2%) was above the EU average (39.1%). Similarly, concerning the participation rate in education and training of the adult population, in 2016 Slovenia (11.6%) was above the EU average (10.8%), while Croatia and Poland fell below (Table 2).

As indicated in Table 2, the proportion of upper secondary students following VET remains above the EU average (67.4% compared to 46.7% in 2015). On the other hand, in 2016 the employment rate of upper secondary level VET graduates (71.5%) was very close to the EU average (73.1%). However, this is not satisfactory and needs to be improved because in the future the demand for high-skilled workers is projected to increase substantially (European Commission, 2015a, 58).

To respond faster to changes in the employment world, VET in Slovenia has been made more flexible by allowing 20% of curricula to be decided by the schools in cooperation with local employers (ibid). Still, in order to increase the employment rate of upper secondary level VET graduates, cooperation with employers needs to be further strengthened, particularly in defining curricula and providing apprenticeships. Such a VET system should be set up by the government, because the Slovenian economy consists mainly of SMEs that cannot do this on their own (European Commission, 2014, 29).

The main providers of LLCG are schools, the Slovenian Employment Service (SES), and Adult Education Guidance Centres (ISIOs). In all settings, professional counsellors are employed. They provide a broad range of personal, social, and vocational guidance services. Each year around 25,000 adults search for
information, advice, or counselling via ISIOs. Guidance in schools is provided by school counsellors, but it is not a compulsory part of the education pathway. Guidance in SES is provided by local and regional offices and career centres throughout Slovenia (CEDEFOP, 2014a, 52).

The data for 2014 indicate that in Slovenia the coverage with ALMPs (based on the number of newly included beneficiaries) was 37.6%. However, in following years that coverage was reduced to around 25% (see Table 1). In 2014, youth (younger than 29) represented 37% of all ALMPs beneficiaries (MLFSERS, 2015, 37). Expenditures on ALMPs in Slovenia were around 0.3% of GDP in 2013 and 2014. However, in 2015 they were reduced to 0.15% (Table 1). In the 2012–2016 period, 50–60% of these expenditures were covered from the ESF, and predictions are that the same coverage will be maintained in the 2016–2020 period (ibid). In 2016, the share of newly included beneficiaries within different categories of ALMPs was the following: i) education and training, 34%; ii) subsidies for job creation, 33%; iii) public works, 32%; and iv) subsidies for self-employment, 1% (SES, 2017). According to the European Commission, better-targeted ALMPs are needed in order to enable older and low-skilled people back into the labour market (European Commission, 2016c, 52).

Within the education and training category of ALMPs, in 2016 there were altogether 10 different programmes running. However, it should be mentioned that a programme called the Work Trial (3% of all ALMPs participants in 2016 according to SES, 2017) turned out to be particularly successful. It is specifically targeted towards youth, and the idea is for young people to try their knowledge and skills in the workplace. In 2014, 65% of all participants in this programme were high school graduates, while 52.1% were searching for their first employment. Remarkably, 30–40% of Work Trial participants managed to get employment after the end of the programme (MLFSERS, 2015, 36). Public works in Slovenia are mostly implemented in the areas of social security and culture. In 2013, there was a reform of the public works programme that simplified participation for the long-term unemployed (ibid). Regarding self-employment subsidies, data from the Slovenian Employment Service indicate that in the 2007–2012 period around 50% of the beneficiaries managed to maintain employment after the end of a support period (ibid).
In order to address the uncertainty of employment for young people in Slovenia, the government adopted two YGIPs, which ensured apprenticeships and internships and strengthened the link between the education system and the labour market. According to both plans, young people aged 15–29 who were unemployed and registered at the SES were eligible to take part. The first YGIP was adopted in 2014 for a period of two years, and it contained 36 measures aimed at reaching the goals of the YG programme (MLFSERS, 2014). The second YGIP, adopted in April 2016, was created for a four-year period. Both plans were developed in close cooperation with representatives of young people, the employment service, and a number of Slovenian ministries. The new YGIP contains only 15 measures, but these measures are now arguably better focused towards concrete goals. The measures are divided into preventive measures, intended for young people who have not yet entered the labour market, and activation measures, intended for quickly activating young people in the labour market. Within the framework of the two sets of measures, systemic and also programme (short-term) measures are planned (MLFSERS, 2016). The new YGIP particularly targets youth who need more help to enter the labour market, such as the long-term unemployed or returnees to the YG scheme. Additionally, more focus is placed on systemic measures in order to provide lasting impacts in areas such as the traineeship system (ibid).

Implementation of the YG scheme in Slovenia is well on track, according to the 2016 Multilateral Surveillance Conclusions of the Employment Committee. The country continues efforts to tackle labour market segmentation and is carrying out traineeship system reform. Programmes are being implemented to address youth unemployment and improve the outreach to NEETs, and the initial results are promising (Council of the EU, 2016b, 52).

**Poland**

The use of temporary contracts in the Polish labour market appears excessive and has negative effects on productivity and the accumulation of human capital (European Commission, 2017e, 23). Young people are particularly affected because 53.3% of workers aged 15–29 worked on such contracts in 2016, while for the total working population (aged 15–64) the rate was 27.5% (see Table 1).
Additionally, in 2014 the transition rate from temporary to permanent employment was only 18.3% (European Commission, 2016d, 19).

Since 2009, Poland has also witnessed an increase in the use of so-called civil law employment, which further strengthened segmentation in the Polish labour market. Civil law contracts could be considered precarious because compared to labour law-based employment they have significantly reduced social protection rights. Health care insurance is not mandatory under these contracts. Furthermore, this kind of work is not subject to regulations such as working time, holidays, sickness remuneration, or the minimum wage (Polakowski, 2012, 10). The number of people employed on civil law contracts increased from 3.5% in 2010 to 8.4% in 2014 (Mrozowicki & Maciejewska, 2015). The growth of civil law contracts had a particularly negative impact on young people with low to medium skills. Incidence of such contracts decreases with the age of workers, and it is also negatively correlated with the level of attained education (Polakowski, 2012, 10).

In 2015, Poland received a Council country-specific recommendation that called for taking measures to reduce the excessive use of temporary and civil law contracts in the labour market (Council of the EU, 2015b). Subsequently, in February 2016, an amendment to the labour law was introduced that restricted the number of consecutive fixed-term employment contracts and their duration. Additionally, social security contributions connected to certain civil law contracts were increased (European Commission, 2016d, 20).

The tertiary education attainment rate in Poland has significantly increased over the last 15 years. In 2016, it stood at 44.6% in the 30–34 age group, while the EU average was 39.1% (see Table 2). Still, the rising number of job vacancies and long average job searching periods indicate difficulties in matching existing vacancies with the remaining pool of unemployed people (European Commission, 2016d, 17). This situation, as in Slovenia and Croatia, encouraged Poland to start reforming its system of qualifications. In 2011, the Law on the Polish Qualifications Framework (PQF) was adopted, which obliged every study program in Poland’s higher education system to be referenced within PQF and described with the use of learning outcomes. The 2014 amendments to the PQF allowed higher education institutions to reserve up to 50% of European Credit Transfer System credits of any study programme for learning outcomes attained through non-formal learning (CEDEFOP, 2014b, 37). Still, Poland needs to invest more effort in this area.
because in 2016 only 3.7% of the adult population (aged 25–64) participated in education and training programmes, as compared with the EU average of 10.8% (see Table 2).

In 2015, the percentage of upper secondary students following VET was 50.4%, which was above the EU average of 46.7% (see Table 2). Similarly, in 2016 the employment rate of these VET graduates (73.5%) was slightly higher than the EU average (see Table 2). Practical vocational education is equal to 60% of the total hours of classes in basic vocational programmes and 50% in vocational upper secondary and post-secondary programmes (CEDEFOP, 2016).

Poland started implementing reform of its VET system in 2012/13 which was aimed at improving the link between the vocational education and training programmes and labour market needs. Nonetheless, better cooperation between enterprises and VET schools remains a challenge, together with improving basic competences of pupils, providing high-quality LLCG, and strengthening cooperation between the regional and local authorities to ensure efficient investment in the VET system (European Commission, 2016d, 23). Furthermore, the problem is that local governments often decide to run less costly VET programmes even if qualifications are not in demand (CEDEFOP, 2011). In recent years, the general number of all VET schools has been decreasing due to fact that the government has gradually closed adult VET schools and replaced them with vocational qualifications courses that enable participants to gain an individual vocational qualification after passing a state exam. In 2014/15, such courses were offered to approximately 14% of all adult VET students (CEDEFOP, 2016, 16).

Regarding the LLCG, it should be underlined that the number of vocational counsellors at Polish schools and other educational institutions is steadily increasing. In 2011, there were 1,385 counsellors working at schools, whereas in 2013 the number was 1,509 (CEDEFOP, 2014b, 51). The number of counsellors employed at county Public Employment Services is increasing dramatically. In 2015, there was one counsellor for every 769 people, which was almost nine times better than in 2001 (CEDEFOP, 2016, 45).

Expenditures on ALMPs in Poland decreased from 0.51% of the GDP in 2009 to 0.32% in 2011. However, in the following years expenditures increased and remained at around 0.4% (see Table 1). Based on the number of newly included beneficiaries in 2013, the coverage with ALMPs in Poland was 25.6%.
Subsequently, that coverage increased to 28.2% in 2014 and 37.1% in 2015 (Table 1). In 2013, within all ALMP beneficiaries the share of youth (younger than 30) was 32.7% (MLSPRP, 2015, 10).

In 2015, the share of newly included beneficiaries within different categories of ALMPs was the following: i) traineeship with an employer, 49.7%; ii) non-school educational activities, 15.4%; iii) public works, 7.4%; iii) interventional employment, 11%; iv) refunding costs of employment to employers, 6.8%; and v) co-financing of economic activities, 9.7% (MFLSARP, 2017). Public works and interventional employment are two very similar demand-oriented ALMPs that represent government-funded employment. The main difference between them is that within public works the employer must be from the public sector, while in interventional employment private-owned companies may also apply for a subsidy. Through refunding costs of employment and co-financing of economic activities, the Polish government mostly promotes SMEs and self-employment (Dahlke, 2016, 35).

The amendment of the Law on Employment Promotion and Labour Market Institutions (LEPLMI) in 2014 introduced a reform of the public employment service and ALMPs. The new ALMPs included training, internship, employment and settlement vouchers, loans from the Labour Fund, and activation benefits for employers hiring parents who return to work (European Commission, 2015b, 17).

A training voucher guarantees referral of the unemployed person to training of his or her choice and covers all or part of training-related costs (remuneration, courses, travel, etc.). Internship vouchers guarantee the unemployed person a work practice at an employer of his or her choice for a six-month period, if the employer agrees to employ that person for six months following the end of practice. An employment voucher is a guarantee for the employer to receive reimbursement, for a period of 12 months, for part of the employment-related costs. Finally, the settlement voucher is a form of support for unemployed people who start employment or business activity outside the place of their residence (MLSPRP, 2015). Following the 2014 amendment of LEPLMI, unemployed young people may apply for non-repayable funds for starting business activity, or for establishing or acceding to a social cooperative (ibid).

Poland published its first YGIP in April 2014 and updated it in October 2015. These programs contained seven initiatives targeted at ensuring early intervention and
activation and 13 additional measures and initiatives to enable integration in the labour market. While in the first plan the focus was primarily on young people aged 15 to 25, in the 2015 update that focus was extended to the 15–29 age group (MLSPRP, 2014; MLSPRP, 2015).

Implementation of the YG in Poland is coordinated by the Ministry of Labour and Social Policy, in cooperation with the Ministry of Development. At the operational level, the role of the Public Employment Services, Voluntary Labour Corps (VLCs), and the Bank Gospodarstwa Krajewogo is (BGK) crucial. The VLCs are a state budgetary unit supervised by the minister in charge of labour. They offer to youth conditions for proper social and professional development. The VLCs particularly focus on youth who are discriminated against and require assistance from state institutions. Direct support is provided by approximately 800 basic VLC units that are scattered throughout the country (MFLSARP, 2017).

According to the 2016 Multilateral Surveillance Conclusions of the Employment Committee, implementation of the YG scheme in Poland is continuing to make progress. The activation projects are likely to have a positive influence on youth employment, especially if accompanied by an effective profiling system. However, the country needs to encourage outreach to NEET youth, in particular those who are not registered with the Public Employment Services (Council of the EU, 2016b, 45). It is estimated that more than 50% of expenditures for financing implementation of YG in Poland will be covered from the ESF and the EU Youth Employment Initiative (MLSPRP, 2015, 77).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions
The capacities of the EU for combating youth unemployment are still very limited because most competences in this area are within its member states. However, the EU regularly issues strategic documents and guidelines in order to guide and assist its member states with reducing youth unemployment. EU efforts in this area intensified after the outbreak of the financial crisis because youth in the EU were severely affected by the crisis and their unemployment doubled. One
significant challenge with combating youth unemployment at the EU level is the fact that this issue is addressed in various contexts (as part of education, employment, or social policy), which causes problems with forming a more coherent approach. The Youth Guarantee programme launched in 2013 is one of the most significant EU post-crisis efforts in combating youth unemployment. The programme is implemented by member states in accordance with specific needs and situations in their labour markets.

The global economic crisis had severe negative impact on youth unemployment and other labour-related indicators in Croatia and Slovenia. Poland was negatively influenced as well, but not so strongly, because it didn’t experience a recession but only an economic slowdown. Since 2014, when the economic recovery started, all three countries have experienced improvements in this area. However, a reduction in youth unemployment was only partly followed by an increase in youth employment, which could be explained by emigration of the labour force. In 2016, labour-related indicators for youth in Poland looked better than before the crisis, while Croatia and Slovenia still struggled to surpass their pre-crisis thresholds. In order to improve the position of youth in the labour market in the post-2013 period, all three countries introduced legislative changes that supported employment of young people on standard contracts or created obstacles to excessive use of temporary and civil law contracts. In Slovenia and Poland, this arguably slowed down precarious employment of young people, but it is too early to determine whether the trend has been reversed.

The mismatch between the skills of employment seekers and the needs of the labour market encouraged all three countries to invest more effort into harmonization with the European Qualifications Framework for lifelong learning. In Poland, this reform started earlier than in the other two countries. Still, the situation in Slovenia seems to be the most promising because the country made advances in recognition of informal learning and also surpassed the EU average concerning adult participation in education and training. Poland made progress on the former but struggles with the latter, while Croatia shows below-average results in both areas. Additionally, while in Poland and Slovenia the university graduation rate surpasses the EU average, in Croatia it still lies significantly below. The indicators for the VET at the upper secondary level show that among the three countries, Croatia has the largest proportion of upper secondary students
following the VET. Unfortunately, unlike in Poland and Slovenia, the employment rate of these students falls behind the EU average. In recent years, Poland and Slovenia have increasingly focused on improving the link between vocational education and training programmes and labour market needs. Nonetheless, all three countries could profit from the more far-reaching reforms of the VET system that would provide additional space for active participation of employers in the VET education and training programmes.

In the post-2013 period, diversified situations in the labour markets have resulted in different approaches towards ALMPs. Slovenia decreased its expenditures on ALMPs and their coverage. Poland, on the other hand, maintained the existing level of expenditures but increased the coverage. Finally, Croatia increased both the expenditures and the coverage. Although an increase in spending and coverage could be viewed as positive, this alone does not guarantee reduction of youth unemployment or smooth transitions from education to work. Compared to Poland and Slovenia, the coverage of ALMPs in Croatia is still rather low, regardless of the recent increase in spending. Additionally, compared to the situation in Poland and Slovenia, measures in Croatia seem somewhat unbalanced. The fact that some two-thirds of all of Croatia’s ALMPs concern people younger than 29 is problematic because it places people of other age groups in an unequal position. Moreover, relatively high coverage of ALMPs among young unemployed university graduates and low coverage among unemployed high school graduates of the same age group runs contrary to the logic of ALMPs, because the risk of unemployment is higher for the less educated.

Spending close to half of all ALMP expenditures on the measure of occupational training indicates that Croatia favours a “one-size-fits-all” approach, which in the end could produce questionable results. Furthermore, a recently enacted extension of the occupational training measure to high school graduates clashes with the conclusions of external ALMP evaluation in Croatia, which indicated that the volume of this measure should be decreased in order to allow alternative entry points into the labour markets. Ultimately, a large concentration of occupational trainees in the public sector seems counterproductive. Because of post-crisis restrictions on budgetary spending, opportunities for occupational trainees to continue working for the public sector are minimal.
In all three countries, YGIPs extended the originally set coverage from the 15–25 to the 15–30 age group. The reason behind this extension is the relatively late entrance of young people into the labour market. In Slovenia, the latest YGIPs contain a smaller number of measures than their predecessors, but arguably (as with Poland) these newer measures seem better focused towards the achievement of concrete goals. In Croatia, the latest YGIP also lists fewer measures, but their content still seems overly general. Moreover, the latest Croatian YGIP appears insufficiently focused on the weakest aspects of YG implementation in Croatia, such as coordination among different implementing bodies and reform of the education system.

Recommendations for Croatia

- Croatia should make use of the positive experiences and the lessons learned in other new EU member states, which are more successful in combating youth unemployment. The Polish and Slovenian experiences indicate that successes in combating youth unemployment often represent the results of inclusive policy making processes. This would imply that governments’ policy makers take proper consideration of the arguments and standpoints advocated by non-governmental stakeholders such as social partners, independent experts, and civil society organisations.
- Croatia has to strengthen its efforts in combating segmentation in the labour market, which particularly affects youth. This could be done by enacting legislative obstacles to the excessive use of temporary contracts, as recently implemented in Slovenia, and by further encouraging transitions to standard contracts. Furthermore, the system of student work should be better regulated in order to become less prone to employers’ misuse. Such a reform should bring forward improved registration and control of the worked hours and income earned by the engaged students. Additionally, as in Slovenia, student work should become costlier for employers.
- In order to improve the efficiency of its VET system, Croatia should follow the Polish example and increase the scope of training actions provided by its public employment services. Additionally, the work on development of a dual VET system similar to the successful German model has to be continued. Such a
system must be developed in close cooperation with the employers that should be actively involved in its implementation. The new VET system has to be based on practical education and training and highly responsive to the changing needs of the labour market.

● In the area of lifelong career guidance, Croatia could follow the Polish and Slovenian practice and increase the number of vocational counsellors in schools. This could make young people better equipped for making informed decisions about their career paths and ultimately produce a better functioning labour market.

● In order to successfully combat youth unemployment, Croatia would have to increase its university graduation rate, which is one of the lowest in the EU. However, a general increase will not be sufficient and could even be counterproductive. Graduation rates need to be increased in STEM disciplines in order to create the preconditions for attracting investments in industry, which would then raise the demand for labour.

● Adult participation in education and training should be increased from the current level, which is significantly below the EU average. Raising this percentage has relevance for combating unemployment (including youth unemployment) because it could contribute towards overcoming a mismatch between the skills of employment seekers and the needs of employers. Croatia should gradually raise its adult participation by setting realistic objectives and targets in this area.

● Croatia has to become more successful in recognising the learning outcomes attained through non-formal learning. The Polish and Slovenian experiences show that this represents an important element in making the VET system and the programmes of higher education institutions more responsive to the needs of the labour market. Croatia is only beginning this complex process, which could be accelerated through more energetic implementation of CQF reform.

● Croatia needs to develop appropriate outreach strategies towards its NEET population, with the objective of registering all such persons and creating measures that will successfully include them in employment, education, or training. The Polish experience underlines the crucial importance of local-level bottom-up activities for accomplishing this task. Therefore, in the Croatian context, professional and financial strengthening of the regional CISOKs should be considered.
● In implementation of the YG programme, Croatia should further increase the coverage of its ALMPs, which is still rather low. It should also follow the examples of Poland and Slovenia and further diversify its offering of ALMPs available to young people in order for these measures to become more effective. Croatia should focus more attention on ALMP measures that are designed for the most disadvantaged groups of young people, such as long-term unemployed youth or returnees to the YG programme. The scope of the occupational training needs to be reduced while other less costly measures have to be promoted.

● In designing new ALMPs, Croatia has to pay particular attention to measures that have proved efficient in other EU member states. The work trial programme in Slovenia represents an interesting case due to the remarkable employment rate of its former beneficiaries. From the Polish practice, loans for young entrepreneurs could be of interest for Croatia, given the fact that they are directly regulated through legislation.
LITERATURE

Books and articles


**Statistical sources**


**Official documents**


## ANNEX

### Table 1. Main employment-related indicators (EU28 and selected new member states)

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Sources:
1 Eurostat. 2017a. Youth unemployment (15–29) by sex, age, and educational attainment level.
2 Eurostat. 2017b. Youth employment (15–29) by sex, age, and educational attainment level.
3 Eurostat. 2017c. Activity rates (15–29) by sex, age, and educational attainment level.
4 Eurostat. 2017d. Young people (15–29) neither in employment nor in education and training by sex, age, and educational attainment level (NEET rates).
5 Eurostat. 2017e. Youth (15–29) long-term unemployment rate (12 months or longer) by sex and age.
6 Eurostat. 2017f. Unemployment by sex and age; annual average (percentage of active population).
7 Eurostat. 2017g. Temporary employees (15–65) as percentage of the total number of employees.
8 Eurostat. 2017h. Temporary employees (15–29) as percentage of the total number of employees.
9 Eurostat. 2017n. ALMP expenditures as percentage of GDP.
Table 2. Selected education indicators related to employment

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Sources:
3 Eurostat. 2017k. Pupils enrolled in VET at upper secondary level.
5 Eurostat. 2017m. Tertiary education attainment (30–34).
6 Eurostat. 2017o. Graduates in STEM per 1,000 population aged 20–29.