

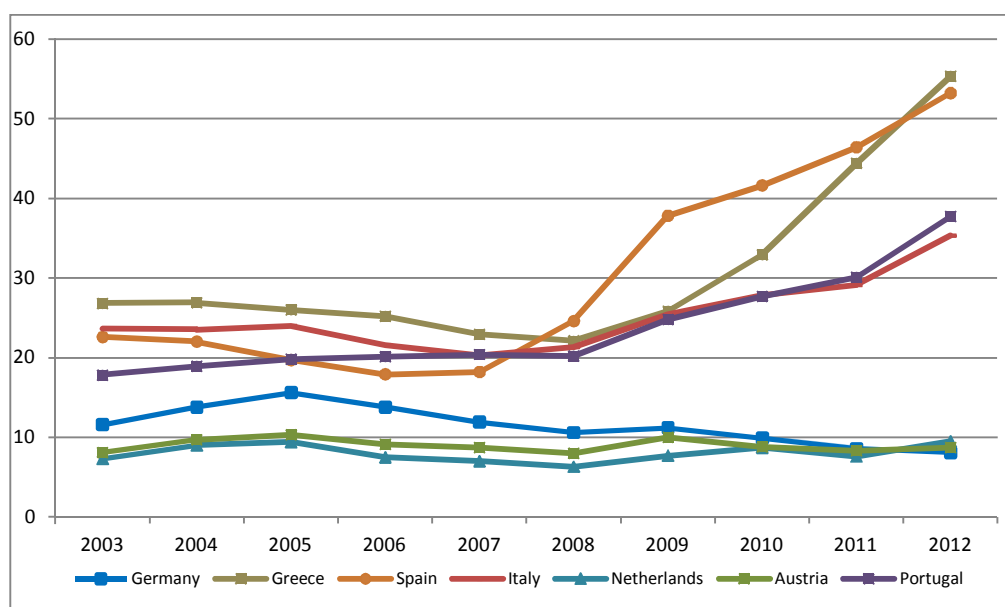
## Time to move north?

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27 May 2013

That northern and southern Europe are diverging in many important ways is not breaking news. Nowhere is this clearer than in the labour market, especially on the issue of youth unemployment. Spain is now in its fifth year with youth unemployment rates above 35% and current figures well-above 50%. Even keeping in mind the low labour force participation for this age group (15-24 year olds) – most are still in school or studying – the fact is that a staggering one out of every four young people is presently unemployed in Spain. Comparable numbers in Greece, Portugal and Italy are hardly more encouraging. Germany, on the other hand, enjoys an historically low youth unemployment rate of 8% and is experiencing skill shortages in some occupations, as illustrated in the figure below.

### *Divergences in youth unemployment rates in selected European countries*



Source: Eurostat, 2013.

It is often forgotten, however, that a dysfunctional labour market in the south, which put entrants at a distinct disadvantage, is nothing new. In fact, Spain has exactly the level of youth unemployment that one would expect based on its contracting economy.

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While it is believed that this situation can be ameliorated by reforming the labour market as well as social and educational institutions, it is often overlooked that the effects of such reforms require substantial lead time – likely to be measured in years – before they materialise. That the issue of high youth and structural unemployment has been left festering in some countries for so long is probably a testament to this fact.

Setting or scaling up a vocational education programme that would enjoy broad acceptance among social partners – possibly borrowing from the German model that is currently in vogue and frequently touted – cannot be done overnight as part of a grand political bargain. In the first instance, schools have to be provided and teachers recruited, catering to the needs of a dual education system, which will exert additional pressure on fiscal balances. Secondly, employers will want to be compensated for participating in young people's education, and employee organisations will require strong safeguards against apprenticeships turning into underpaid labour. Even assuming that these points can be ironed out, it still takes time before the first cohorts graduate from the new system.

The lack of a credible short-term fix, paired with the grim outlook for growth in the south, makes for a bleak immediate future if you are young and unemployed. It is then perhaps surprising that not more young southern Europeans have moved north. EU-level statistics on intra-EU migration are scattered and dated (the latest Eurostat data point on migration to Germany by cohorts is from 2008), maintained in individual member states' statistical offices, if at all, and should be improved with all due speed.

Overall, recently released German data show a large increase in immigration of people from Spain, Italy, Greece and Portugal in 2012. In the case of Greece and Spain, the flows have tripled and doubled over the past years, respectively, but the numbers are still low. The figure of 30,000 workers (of all age groups) amounts to less than 0.5% of total unemployment in Spain and roughly equal the number of jobs created every second week within the country from 2003 to 2007. Migration flows from Italy, Greece and Portugal to Germany are roughly comparable, as reflected in the table below. The latest available data per age group from 2011 indicate that around 30% to 40% of migrants are less than 25 years of age.

### ***Immigration flows to Germany (all age groups) from southern EU countries***

	Average 2005-09	2010	2011	2012	Difference Average and 2012	Change 2011-12
<b>Greece</b>	8,400	12,500	23,800	34,100	25,700 (306%)	10,300 (↑43%)
<b>Italy</b>	19,000	24,500	30,200	42,200	23,000 (121%)	12,000 (↑40%)
<b>Spain</b>	9,200	13,600	20,700	29,900	20,700 (225%)	9,200 (↑45%)
<b>Portugal</b>	5,500	6,400	8,200	11,800	6,300 (115%)	3,600 (↑43%)

*Note:* Figures represent immigration flows of non-Germans from partner countries.

*Source:* Bundesamt für Statistik Deutschland, 2013.

The trend in immigration to Germany may be about to get another boost. GDP growth rates may be disappointing in the crisis countries but the growth in emigration promises alleviation. Not only are southern governments eager to foster this trend. Employer organisations in Germany aided by local governments are busy setting up schemes to help firms recruit qualified workers in the south – and help qualified southerners to navigate to jobs/apprenticeships in Germany. The projects are still at the pilot level, but the German Federal Ministry of Economics and Technology recently funded an apprenticeship programme with €250,000 in funds redirected from the ESF, which aims to bring around 50 young applicants into apprenticeships in Hessen. These pilot schemes are sprouting in many regions of Germany and, although their success has yet to be proven, the central governments have taken notice of this beneficial cooperation. The German Minister of Labour Ursula von der Leyen and her Spanish counterpart Fatima Banez Garcia agreed on May 22<sup>nd</sup> to take the pilot projects to the national level. An estimated 33,000 apprenticeships are currently vacant offering an opportunity that is waiting to be seized. The two labour ministers issued a memorandum of understanding that 5,000 apprenticeships are to be filled by young Spaniards. A similar understanding is in the making with Portugal.

This cooperation is a first step in the right direction but it remains at the bilateral level. This is perhaps an area where the Commission could play a more active role. The Commission has launched laudable initiatives to combat youth unemployment – most recently the Youth Employment Initiative – but these focus mostly on domestic solutions.

In the current situation, the European Commission should use its considerable strength and know-how in bringing partners and stakeholders together in order to facilitate the necessary infrastructure to allow better matching across borders of workers and employers. The June European Council meeting offers a good occasion to launch initiatives to this effect. Financing could be made available from the Social Funds and leveraged by contributions from employer organisations. The EURES Job Mobility Portal – and the associated Youth on the Move initiative – is a first step in the right direction, but it will need more effort to make a decisive impact. It is disappointing to note that the overall target for 2012-13 across the entire EU is set at the puny sum of 5,000 brokered jobs.

Interestingly, this is an area where an initial investment might relatively quickly turn into a self-sustainable process as larger migration flows will aid the flow of information about vacancies and opportunities in the other direction via personal and social networks.

There is now a unique opportunity to make the EU labour market more mobile across borders. If a better functioning internal EU labour market would emerge as a permanent outcome of the crisis, it would be no mean feat.