

# REDUCING NEET RATE:

## How to compose efficient policy packages

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# Executive Summary

The high rates of young people **Not in Education, Employment or Training** (NEET rate) is the result of a combination of different policies, which together are intended to alleviate their problems. Policies designed to support young people and mitigate their risks in education, labour market and housing often complement, compensate or counteract with each other, which then eventually can increase or decrease the NEET rate. Therefore, policymakers must take a holistic approach in devising policies by being mindful of the mutual interplay between different policies and develop policy packages that will help reduce the NEET rate.

## Key Messages and Recommendations

**Challenge:** The interplay between different policies affecting youth social risks has deserved little attention and policymakers have hoped to produce results via active labour market policies. However, young people's lives, including their performance in school and labour market, are affected by the interplay of several policies.

**Recommendation 1:** To decrease NEET rate, governments must develop policy packages that factors in instruments of labour market, education and housing policies.

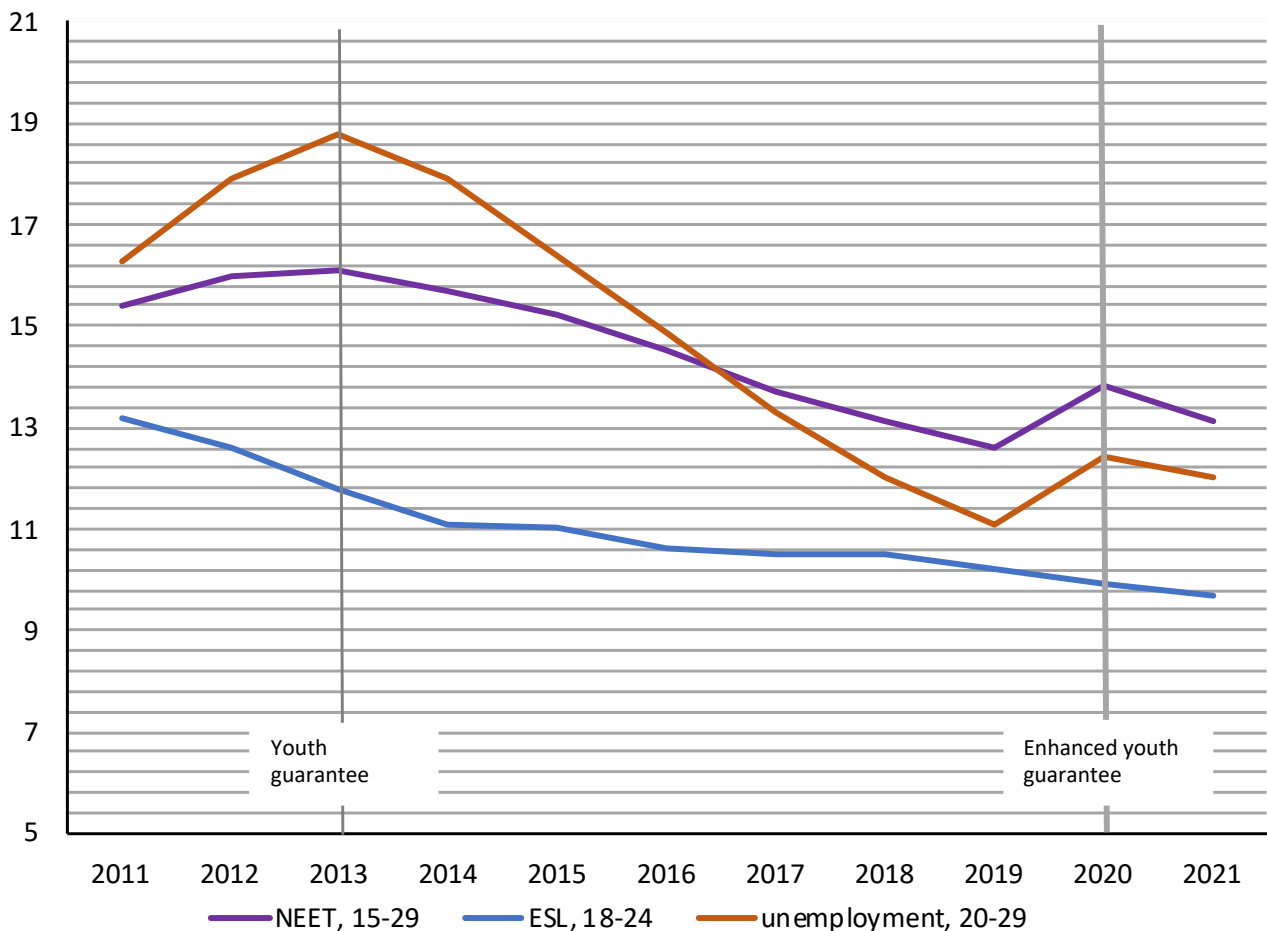
**Recommendation 2:** Governments' commitment to VET and equality in general education are crucial components of skill formation systems that policymakers should consider in designing policy packages to complement labour market policies for reducing the NEET rate.

**Recommendation 3:** Generous social benefits for young unemployed people must always be available to help them return to studies or work.

## NEET rate is still high, but can be tackled by wise policy combinations

More than 9 million young Europeans aged between 15 and 29 are Not in Education, Employment or Training (NEET). Their share in the wider youth population, known as NEET rate, has been a concern for the EU, and as such it has initiated several policy programs, such as Youth Guarantee, to reduce the rate and help young people continue their education or find employment. These initiatives have brought some success, as the NEET rate has come down after the program's introduction (Figure 1). The European Pillar of Social Rights Action Plan, followed by a declaration at the Porto Social Summit in May 2021, introduced a new ambitious target to further reduce the rate of NEETs to 9% by 2030, from 13% in 2022.

Figure 1. Dynamics of youth unemployment, early school leaving and being not in employment or education in 2011-2021, % of the age group.



Numerous studies have found that the risk of dropping out from education and labour market is related to certain socioeconomic characteristics, such as immigrant background, disability, family's financial situation, low skills, and other attributes. However, beyond these factors, the design, generosity, and interplay of policies also affect dropout rates. Properly developed policy packages are what matters in distinguishing more and less successful countries in mitigating the NEET rate

## New study “Comparative analysis of youth welfare regimes in Europe: focus on NEET rate”

This study of 24 European countries examined the capability of various policy combinations to decrease the NEET rate. Based on existing theoretical and empirical knowledge it assumes that the NEET rate depends on the design of educational systems, the generosity of social benefits for the in-need youth, the existence of employment activation measures, and on the possibility for young adults to have their own residence, away from family. This analysis reveals three different successful policy ‘routes’, as packages of various policy measures (Table 1).

Table 1: Sufficient routes to low NEET rate

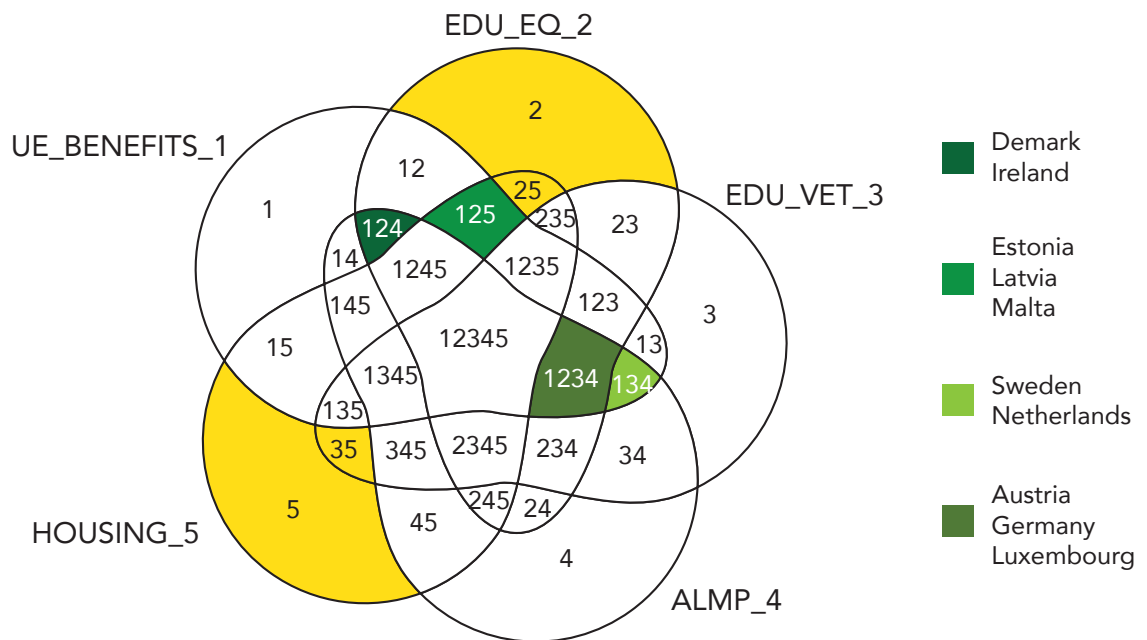
Components to low NEET rate	Route 1: Social safety net with vocational skills and generous ALMP	Route 2: Social safety net with equality in general education and generous ALMP	Route 3: Social safety net with equality in general education and homeownership
Generous benefits for young unemployed	●	●	●
Educational equality		●	●
High state commitment in VET	●		○
Generosity of ALMP	●	●	○
Subsidies for young homeowners	○	○	●
Countries	AT, DE, LU, NL, SE	DK, IE, NL, SE	EE, LV, MT

Note: ● - policy present; ○ - policy absent; blank - policy redundant

The key finding is that countries can compose various efficient policy packages to decrease the NEET rate depending on existing orientation in education and housing policies. Countries that followed Route 1 or 2 (Austria, Denmark, Germany, Luxembourg, the Netherlands, and Sweden), have large rental sectors and their key to reduce NEET rate is dependent on 1) strong skill commitment either via orientation on vocational skills or equality in general education, 2) generous active labour market policies (ALMP); and 3) social benefits for young unemployed. In

Route 3 countries (Estonia, Latvia, and Malta), orientation is on youth’s early independence, and therefore measures include supporting youth via making them homeowners and with educational equality in general education and social benefits for the young unemployed. Besides highlighting the specific orientation in youth autonomy and skill formation, the study also confirmed that generous social benefits for young unemployed are always a crucial element in a policy package that keeps the NEET rate down.

Figure 2. Venn diagram of successful routes to low NEET



Notes: 1-5 policy measures analysed  
 Green – successful route, Yellow – unsuccessful,  
 White – not in Europe

Venn diagram (Figure 2) maps all possible packages (routes) of policy measures analysed and their success in reducing NEET. All successful packages (green combinations) have social benefits for young unemployed (UE\_BENEFITS). The presence of equal educational opportunities (EDU\_EQ) is also prevalent and only policy package of Austria, Germany and Luxembourg manage to reduce NEET rate by compensating educational inequality with strong state commitment to VET (EDU\_VET).

*“A successful school-to-work transition remains key both for wage prospects and social security coverage and to avoid scarring effects of youth underemployment. Policy responses may include a combination of universal and means-tested social protection benefits, scholarships, and labour market insertion benefits”*

[Report “The Future of Social Protection and the Welfare State in the EU”, European Commission, 2023]

# Recommendations

## **Recommendation 1:**

**Governments must consider labour market, education and housing policies in designing policy packages**

In addressing youth's challenges, policy solutions must capture the wider institutional context where youth transitions are taking place, which means that in making youth-oriented policies, institutional and policy level complementarities and trade-offs must be taken into account.

## **Recommendation 2:**

**Policymakers should complement labour market policies with state commitment in VET and equality in general education to efficiently reduce NEET rate**

Policymakers should be aware that different skill formation systems, such as state commitment to VET and equality in general education, complement labour market policies in decreasing the NEET rate. While both educational qualities are beneficial, often VET and educational equality can compensate each other in different policy routes.

## **Recommendation 3:**

**Generous social benefits for young unemployed should always be available to help young people to get back to studies or work**

Policy makers should be aware that while the social investment policy introduced in the EU is necessary to cope with youth's new social risks such as school dropouts, precarious employment, and high housing costs, the importance of compensating old risks such as unemployment, low social security coverage, poverty has not disappeared.



## More information

This policy brief is based on the article: Lauri, T., Chevalier, T., Broka, A., Toots, A., Hofäcker, D. (*forthcoming*). **Configurational comparative analysis of youth welfare regimes in Europe: focus on outcome dimension**, submitted to the *Journal of European Social Policy*.

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