

Position Paper

# The European Social Fund: the Case for Investing in Youth Employment

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## Key messages

- Youth unemployment and inactivity remains an urgent issue to be addressed. Young people are overrepresented in precarious working conditions, and transitions from education to employment are getting more complex and longer. Precarious work has detrimental consequences in the long-term concerning career progression and access to social security protection. Additionally, during economic downturns, young people are often the first ones to lose their jobs.
- In the next Multiannual Financial Framework (2028-2034), the European Union must continue to strongly support youth employment. We call for the reinstatement of the youth employment earmarking of at least 12.5% and to apply it to all member states.
- The 14% minimum spending on social objectives specified in the proposed National and Regional Partnership Regulation is not sufficient to address all the current and upcoming challenges. Increasing the amount of funds available to invest in people must be an immediate priority.
- Young people are not a homogenous group. Policy-makers need to consider the experiences of different groups and how age interacts with other types of discrimination. We call for retaining and expanding the social inclusion earmarking to 30%.
- Youth organisations have a role to play in building Social Europe and must be specifically recognised as partners.
- Simplification efforts should be geared towards supporting smaller organisations' administrative and reporting procedures. Co-financing rates remain too high, and we should look towards 100% co-financing rate for projects aimed at combatting homelessness and material and social deprivation.

## Overview: Young people and the labour market in the EU

The youth unemployment rate and the rate of young people not in employment, education or training (NEET) in the European Union have decreased since the height of the global financial crisis, and this is in part due to the positive impact of the implementation of youth employment programmes, such as the Youth Guarantee.

A recent evaluation by the European Commission<sup>1</sup> found that the programme reached 64.6 million young people between 2014 and 2022. The programme was found to promote social inclusion and access to employment, and more broadly it stimulated reforms in public administration, as public employment services addressed young people specifically as a target group and expanded their services.<sup>2</sup>

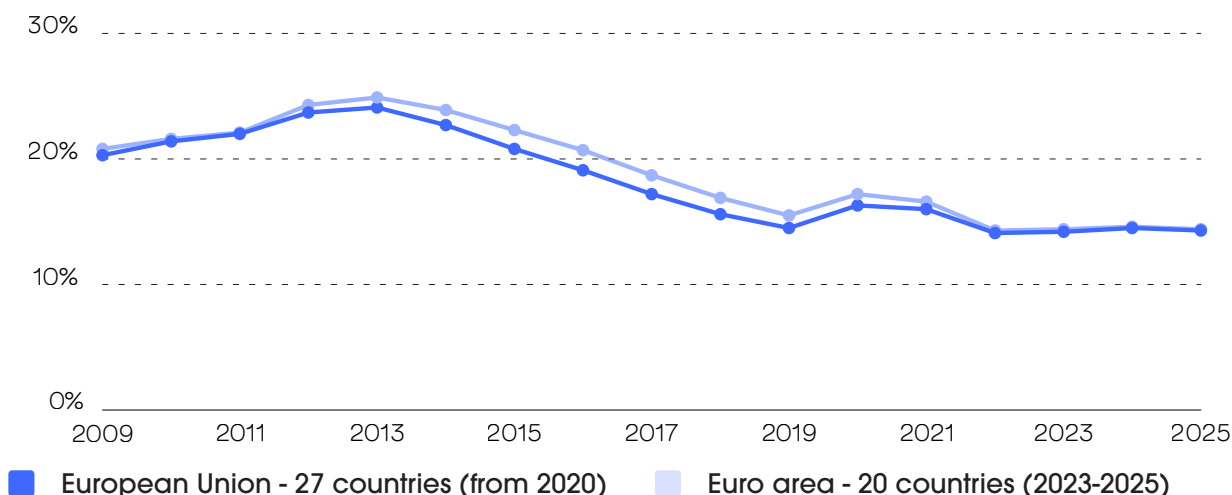
Still, the youth unemployment rate (15-24 years old) remains twice as high as the overall unemployment rate: almost 3 million young people are unemployed in the EU. The NEET rate (15-29 years old) has remained somewhat stagnant at approximately 11% since 2023. At the same time, the transition from education to the labour market is getting longer, more complex, and less straightforward. Before, young people finished education and then got a job.

Now, they switch back and forth between education and the labour market, take gap years, do internships... All this risks leaving further behind those who face multiple barriers to access quality employment.

Youth unemployment in many countries, and within several regions and cities, remains a structural challenge, fueled by brain drain, increasing inequality, and lack of access to public and affordable services such as healthcare, transport, communication, social housing, and other public infrastructure. The aftermath of the COVID-19 pandemic, conflict in Europe and around the world, as well as rising energy costs, have led to soaring inflation, and condensed into a cost of living crisis.

This cost of living crisis that deeply affects young people, is underpinned by insecurity in the labour market. Precarious contracts and temporary work mean that during economic downturns, young people are often the first ones to lose their jobs, and young people are overrepresented in non-standard forms of employment. Additionally, in-work poverty is on the rise. At the moment ¼ of young people in the EU are at risk of poverty and social exclusion, and the rates of material and social deprivation among young people are scandalously at 12.1%.

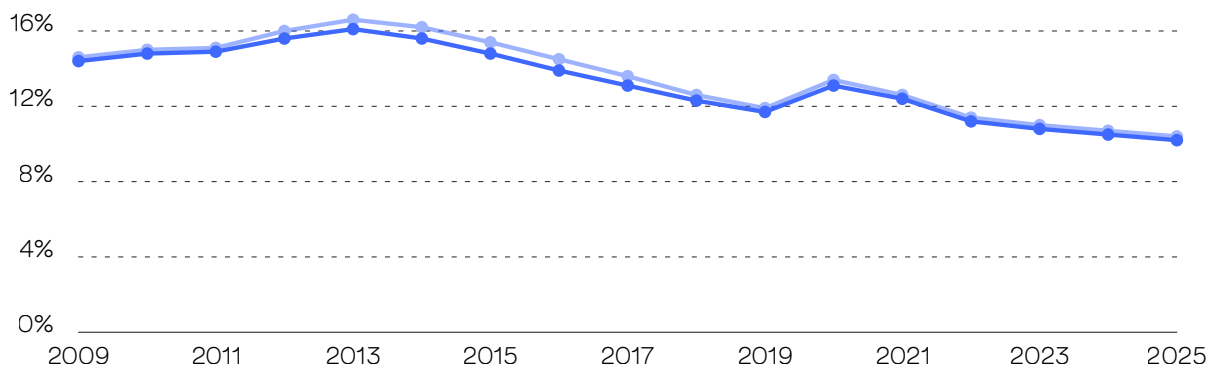
### Youth unemployment rate (age: 15–24)



Eurostat (June 2026) Youth unemployment rate by sex, age class, 15-24, available at <https://ec.europa.eu/eurostat/databrowser/view/tesem140/default/line?lang=en>

- 1 European Commission (2026) Ex Post Evaluation of the 2014-2020 European Social Fund (ESF) and Youth Employment Initiative (YEI), available at <https://european-social-fund-plus.ec.europa.eu/en/publications/ex-post-evaluation-2014-2020-european-social-fund-esf-and-youth-employment-initiative>
- 2 Eurofound (2023) Becoming adults: Young people in a post-pandemic world; European Court of Auditors (2026) Special report 15/2026: Cohesion policy support for youth employment – The EU is on the job, but ensuring lasting employment for young people still needs work, <https://www.eca.europa.eu/en/publications/SR-2026-15>

## Young persons neither in employment nor in education and training (NEET rates)



■ European Union - 27 countries (from 2020)    ■ Euro area - 20 countries (2023-2025)

Eurostat (June 2026) Young persons neither in employment nor in education and training (NEET rates) - annual data, available at [https://ec.europa.eu/eurostat/databrowser/view/lfsi\\_neet\\_a/default/line?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsi_neet_a/default/line?lang=en)

## The European Social Fund

As the primary fund investing in the implementation of the European Pillar of Social Rights, the European Social Fund (ESF) has had a significant and positive impact across our societies, from combatting homelessness and material and social deprivation, promoting social inclusion and non-discrimination, including for migrants and refugees, Roma, persons with disabilities, combatting child poverty, and promoting access to employment.

In the current EU budgetary cycle (2021-2027), the ESF+ funds correspond to approximately 100 billion EUR. From this amount, member states which have a NEET rate above the EU average are obliged to allocate at least 12.5% of their ESF+ to youth employment programmes, such as the Youth Guarantee. This means that at least 11 billion EUR has been allocated to these programmes, which then member states can top up with their national budgets. Additionally, youth employment is clearly mentioned as a specific investment objective of the fund.

In the proposals published by the European Commission for the next Multiannual Financial Framework (MFF) 2028-2034, the architecture of the funds suffered an immense alteration,<sup>3</sup> putting in jeopardy investments in people more broadly, and youth employment more specifically. The ESF and National and Regional Partnership (NRP) Regulations complement each other, but the NRP remains the main regulatory text, detailing the objectives, allocations, and governance of the funds.

In this new architecture, the European Commission has proposed that a minimum 14% of the general allocations to the NRP (excluding the Common Agriculture Policy (CAP) and external assigned revenue from Social Climate Fund) should contribute to the pursuit of social objectives. Of the total 782 billion EUR afforded to the NRP, this means that social investments will amount to at least 68 billion EUR.<sup>4</sup> Additionally, 14% of the loans should also contribute to the pursuit of social objectives, adding an extra 21 billion EUR. This means that social investments will amount to a minimum of approximately 90 billion EUR. However, youth employment is no longer a specific investment objective, and unlike the current ESF+, there are no thematic concentra-

3 Cohesion funds, the umbrella where the ESF+ sits, were merged into a mega-fund, National and Regional Partnerships (NRP), which merged multiple areas of investment from agriculture to fisheries, border management and security, migration and asylum, to social and territorial cohesion.

4 To further calculate the reintroduction of a youth employment earmarking, we based ourselves on the information shared by the European Commission's July 2025 proposal on the member state's allocation under the NRP (total allocation minus Social Climate Fund). By further subtracting CAP from each member state's NRP allocation, we could then calculate the 14% minimum spending on social objectives for each member state, and then apply an earmarking of 12.5% to calculate the amount allocated towards youth employment. We cannot apply the same methodology to the amount dedicated to the loans given that it is not clear how much each Member State will receive. All the amounts are in July 2025 prices. Please check European Commission (2025) Factsheet on "Member States allocation", available at [https://commission.europa.eu/document/download/5868c188-933f-49dc-b7c3-d7fb3c82a064\\_en](https://commission.europa.eu/document/download/5868c188-933f-49dc-b7c3-d7fb3c82a064_en)

tions beyond a poor Annex VI which calls on member states to simply 'implement' the Youth Guarantee. On a positive side, youth organisations are specifically mentioned in the NRP Regulation as partners.

## The case for youth employment investments

In 2025, the EU NEET rate has remained stuck at 11%. We shouldn't stop our efforts to reduce it until we at least reach the 2030 target of 9% stated by the European Pillar of Social Rights (EPSR).

Calculations from 2023 place the loss to the economy of not reintegrating NEETs in the labour market<sup>5</sup> at almost 99.6 billion EUR per year. This means an average cost of 14,625 EUR per young person per year (in 2023 prices). This is not an exercise in computing the value of a human life, nor is it a call against access to social protection, but rather an indication of how much these programmes are underfunded, highlighting the benefit of investing in social inclusion and access to employment, versus paying much higher costs later on. There are other costs that cannot be counted quantitatively, but still carry a deep scar in our societies, such as a lack of trust in institutions, poor participation in democratic processes or inactive citizenship.

By reinstating the earmarking of 12.5% for all member states, we would be able to allocate approximately 8.5 billion EUR to the Youth Guarantee. Raising these funds would allow us to finance early interventions through: preventing early school dropout and career guidance; supporting public employment services through training and measures to actively reach out to NEETs; establishing multidisciplinary teams and low threshold integrated services models, gathering multiple services under one roof; subsidising training programmes on the digital and green economies; and promoting quality working conditions among young people. Therefore, reinstating the earmarking to at least 12.5% and applying it to all member states is necessary to avoid the tragic consequences of youth unemployment to young people and to the wider society.

5 European Commission (2025) Employment and social developments in Europe 2025, available at [https://op.europa.eu/en/publication-detail/-/publication/f159d66d-91da-11f0-97c8-01aa75ed71a1#\\_publicationDetails\\_PublicationDetailsPortlet\\_pa](https://op.europa.eu/en/publication-detail/-/publication/f159d66d-91da-11f0-97c8-01aa75ed71a1#_publicationDetails_PublicationDetailsPortlet_pa). These calculations represent a conservative estimate including resource costs of not participating in the labour market, such as "the difference between [NEETs] potential and actual economic outputs"; and public finance costs, such as social benefits or education-related allowances. It does not include costs related to mental and physical health.

## Shrinking investments in people

Maintaining the proposed minimum spending of 14% on social objectives in the NRP, given the already small pool of funds this would amount to, inevitably means that the amounts dedicated to youth employment will also drop. It is plainly clear that this will not be sufficient to address all our current challenges.

This picture is further aggravated by the investments in infrastructure and energy efficiency - which were previously funded elsewhere - as they are now also counted towards the social target, thereby widening the scope of the ESF and thus narrowing the potential for investing directly in people, particularly the most marginalised.

These funds are the minimum level of ambition towards enacting long-lasting change in our society and ensuring that every young person in the EU has a decent chance of employment, education or training, and we can and must be bolder.

Increasing the amount of funds available to invest in people must be an immediate priority. The ESF should remain a standalone fund with its own dedicated budget line that at least matches the level of investment of the current funding cycle, which in 2025 prices, amounts to approximately 125 billion EUR.

Raising the funds available to invest in people, means calculating a youth employment earmarking on a larger pool of funds. In this scenario, if we reinstate the earmarking of 12.5% and apply it to all member states, we would be allocating over 15.5 billion EUR to the Youth Guarantee, closer to today's level of ambition.

## Social and economic inclusion beyond access to employment

Young people are not a homogenous group, they are as diverse as any other age group. This means that age discrimination (i.e. when it comes to accessing social security) is often combined with other discriminations observed in our society. When promoting integration and non-discrimination, it is important to reflect on the differentiated experiences of members of these groups, and across generations.

Therefore, we call to retain and expand the earmarking dedicated to social inclusion from 25% to 30%, as well as increasing the earmarking from 3% to 5% to combat material and social deprivation; include a 5% earmarking to fight child poverty and 10% for member states that have a rate of children at risk of poverty or social exclusion above the Union average; an earmarking of 5% to targeted measures to tackle homelessness; and finally, capacity building of social partners, social economy actors and civil society with an appropriate amount of 0.25% when addressed in Country Specific Recommendations.

Considering the acute mental health crisis faced by young people, the new programmes should have in mind the accessibility to healthcare, especially mental health services. According to the Youth Progress Index,<sup>6</sup> the EU's score on young people's mental wellbeing has barely moved in a decade, remaining a structural weakness. This is a clear sign that the current policy initiatives are not answering the needs.

Additionally, we call for a mention of the recognition of non-formal and informal learning, as it is found in the current ESF+ Regulation as part of its specific investment objectives, as important ways for young people to access youth-friendly information about their rights and support their journey to becoming active citizens.

6 The Youth Progress Index (YPI) is the world's most comprehensive measure of the quality of life and rights of young people. You can consult it here: <https://youthprogressindex.org/>

## The role of youth organisations

Youth organisations also play a role in building a Social Europe, and they must be specifically recognised as partners. The partnership principle must be kept, and civil society organisations, including youth organisations, should be involved in the different phases of the design, implementation, monitoring, and evaluation of the different EU funding programmes.

Simplification of the funds remains a key issue in the current debate. Simplification should be delivered for beneficiaries of the programme to make it easier to access funds. However, simplification should not be a shortcut to weakening the legislation at the expense of oversight and transparency.

Instead, we should look towards efforts that support smaller organisations in simplifying administrative and reporting procedures. In this line, co-financing rates remain too high for smaller organisations, and the EU should consider a 100% co-financing rate for projects directed towards combating homelessness and severe material and social deprivation.

## Conclusion

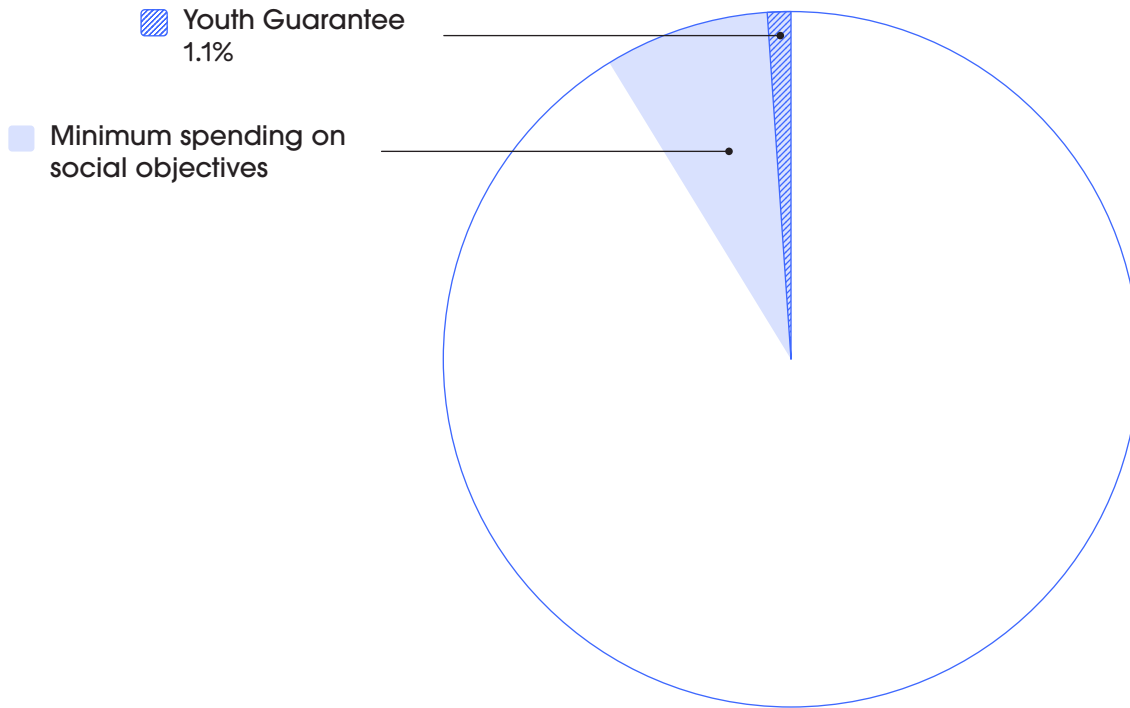
As we move into yet another budget cycle, the challenges faced by the Union seem to compound, and so do the stakes and pressure. The new budget cycle post-2027 will have to contend with a vortex of long-standing challenges that are intensifying, combined with emerging challenges that, together, are testing the limits of our societies.

Within this context one thing is clear: our societies and communities are our strength. Our economic performance depends on getting young people into quality jobs. It also depends on social cohesion, which in turn is tied to our welfare state and its ability to provide good quality living and working conditions, and affordable and accessible public services.

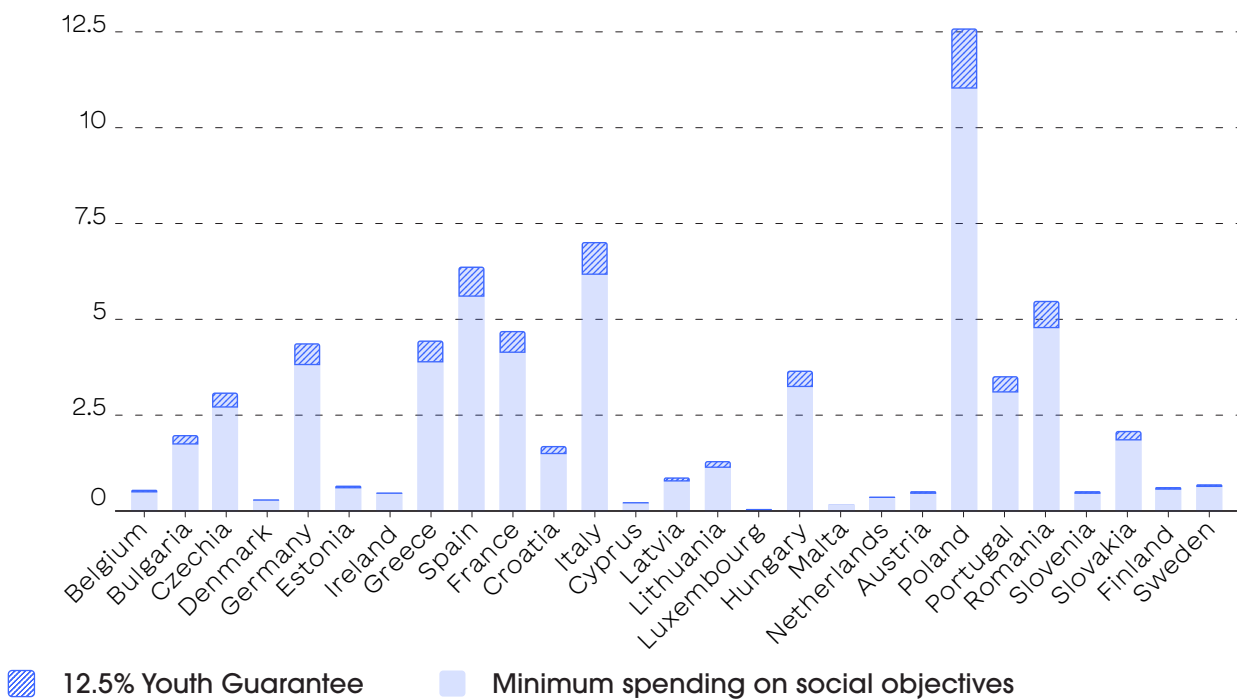
This is what the priority must be in the next budget cycle! Young people and youth organisations need to be included in the process and recognised as relevant partners, and youth-relevant policy areas need to be adequately funded.

## Annex - Calculations on youth employment earmarking (2025 prices)

Youth employment investments if we reinstate the earmarking of 12.5% to all member states within the general allocation of the national and regional partnership plans



Youth employment earmarking per member state (in billion EUR) within their minimum spending on social objectives





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