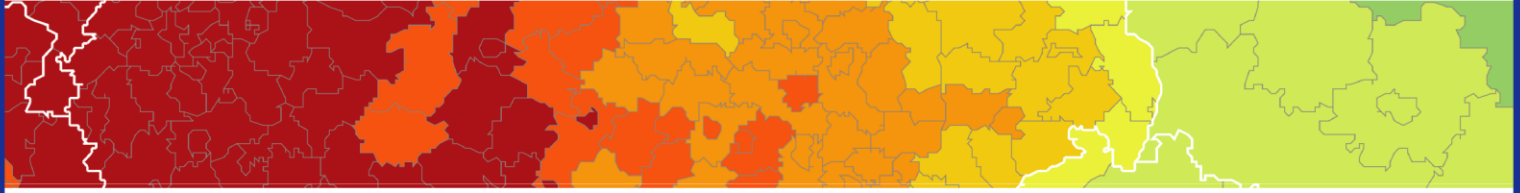


Inspire policy making by territorial evidence



YUTRENDS – Youth unemployment: Territorial trends and regional resilience

Applied Research

Synthesis Report

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Development of youth unemployment in Europe

Young people have been amongst the hardest hit by the fallout from the global financial crisis of 2008/2009. They have been severely affected by labour market mismatches caused by a lack of skills, limited geographic mobility or inadequate wage conditions, which in turn put them at higher risk of ending up in precarious employment, or no job at all. Currently around four million young people are unemployed in the European Union (EU) and the youth unemployment rate is more than double the overall unemployment rate. Moreover, some six million young people are not in employment, education or training (so called NEETs). The experiences and challenges young people face call for more imaginative and effective policies.

The financial crisis and its aftermath, often referred to as the 'great recession', was the most severe economic downturn experienced in Europe within living memory. The crisis saw GDP growth collapsing into negative figures across most countries leading to serious loss of jobs with widespread knock-on effects. **One of the most severe outcomes of the crisis was the early fall in employment opportunities for youth and the consequent rapid growth in youth unemployment.**

Some regions in EU Member States have proved to be more resilient towards youth unemployment than others, displaying comparatively small job losses in the first place, or experiencing a quickly recovering labour market from the downturn. These differences raise the question of what factors contributed to this differentiated regional resilience in combating youth unemployment, with the answers having implications for youth labour market policy in Europe. This report explores the issues surrounding the development, causes and solutions to youth unemployment at a regional level, leading to a set of policy recommendations aimed at EU, national and regional administrations.

Study objectives and method of approach

The aim of the ESPON project "Youth unemployment: Territorial trends and regional resilience" (YUTRENDS) is to **examine the spatial and temporal effects of the economic crisis on youth unemployment and inactivity of the regions in EU Member States**¹ and more generally explore the situation of youth in the labour market. The project investigates why some regions have demonstrated comparatively stronger resilience to the economic downturn, with smaller job losses for youth and more rapid recovery in employment opportunities.

¹ Due to the lack of fully comparable data across all 32 countries participating in ESPON, the analysis is confined to the NUTS2 regions of the 28 Member States of the European Union (EU).

Key factors affecting the resilience of regional youth labour markets

The depth of the recent great recession has promoted the **concept of ‘economic resilience’** in the face of economic shocks, both among academic researchers and policymakers. The concept of economic resilience (and in respect of this study, of resilience to youth unemployment) is complex. While the general definitions are reasonably clear, there are multiple interpretations and methodological applications to consider. For the purpose of this study, **youth unemployment resilience at the regional level is defined as a relative, multi-factor score at NUTS 2 regional level**, allowing in-depth comparisons to be made among regions and important conclusions to be drawn related to youth unemployment, while eliminating factors which could distort the observations.

For this purpose, a dedicated index for *Regional Resilience in Youth Integration in Labour Markets* (RRYI) was developed. As the youth unemployment statistics only captures a side of the resilience of youth labour markets, **the index captures several variables reflecting the different components of youth integration in a regional labour market**. The Regional Resilience in Youth Integration in Labour Markets measures the relative resilience score of a region compared to the national resilience.

Reliable statistics were not available for all regions. Out of the 281 EU NUTS 2 regions, 267 were analysed in detail, accounting for 95% of the total number of regions in the reference years. Both the construction of the index and the list of excluded regions are detailed in Annex 1.

The study recognises that **several factors might be at play in defining a region’s development course**, and more especially when looking at small and diverse realities such as regional labour markets for youth, where multiple and unforeseeable factors can have large impacts on youth integration without the possibility of regional or even national control.

However, the study attempts at revealing recurring patterns and relations between youth integration resilience and the economic characteristics of the analysed regions, with a particular emphasis on the most and least resilient realities.

In particular, the analysis of data suggests the following trends:

- **National contexts matter.** Overall, national contexts were largely influential for regional resilience, a fact that strongly points to the relevance of national development paths and policies: for all the considered years, highest and lowest performing regions were concentrated in a few countries. More in detail, during the considered period 97% of highest performing regions are

concentrated in Austria, Denmark, Germany, and The Netherlands; 93% of the lowest performing regions are all concentrated in 5 countries in south-east Europe - Bulgaria, Croatia, Greece, Hungary and Italy. This suggests that national contexts and policies might be more important than regional development paths;

- **Wealthier regional youth labour markets were not necessarily better equipped to cope with the crisis** – rich and poor regions were hit hard regardless of their GDP per capita. However, GDP growth rate was a good predictor of both highest and lowest resilience. The regions with the most dynamic economies were consistently able to integrate youth in their labour market (especially in 2012). On the contrary, lowest performing regions experienced economic depression. These findings point to both the flexibility and vulnerability of regional youth labour markets in response to economic shocks, but also suggest that youth integration in any region is more the product of economic circumstances than of specific regional characteristics.
- When looking at highest performing regions, common trends emerged. They were more likely to benefit from favourable national economic trends and conducive policies, and more likely to have higher rates of youth economic activity. **More specifically, they were consistently able to provide mass employment to unskilled youth.** This suggests that safeguarding measures to increase the availability of low-skilled jobs can be pivotal to absorb economic shocks, and possibly even pave the way to economic recovery.
- Similarly, **the least successful regions shared common patterns, with longer working hours for youth, higher NEETs rates, and declining GDP.** This suggests that the type of flexible safeguarding measures deployed in highest performing regions were not implemented or impossible to implement, with fewer protected jobs employing fewer young people. At the same time, it is possible that deteriorating economic conditions overall compounded with long-term youth unemployment and caused NEET rates to rise.

Evolution of regional resilience

The analysis conducted allowed to identify patterns in the evolution of regional resilience.

During the period considered (2008-2016), regional situations improved overall.

At the beginning of the crisis, only a quarter of the regions scored a Very High Resilience in the composite indicator. In 2016, this number rose to 40%.

Most of the changes in resilience happened between 2008 and 2012. During these years, highest and lowest resilience regions almost entirely maintained their resilience rating.

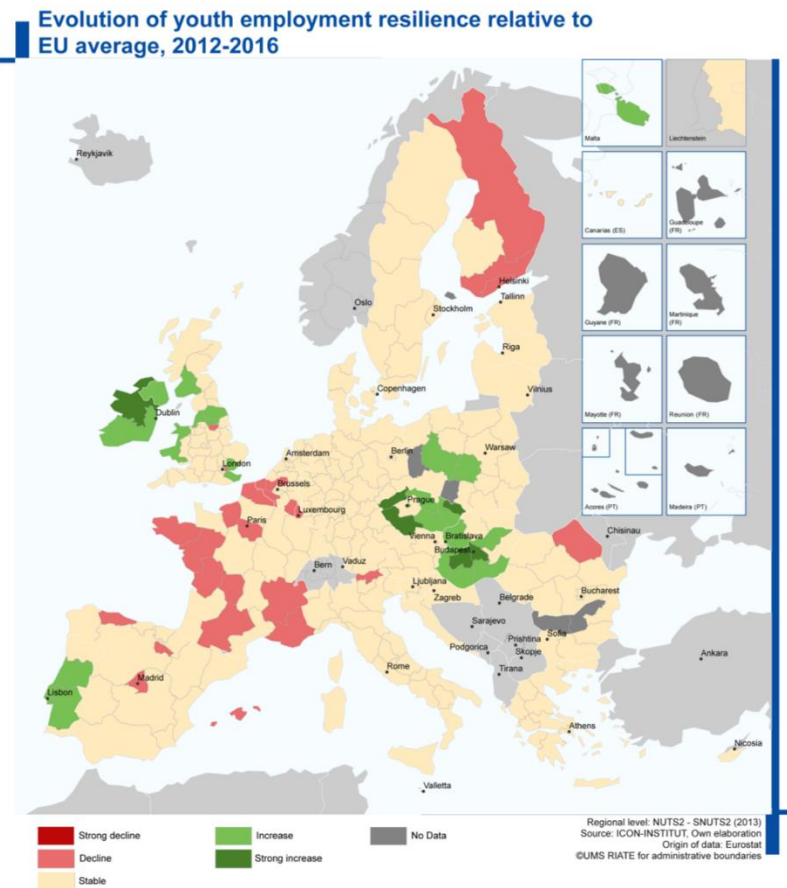
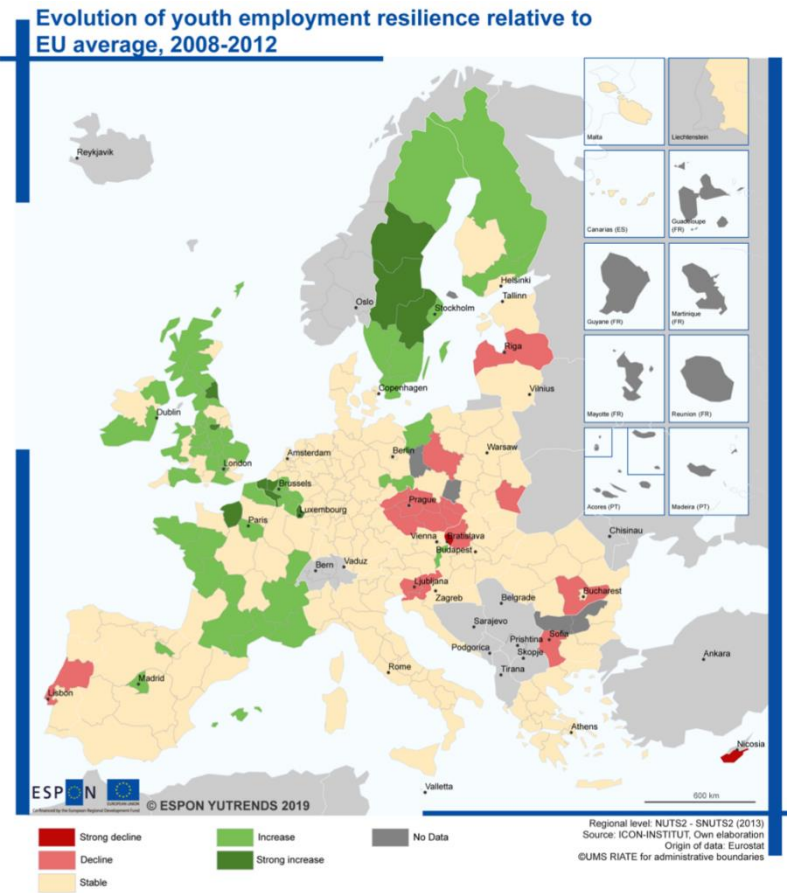
Some regions in the low-to-mid categories showed mixed resiliences. A minority of regions' resilience deteriorated, about half of regions (50%-60%) maintained their resilience level, and a not insignificant number of regions (between 24% and 42%) scoring a higher resilience level.

Regions with a mid-to high starting resilience level experienced a much more positive trend, with a majority of them (between 65% and 72% depending on resilience subgroup) improving their resilience level.

From 2012 to 2016, the situation remained relatively stable, with just some of the lowest resilience regions improving resilience levels, and a not insignificant number of mid-to-high resilience regions retrogressing to a middle-range resilience.

Overall, the majority of regions (58%) maintained the same level of resilience across the whole period, suggesting the existence of structural regional characteristics holding youth integration to certain base levels in the short term.

Map 1: Evolution of Regional Resilience in Youth Integration in the Labour Market, in the post-crisis period



Key factors in the evolution of regional youth integration

Different reasons may explain why youth labour markets perform well in particular regions and analyses to date have tended to focus on the geographical and sociological aspects of a region. Taking a different perspective our analysis sought to **establish the extent to which youth labour market resilience in NUTS 2 regions is influenced by the characteristics of the youth workforce**. This is particularly important for policymakers because, unlike the geographic features of a region, the characteristics of the workforce can be altered by effective labour market policies.

Considering the period between 2012 and 2016, we were able to **categorise regions according to the evolution of their youth workforce**. In doing so, we considered a combination of indicators including absolute and relative changes in employment, absolute and relative changes in unemployment, size of the labour force in the base year. Additionally, for the observed characteristics, the available sample for many regions was too small to generate reliable results. To overcome this, the current NUTS2 regions were categorised according to youth employment and unemployment, grouping together regions and analysing them as a single unit.

As a result, we were able to **distinguish among four groups of regions**:

- Regions with the highest positive change in employment over 2012-2016 – “regions with **most positive trend**”;
- Other regions located in the same country as the regions with most positive trend;
- Regions with the most important decline in employment over 2012-2016 – “regions with largest contraction”;
- Other regions in the same country as the most retrogressed regions.

The categorization of regions adopted in this analysis does not necessarily reflect the analysis on regional resilience. In fact, this second method considers the largest positive and negative variations, rather than resiliences in a single point in time. As a result, some of the regions with negative trends experience relatively low unemployment rates, and some regions with high positive trends experience relatively high unemployment rates.

The main results of the analysis show that:

- **Regions with most positive trends usually were in sharp contrast compared to other regions in the same countries**, and particularly in Poland, Portugal and Spain. In these countries, employment improvements were concentrated in one or few regions, while employment contracted in the rest of the nation;

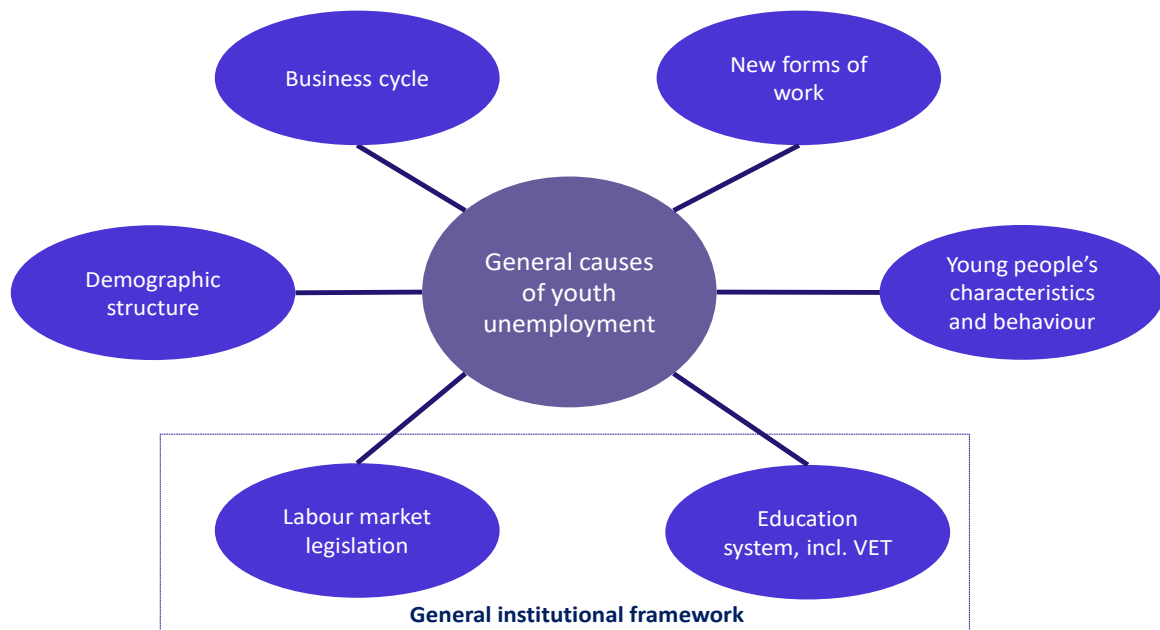
- **On the contrary, regions experiencing the largest contractions were overall following or surpassing a national trend**, In these cases, the sheer size of the contraction is the most striking aspect, with the Romanian regions of Sud-Vest Oltenia and Vest losing one in three jobs between 2012 and 2016;
- **Geographic characteristics of a region were not necessarily associated with improvement or retrogressions**. Regions with similar geographic features (e.g. metropolitan districts) were found in both the most improved and most retrogressed groups;
- There was a **significant increase in the employment of highly skilled and highly educated young workers in the regions with most positive trend** and a significant reduction in the employment of such young workers in the regions with largest contraction. These patterns were particular to these regions and not reflected in the national trends.
- **Regions with most positive trend and regions with largest contraction showed similar patterns** for several market variables analysed. Regions with most positive trend showed a significant increase in the number of self-employed young workers (without employees) and an increase of full-time employment, while regions with largest contraction exhibited a dramatic decline in the number of self-employed and in the share of full-time employment.
- **There was a dramatic increase (+93%) in the migration of young people into the regions with most positive trend** between 2012 – 2016. The flows originated from both other regions within the same countries and from other countries. The regions that were better able to cope with the crisis showed an internationalisation of their young workforce.

There is a very **strong level of association between the growth in the skills and qualifications levels of the youth workforce and the improved resilience of the regional labour markets**. The same is true of the level of entrepreneurial activity and of the share of full-time employment.

Causes and consequences of regional resilience in the literature

The **general causes of YU** can apply to any **geographical** level and some factors can be considered 'contextual', such as a **national education system or labour regulations**, but with little opportunity for influencing or changing them. Other factors such as the **demographic structure** or the **characteristics of young people** are equally important for policy making at national, regional and local levels. **Labour market conditions** can also be considered a general factor in YU. But their interlinkage with other regional level factors underline their importance for regional (un)employment policies and, as such, are treated as regional factors (Figure 1).

Figure 1: The principal causes of youth unemployment



Some of the empirical findings illustrated above corroborate the existing literature on youth unemployment at regional level. In particular, the **features of the regional labour market that contribute to a strong performing youth labour market** and which can be influenced by labour market institutions and practitioners can be summarised as follows:

- **The business cycle is the single most important determinant of youth employment/unemployment**, corroborating the finding of independent external variables as a driver of regional labour markets rather than regional policies;
- **Demographic factors** such as a higher share of young people in the population, and the degree of urbanisation **can amplify the levels of both youth employment and unemployment**, depending on the regional context;
- **High levels of employment protection legislation tend to protect older workers at the expense of younger ones**;
- Nevertheless, **flexible labour markets and atypical forms of employment may have little impact** on youth unemployment if deployed in an economic downturn or recovery;
- **Education systems closely connected to the labour market result in lower unemployment of young people**;
- **Higher social class and higher educational attainment create better employment prospects** for young people;
- **Youth unemployment is concentrated in sectors** like manufacturing, wholesale, retail, and hospitality. Higher shares of agriculture, industry, financial and business services in a region favour lower YU;
- While the **knowledge economy** in principle offers good opportunities for young people, it **does not help young people in less developed and rural areas**,

which are unable to develop and sustain knowledge dissemination and innovation;

- **Climate change could bring opportunities to young people in outermost and coastal regions** if it increases their region's service sector jobs (e.g. tourism);
- Mountainous regions, areas dependent on tourism and **rural areas in general cannot offer sufficient education and job opportunities for young people**, often leading to out-migration;
- In regions with **high levels of part-time, temporary and self-employment, youth unemployment tends to be lower**, partially confirming findings in the data;
- **Higher education levels among regional population tends to contribute to lower youth unemployment;**
- Youth unemployment in a given region is also affected by the situation of neighbouring regions. As a consequence, **low and high youth unemployment regions tend to be clustered geographically;**

The broader picture of youth and labour markets

Based on an extensive literature review, a broader picture of the causes and consequences of youth unemployment emerges. It shows that a complex set of interacting factors across a wide range of issues can affect youth and their position in the labour market, which complicates analysis and the derivation of policy options. These factors are summarised in the table below.

Key causes of youth unemployment	Key consequences of youth unemployment
<ul style="list-style-type: none"> • Business cycle as the single most important determinant; • Demographic factors aggravating youth unemployment: high share of young people in the population, degree of urbanisation or existence of metropolis (relatively small influence); • Higher labour costs, minimum wages and union density and other employment protection legislation creating labour market duality, protecting older workers and excluding younger ones (mixed evidence); • Flexible labour markets and atypical forms of employment possibly exacerbating the effects of an economic downturn on youth unemployment • Education systems with poor connection to the labour market; • Lower social class and lower educational attainment; also disadvantaged backgrounds such as poor areas or immigrant backgrounds; • Region-specific causes: form and structure of the regional economy (lower shares of the primary sector and industry, financial and business services); absence or weak knowledge economy; absence of large cities in a region, especially MEGA cities; low education levels, low levels of part-time, temporary, as well as self-employment; linkages and influences of neighbouring regions (clustering effects); other characteristics and typology of regions (with mixed effects on YU). 	<ul style="list-style-type: none"> • Unemployment at the start of careers perpetuating difficult labour market positions (lower wages, job quality, contract duration, etc.); • Reduced wellbeing as well as the income positions of young people and later on, including mental and physical health; • GDP and other economic losses and negative social consequences to the regions and countries (economic and exclusion, substance abuse, criminality, etc.); • New forms of work (casual work, interim management, employee sharing, job sharing, ICT-based mobile work, voucher-based work, portfolio work, crowd employment, and collaborative employment, etc.) with potential precarious employment situations and limited options for re-skilling and arrangement of social protection provisions (long-term consequences difficult to predict).

Cooperation tailored to the context works best

Ten in-depth case studies from different countries provide more evidence of the youth unemployment trends and applied policies, especially the instruments under the Youth Guarantee, the Youth Employment Initiative, the EURES initiative and, more broadly, the Cohesion Policy of the EU. Drawing on these, it was possible to identify several successful policy themes to tackling youth unemployment at a regional level:

- **National Youth Guarantee (YG) or similar programmes are highly effective when adjusted to local context and implemented flexibly** – the YG works best where there is a degree of local autonomy in how it is implemented in an area (e.g. Turin City (IT) activating specific parts of the YG, or the Navarre Autonomous Community (ES) adopting locally tailored strategies to strengthen linkages between youth policies, education, employment, social inclusion and health services);
- Collaboration between the key players – the notion of **encouraging greater collaboration between support services for youth** is a common theme in many of the case studies and illustrates the inherent complexity in helping young people to make the transition from education into work (e.g. Leeds City Region (UK) that implemented four diversified policy instruments to bring together local employment offices, training and mentoring services, and employers; or the Hamburg Region (DE), with a focus on cooperation between stakeholders and jurisdictions of several social codes);
- Encouraging employer engagement - the **engagement of employers at local level is generally recognised as an essential element for successfully tackling youth unemployment**, though making this work in practice varies in both method and outcome. (e.g. Gdansk (PL), that integrated the YG with vouchers for employment, training, traineeships and settlements, or Leeds City Region (UK), which extensively facilitated networking among public services and employers);
- **Managing the transition from education to the labour market** - many young people encounter difficulties when making the transition from education (at all levels) to the labour market and this was only exacerbated by the financial crisis and its economic aftermath. The cases where this is particularly exemplified (e.g. Tampere (FI) or Blagoevgrad Region (BG)) adopted measures to fill the communication gap between the worlds of education and labour market.

All the better performing case study regions are characterised by relatively high scores of the EU Regional Competitiveness Index (RCI) (above 60/100 points). All regions with weaker resilience to youth unemployment show relatively low regional competitiveness (RCI at 52/100 points or lower). This indicates that **regional resilience in preventing youth unemployment is largely consistent with the overall regional socio-economic development** and corresponds to other research showing that there are strong statistical correlations between youth unemployment and other regional outcomes such as regional competitiveness, social progress and cohesion.

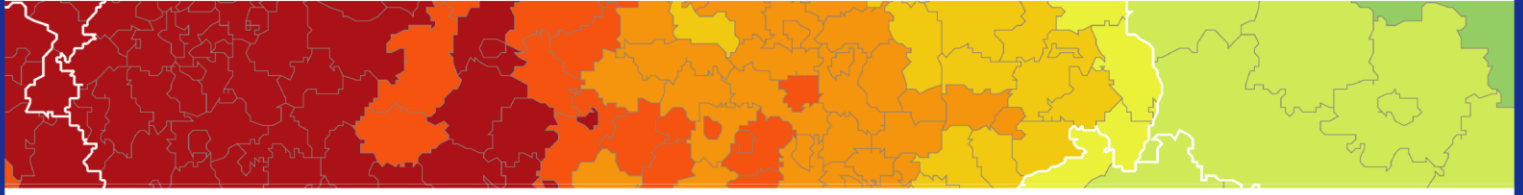
How policy can tackle youth unemployment and social cohesion

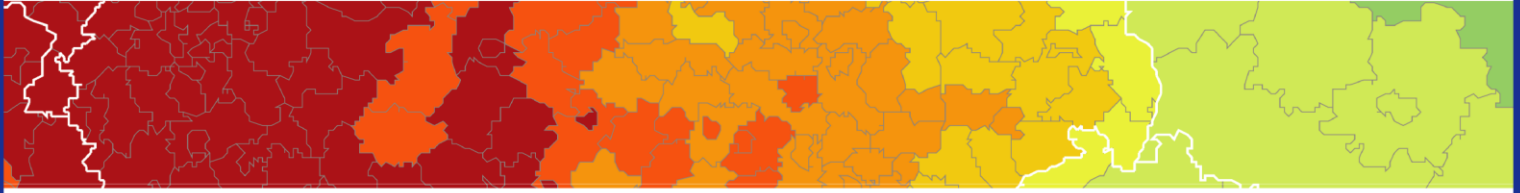
The policy lessons and recommendations derived from this research (with implication for Cohesion Policy) are as follows:

1. **Introduction of multi-factor determinants (GDP and unemployment) of qualifying regions to different CP support categories** - Currently the level of support under the CP is determined by the differentiation in the level of economic development using only GDP per capita compared to the EU average. It is suggested that more elements be considered particularly those referring to unemployment levels, including structural issues like youth and long-term unemployment, which better predict difficulties of regional economies, their competitiveness and resilience, and are better linked to social cohesion than GDP alone. This solution would integrate funding such as the youth employment initiative (YEI) directly into the CP funding and programming.
2. **Stronger focus on labour for smart specialisations and youth preparation for work in Smart Specialisation Strategy (S3) domains** – S3 can benefit from and provide expanded employment opportunities., including jobs for youth, if youth preparation for work such as education, guidance, school-work transitions, apprenticeship programmes, etc., are calibrated and well-integrated into the needs of S3 domains. The Cohesion Policy should recognize the added value of initiatives that create synergies between its innovation priorities (especially Priority 1 and 2) and social priorities under the ESF (CP Priorities 8 and 9) and prioritise funding accordingly.
3. **Greater regional and local flexibility in youth employment initiatives** – YU is highly complex and influenced by multiple factors which display highly idiosyncratic combinations among regions. The key to success of many youth employment initiatives and programmes is local commitment and trust and understanding of the region or location-specific conditions. The national governance level should ensure strategic alignment of such initiatives but avoid full standardisation and micro-management. The CP policy should support this endeavour by linking funded initiatives targeting youth unemployment to the existence of adequately autonomous and committed support from regional public bodies.
4. **Better collaboration and preferably joint implementation of anti-YU programmes** – Benefits of such consolidation and streamlining of YU support services, especially the creation of ‘one-stop-shop’ systems are many and quite obvious, leading to more effective out-reach, easier access to, and avoidance

of duplication of effort towards the beneficiary youth. In addition to the existing co-funding requirements, the CP should prioritise initiatives that leverage on innovative and transformative cooperation among stakeholders at local level, and especially promote collaboration among different types of partners (public services, employers, training organizations, civil society...).

5. **More focus and dedicated measures on NEETs** – *This is a category often escaping policy radars, yet at high risk of unemployment and/or long-term exclusion from the labour market. Concentration of effort and resources seems necessary to improve the methods of NEET identification, engagement and support. More practically, this involves the inclusion of specific targets for NEETs in proven best practices, such as activation of prevention measures, set-up of mentoring and career guidance services, improving technical and vocational education and training (TVET) and apprenticeships systems, facilitation of school-work transition, and focus on skills and professions for which there are labour shortages.*
6. **Real engagement of employers into YE promotion and YU prevention initiatives** – *Employers need to have an important role to play in designing and actively participating in youth preparation for, and integration into work. Furthermore, they need to be engaged to adopt new, better attitudes and mechanisms for securing the inflow of qualified and capable young workers. Regarding the CP, beyond fostering effective multi-stakeholder cooperation, this might include an expansion of initiatives incentives for employers, such as wage and recruitment subsidies and reductions of non-wage labour costs.*
7. **School-to-work transition systems improvements** – *In many regions these systems are weak and underdeveloped. Best practices, which are abundant, need to be disseminated and transferred, also using Cohesion funding, peer-learning and joint trans-regional initiatives. Dual apprentice systems, strong vocational education systems and other similar solutions help the first entry of youth to work. As indicated in the study, unemployment at a young age has severe and lasting negative consequences for the youth, the labour market, economy, public finances, and society at large.*





ESPON 2020 – More information

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