YUTRENDS – Youth unemployment: Territorial trends and regional resilience

Applied Research

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Authors
Andreea Pop, Byron Kotzamanis, Emmanuel Muller, John McGrath, Kenneth Walsh, Marjolein Peters, Robert Girejko, Christophe Dietrich
ICON-INSTITUT Public Sector GmbH (Germany)

Advisory Group
Project Support Team: Arni Narain (MC UK), Petra Goran (DG EMPL)
ESPON EGTC: Michaela Gensheimer (Senior Project Expert), Johannes Kiersch (Financial Expert), Laurent Frideres (Head of Unit), Piera Petruzzi (Outreach)

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Contact: info@espon.eu

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Territorial trends and regional resilience
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### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALMPs</td>
<td>Active Labour Market Policies</td>
</tr>
<tr>
<td>CoR</td>
<td>European Committee of the Regions</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EFTA</td>
<td>European Free Trade Association</td>
</tr>
<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
</tr>
<tr>
<td>ESC</td>
<td>European Solidarity Corps</td>
</tr>
<tr>
<td>ESF</td>
<td>European Social Fund</td>
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<tr>
<td>ESPON</td>
<td>European Territorial Observatory Network</td>
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<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EURES</td>
<td>The European Job Mobility Portal</td>
</tr>
<tr>
<td>EPL</td>
<td>Employment Protection Legislation</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GISCO</td>
<td>Geographical information system of the Commission</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>LEED</td>
<td>Local Economic and Employment Development (OECD)</td>
</tr>
<tr>
<td>LFS</td>
<td>Labour Force Survey</td>
</tr>
<tr>
<td>MR</td>
<td>Metropolitan Regions</td>
</tr>
<tr>
<td>NEETs</td>
<td>Young person who is &quot;Not in Education, Employment, or Training&quot;</td>
</tr>
<tr>
<td>NUTS</td>
<td>Nomenclature of Territorial Units for Statistics</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PES</td>
<td>Public Employment Service(s)</td>
</tr>
<tr>
<td>VET</td>
<td>Vocational Education and Training</td>
</tr>
<tr>
<td>YE</td>
<td>Youth Employment</td>
</tr>
<tr>
<td>YEI</td>
<td>Youth Employment Initiative</td>
</tr>
<tr>
<td>YU</td>
<td>Youth Unemployment</td>
</tr>
<tr>
<td>YG</td>
<td>Youth Guarantee</td>
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</tbody>
</table>
Executive summary

The focus of this applied research project lays on the identification and analysis of the levels, causes and impact of youth unemployment in European regions. In particular, it will focus on the ways in which these regions have responded to the increase in youth unemployment brought on by the financial crisis of 2008. The approach is the analysis of the timeframe before and after this crucial crisis year and the impact and recovery curves of individual regions over the 2000-2016 timespan. This timeframe permits the applied research to have a look at the state of affairs in the youth labour market both before and after the crisis and track the developments of regional-level youth unemployment through this high-impact event. Based on the results of the research, recommendations will be drafted for ways in which the EU Cohesion Policy can contribute to strengthening the resilience of European regions against youth unemployment.

The topic of youth unemployment is a priority one at EU level, given the fact that nearly a decade after the crisis European labour markets have not recovered to a point where youth employment rates have lowered to the point where they are equal to overall unemployment rates in most member states. Transferring the analysis of youth unemployment from a national to a regional (NUTS 2, for methodological reasons) level allows for an approach that considers the many contextual factors influencing youth unemployment which are often found in regional characteristics rather than at a wider scale.

A slight hitch in the process of extracting the data required for this analysis has led to delays in the study production, and in order to continue the research work and produce this report, the research team has proceeded to conduct analysis of qualitative data without having access to the quantitative datasets needed to finalise the work. In this sense, the pending availability of the full data set leads to the present report not containing the overall analysis projected, and to most findings being limited in their scope as the research team prefers to limit any conclusions without having a stronger evidence base to build upon. This is also the reason why all findings included in this report are presented with a caveat – data analysis is not only a major source of evidence towards answering the research questions raised, but also the source of verification planned to be used for the validation of qualitative data collected through desk research and case studies. All findings in this report are therefore to be held as temporary, with the understanding that the follow-up report may well bring with it significant corrections of the information in the present version, as well as providing a solid additional analysis on the topic of the territorial patterns and trends in youth unemployment, and their context factors.

This analysis is focused around main research themes identified by ESPON as policy-relevant, identifying sources of evidence and practices across the covered geographical area of the study. A first ambition of the study is identifying territorial patterns and trends of youth unemployment and migration across European regions and cities. In order to provide a
thorough and detailed overview of these patterns, the research will rely on complex data analysis across the reference years and in particular the pre- and post-crisis reactions and recovery curves of different aspects related to unemployment in general, and youth unemployment in particular, in different regions grouped by their common characteristics. This comparative analysis will require significant usable data in order to be accurately implemented and avoid methodological pitfalls, and as the main data source in this case, the LFS, often does not include sufficient instances per region in order to provide an accurate overview of the regional realities in the youth labour market, a grouping of forty best-performing and 40 worst-performing regions was made to demonstrate the extremes of the scale in terms of youth unemployment rates, and provide realistic checks for the results of the analysis. It is important to note that simply observing the rate of youth unemployment in a region does not provide a sufficient insight into the region’s performance, as these rates can be swayed by factors unrelated to employment policy or the work of regional authorities, such as high migration rates.

A first look at the complex patterns of youth unemployment in diverse regions across Europe already shows regional typologies emerging, and the study follows their reaction to the financial crisis across three reference years. The year of the crisis itself, 2008, showcases the state of affairs at the onset of the crisis, as the economical crash was first felt but the effects did not yet fully set in. The typologisation produced in the report and showcased in the map offers insight into the vastly different context elements, even among the only four factors selected: Youth unemployment and NEETS, Youth participation in Labour Force, Education level of Youth Employed and Economic performance (pcGDP) / Growth Performance.

This trend continues for the representation of the year 2012, where the effects of the crisis have markedly set in and the number of low performing regions has increased significantly, as young persons were the first to lose their jobs, or fail to enter the labour market, in the wake of weakening economic security. By 2016, a recovery curve can be tracked, due in part to economic recovery, but also to the elaborate EU-wide and localised policies aimed at supporting youth in entering employment. The regional effects of these policies in encouraging active labour market participation can be intuited, even in this simple analysis, by tracking the vastly different developments in regions across the same or different countries. While some clusters of good or bad performers persist, showcasing high levels of resilience, their typologies vary in response to the regularisation and policy response to the crisis event.

Linking youth unemployment levels to the regional resilience and long-term structural governance, another ambition of the present applied research work, will be further built upon the analysis of available data through a series of methods of the research designed to ensure the findings are verifiable. In addition to the foreseen data analysis, thorough desk research was conducted in order to identify the key factors behind youth unemployment and its specific consequences by region.
Causes of youth unemployment identified through literature review cover such regional (and partly national) characteristics as the business cycle, demographic structure, minimum wages, labour market flexibility, union density, education, governance and the personal characteristics and conditions of youth. These are in turn interlinked, as for example education, personal characteristics (to an extent) and the school-to-work pathway are built together through educational and youth support policies, while minimum wage, labour market flexibility and unionising are in turn often dependant on employment policy set up at national level, with specific regional characteristics influencing the direction these aspects evolve into.

Causes and consequences of youth unemployment will be identified not only at a social level but also at an individual level, as one of the major aims of lowering youth unemployment is the goal to minimise social exclusion of the young person, an issue at the forefront of EU goals for the development of the European labour market. The social exclusion effect, brought on by the long-term negative impact of prolonged unemployment spells, particularly for young persons just entering the labour market, can be countered by targeted policy responses, which the study aims to identify in good practices among European regions in promoting youth employment.

These good practices were also sought through ten case studies conducted under this applied research, the summaries of two of which are included in the present report. Others are pending validation through data analysis. The case studies were conducted by regional non-key experts recruited specifically for their expertise in the region, and of course their ability to conduct local research in their native language. The resulting analysis, comprised in case study reports in annex and summarised in 1-page vignettes included in the overall report text, identifies causes and effects of youth unemployment, policy response and effectiveness, as well as the transferability of this policy response to similar regions as a “good practice”.

Finally, the applied research aims to provide conclusions and recommendations for the transfer of good practices and the best ways to mobilise the Cohesion Policy in order to support regions in reducing their youth unemployment rates in such a way as to provide the best possible support to young individuals seeking to enter into gainful employment and kick-start their participation into the labour market. This report abstains from providing such punctual conclusions as the necessary data analysis has not yet been conducted to verify the findings and provide additional evidence. Instead, an analysis of changes in the sector, since the publication of the interim report, is included and will serve to amend all recommendations provided in the follow-up report.
**Introduction**

Progress achieved on the research work has been somewhat impeded by the difficulties experienced by the project team in obtaining useable data for the analysis. More on the difficulties encountered, and the mitigation measures taken by the team, can be read in Chapter 1 below. To summarise, the first request for data was submitted in July 2018 and several data extractions were made in response, providing either partial data or partially erroneous data caused by a misunderstanding of the request. The combined efforts of the ESPON project team and ICON experts, as well as the support provided by Eurostat, led to an increase in available data on 14.01.2019, with a second set made available on 24.01.2019. However, this of course did not permit an analysis of the available data in time to produce this report. A first very basic analysis of the 14.01.2019 dataset is included in Chapter 1, in order to provide a preview of the work to come. To summarise, as of the date of the submission of this report, a final request for correction to Eurostat is still pending, and the analysis contained in the present report is severely limited both due to time constraints and data availability issues.

As the data and its analysis forms the backbone of this research project, its lack has impeded the implementation of the research approach proposed in the Inception Report of this project. In response, the expert team has focused on achieving the most progress possible in the areas where data analysis was not a sine qua non condition of progress, obtaining qualitative data from case studies and desk research. However, this qualitative information was always meant to be counter-checked with the quantitative data in order to provide an overall view of the situation in the field of youth unemployment in Europe. For this purpose, the information presented in this report should still be seen as tentative, and a summary of achievements so far, to be expanded upon once quantitative data is available and analysed. This approach will permit the expert team to produce a high-quality analysis of the situation in Europe, across the time period of 2000-2016.

Further to the above, the recommendations presented in this report cannot be developed and seen as a final version of recommendation based on the research findings, as they too depend on the findings of the quantitative analysis which will be produced once all data becomes available. The mapping included in the report does reflect the most recent dataset provided, and the figures used are the most up-to-date version published by credible sources.

Given this context for the submission of this report, while it does include the basic components required in the project Terms of Reference, it cannot be considered a final version of the study resulting from the research, as a main study component and backbone of the analysis is still missing.

The content of the present report can be summarised as follows:

- A status update on data availability and the methodology for analysis, pending final data receipt.
- Maps showing geographical distribution of youth unemployment and selected contextual factors, for the reference years 2008, 2012 and 2016, based on presently available data and lacking a finer analysis
Summary of the analysis of key factors behind the development of youth unemployment and active/inactive NEETs, as well as the general and specific consequences, yet to be verified through data analysis

Synthesis of the case study analysis, including examples of the case study summaries to be included in the final study (as well as case study reports in annex), yet to be verified and contextualized through data analysis

Updates on findings relevant to the policy recommendations and proposals for potential support by EU Cohesion Policy

Non-final proposals for future analysis and research on this topic

Annexed to this report are included:

- Datasets for the maps included with the report and maps
- Case study reports
- Draft synthesis report
- Draft website content
1 Typologies and regional performance clusters

This chapter aims to detail the planned data analysis, which has so far been significantly slowed down the production of this applied research, as described in the introduction to this report. It will also present a first analysis made on data which became available in January 2019, limited in scope both because of time constraints and data limitations. This analysis will be significantly expanded in the follow-up report.

1.1 Regional profiles for the three reference years

The results of the above-described typologisation provide 7 distinct profiles for each of the reference years. These are listed in the figures below and included in the maps to follow.

Figure 1: Typologies for reference year 2008

<table>
<thead>
<tr>
<th></th>
<th>Youth unemployment and NEETS</th>
<th>Youth participation in Labour Force</th>
<th>Education level of Youth Employed</th>
<th>Economic performance (pcGDP) / Growth Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Low</td>
<td>High</td>
<td>Low performance</td>
<td>High / Upper middle</td>
</tr>
<tr>
<td>2</td>
<td>Low</td>
<td>Modest</td>
<td>Modest</td>
<td>Upper middle / Upper middle</td>
</tr>
<tr>
<td>3</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Upper middle / Middle</td>
</tr>
<tr>
<td>4</td>
<td>Modest</td>
<td>High</td>
<td>High performance</td>
<td>Upper middle / Low</td>
</tr>
<tr>
<td>5</td>
<td>Modest</td>
<td>Low</td>
<td>High performance</td>
<td>Lower middle / High</td>
</tr>
<tr>
<td>6</td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
<td>Low / Upper middle</td>
</tr>
<tr>
<td>7</td>
<td>High</td>
<td>Very Low</td>
<td>Low performance</td>
<td>Low / Low</td>
</tr>
</tbody>
</table>
### Figure 2: Typologies for reference year 2012

#### 2012 (268 NUTS)

<table>
<thead>
<tr>
<th></th>
<th>Youth unemployment and NEETS</th>
<th>Youth participation in Labour Force</th>
<th>Education level of Youth Employed</th>
<th>Economic performance (pcGDP) / Growth Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Low</td>
<td>High</td>
<td>Low performance</td>
<td>High / Lower middle</td>
</tr>
<tr>
<td>2</td>
<td>Low</td>
<td>Moderate</td>
<td>Frequent low level</td>
<td>High / High</td>
</tr>
<tr>
<td>3</td>
<td>Modest</td>
<td>High</td>
<td>High performance</td>
<td>Middle / High</td>
</tr>
<tr>
<td>4</td>
<td>Modest</td>
<td>Low</td>
<td>Moderate</td>
<td>Lower middle / Upper middle</td>
</tr>
<tr>
<td>5</td>
<td>Modest</td>
<td>Modest</td>
<td>High performance</td>
<td>Upper middle / Middle</td>
</tr>
<tr>
<td>6</td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
<td>Low / Low</td>
</tr>
<tr>
<td>7</td>
<td>High</td>
<td>Low</td>
<td>Low performance</td>
<td>Low / Low</td>
</tr>
</tbody>
</table>

### Figure 3: Typologies for reference year 2016

#### 2016 (271 NUTS)

<table>
<thead>
<tr>
<th></th>
<th>Youth unemployment and NEETS</th>
<th>Youth participation in Labour Force</th>
<th>Education level of Youth Employed</th>
<th>Economic performance (pcGDP) / Growth Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Low</td>
<td>High</td>
<td>Modest</td>
<td>High / Lower middle</td>
</tr>
<tr>
<td>2</td>
<td>Low</td>
<td>Moderate</td>
<td>Low performance</td>
<td>High / Lower middle</td>
</tr>
<tr>
<td>3</td>
<td>Moderate</td>
<td>High</td>
<td>High performance</td>
<td>Middle / Lower middle</td>
</tr>
<tr>
<td>4</td>
<td>Moderate</td>
<td>Low</td>
<td>Moderate</td>
<td>Lower middle / Upper middle</td>
</tr>
<tr>
<td>5</td>
<td>Modest</td>
<td>Modest</td>
<td>High performance</td>
<td>Lower middle / Lower middle</td>
</tr>
<tr>
<td>6</td>
<td>High</td>
<td>Low</td>
<td>Moderate</td>
<td>Low / Low</td>
</tr>
<tr>
<td>7</td>
<td>High</td>
<td>Low</td>
<td>Low performance</td>
<td>Low / Lower middle</td>
</tr>
</tbody>
</table>
These results were double-checked, and maps were produced based on them. A further plan for analysis includes, once all data is available, an investigation of the main changes per period (2008-12/2012-16). This will most likely be undertaken using the Scoreboard Methodology1, a method used by EU in such cases as the European Innovation Scoreboard 2018.

The final decision on the method of analysis will of course be made after testing several methods for results and accuracy, and indeed several methods will likely be used in order to provide comparative results and widen the scope of the research findings.

Further to defining the profiles, they were mapped across the geographical coverage area at NUTS2 level (in response to data availability), for the reference years 2008, 2012 and 2016.

As can be seen in the 2008 map below, the profiles identified during the onset year of the crisis do not fully correspond to basic youth unemployment data. Taking the example of Germany, where youth unemployment overall has been consistently lower than the EU average, it can be seen that while this is indeed still the case, youth participation in the labour market is modest, contrasting with its northern neighbouring regions. The link to education levels, in turn, seems to indicate that employed youth in the regional typology 2, with low youth unemployment and modest youth participation in the labour market, also demonstrate a modest education level in the employed youth, contrasting the regional typology 1 where high participation in the labour market is linked with low education level in employed youth. This does not indicate a high number of inactive youth but, indeed, a higher number of youths participating in education which keeps them out of the labour market, but does not bring with it the long-term societal and personal impact of unemployment.

Following the typology breakdown, a link between YU/NEETs levels and education levels can be traced, as both the regions with the highest and the lowest levels of YU also show low performance in the education level of employed youth, while regions with modest YU show high performance in the same area. These breakdowns showcase the particular combination of economic and social conditions in which YU rates rise, while also detaching them from the perception that it is national policy that most strongly dictates these preconditions. For example, in the year 2016, moderate youth unemployment levels manifested both in clusters of regions with high performance education and in those with low performance – however high youth employment rates were linked to high educational performance directly. The Map 1 below clearly shows that the typological classifications designed for this showcasing do not follow national borders but are rather linked to bordering regions, as the factors of analysis vary greatly at regional level. There is however a strong regional interconnection, likely linked to educational hubs and employment opportunities from which neighbouring regions benefit.

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1 Available at: http://www.clusterobservatory.eu/eco/uploaded/pdf/1368191396040.pdf
With a more complex dataset available, this analysis is likely to yield much more complex results, lending themselves to the extraction of good practices and policy recommendations to be included in the follow-up report.

Map: 1 Regional performance clusters for reference year 2008

The mapping for the reference year 2012, demonstrated in Map 2 below, sees a distinct rise in regions with modest youth unemployment and low labour market participation. As the effects of the crisis were truly felt in the years directly following its onset, youth reacted by attempting to gain further education or otherwise were supported by their government and
local administration in avoiding the unemployment trap, as policy makers rallied to counter the effects of the crisis. The effects of the crisis reverberated worldwide and persons entering the job market just before or after 2008 were declared, particularly in the USA media, to be this crisis’ “lost generation”, as it was felt that their slow start in the workforce would never allow them to reach the financial security of the previous age cohort³.

This was, not coincidentally, also the period where EU-ILO collaboration efforts intensified significantly, as EU-wide and across all levels of administrative authority, the problems of raising unemployment and youth unemployment in particular were identified and approaches to mitigation were designed by policy-makers. Notably, the Youth Guarantee concept was born and developed in this period, to be applied in 2014 across the EU.

Regions with high YU and low labour market participation still more than doubled in number, however, and as in 2008 could be linked with low economic performance and growth, as lack of investment in youth employment and lack of jobs impacted youth employment opportunities. As in 2008, the regions feeling these combinations of low performance also manifested low education levels of employed youth, and again this was mirrored in the regions fitting into typology 1 for 2012, with low YU and high labour market participation for youth. The well-performing regions of 2008 maintained their performance levels in the fields of YU, participation in the labour market and education in 2012, even as growth performance dropped slightly in response to the crisis. Typology 6 however, demonstrating high YU and low labour market participation, went from 49 to 40 regions even as economy and growth dropped in response to the crises, as some regions went from low to modest YU. Again, this could be linked to responses to the crisis, at regional and national level, and further analysis should elucidate these developments.

Further analysis will be dedicated to these developments in order to follow through on the regional resilience narrative of these clusters.

2016 is the final reference year for this analysis and showcases the effects of the crisis 8 years after its onset. Youth unemployment is still an issue in the geographical coverage area, as well as world-wide, and measures to improve the situation are set up and evolving. In 2016, as per Map 3 below, the number of regions classed in typology 1 has risen from 17 to 29. However, the typology has also been updated to showcase not only low YU rates and high labour market participation, but also modest education levels for employed youth and lower middle economic growth. Economic growth had visibly slowed down across the board by this reference year, but the combination of increased education levels and labour market
participation with decreased YU does appear to indicate the success of the youth employment support policies applied in response to the crisis, rather than simply an economic recovery leading to increased job creation. However further analysis of the complete dataset needs to be undertaken in order to consolidate this conclusion.

Following the trend, typology 7 regions have also decreased in number, with more regions switching to typology 5, where both YU and labour market participation are classed as modest, while education of employed youth is high.

*Map: 3 Regional performance clusters for reference year 2016*

The data used for the design of this map and the typology definition forms Annex 1 of this report.
2 Causes and Consequences of youth unemployment

2.1 Introduction

This part of the report consists of two parts: the causes of YU and the consequences of YU. This chapter describes the desk research carried out, discusses the type of information it yields and its limitations. Further actions include the integration of the findings the quantitative data analysis and the case studies, as well as a proposal to extend the literature review to research conducted in a selection of individual Member States.

Key determinants of youth unemployment and their relative importance are also touched upon. Although NEETs are included in YU, the desk research showed that their situation warrants specific attention. Many studies on YU present the findings on national level analyses, with a few that start from the regional level. The determining factors of the occurrence and development of YU also play a role in regional economic resilience, which, in itself, can also be seen as influencing YU.

2.2 Causes of youth unemployment - overview

The objective of this part of the work is to examine how the regional patterns observed in data collection and mapping can be explained. This part of the research answers the following questions:

1. What are the key determinants of YU and NEETs according to the literature?
2. What is the relationship between regional economic resilience and a region’s resilience to youth unemployment?
   a. How can regional economic resilience be clearly distinguished from resilience to YU (definitions and indicators to be used)?
   b. Does stronger economic resilience of regions go hand-in-hand with higher resilience against YU?
   c. If not, what other factors explain the deviations from this correlation?
3. What other factors explain different regional patterns for YU and NEETs?
   a. Characteristics of the regional labour market?
   b. Elements of the legislative framework?
   c. Elements of the cultural and regional specific context?
   d. Characteristics of policy and its implementation?
4. The relative importance of different causes for different types of regions?

Figure 4 below summarises the findings regarding the causes of YU and NEETs.

The figure first of all distinguishes causes that can be considered general determining factors from a specific region’s characteristics. The general factors in principle can refer to any geographical level, but from a regional perspective the relevance of the level depends on the factor. From a region’s perspective general factors are sometimes a contextual factor to be taken into account but with little opportunity for influencing or changing them. A country’s educational system or labour regulations are examples of such factors. The characteristics of young people are a general factor but

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4 Young unemployed include NEETs.
should also be reviewed at regional level. The labour market situation on the other hand, while a general factor, has been treated as a regional factor. The regional labour market is far more important for job opportunities than the national situation. However, the wider labour market and in particular those of neighbouring regions do play a role and this role is captured under spatial factors. These spatial factor describe and explain how regions (can) exploit intra-regional opportunities.

An important general determinant is the institutional framework that governs employment relations. Firstly, this includes those regulations that determine labour market rigidity or flexibility, employment and social legislation that has a bearing on (un)employment, and mobility. From a more quantitative perspective, indicators here relate to, for example, wage flexibility, flexibility in hiring and firing, wage and employment rigidities, regional labour mobility (i.e. occupational and job mobility and geographical mobility), as well as benefit replacement ratio and age restrictions for benefit claiming. The education system is the second key legislative area. It includes VET systems, apprenticeship systems and opportunities for work experience for young people. The legislative framework is expected to be to a large extent nationally determined, except for federal countries.

The role of the business cycle is another general factor. However, the literature review shows the importance of including this variable when comparing different causes and their impact. For this reason, it also features in figure 5.

The demographic structure of the country or the region, in general has a somewhat lesser impact, but in specific types of regions variables with a relatively high or low share of young people in the population may be a key determinant for youth unemployment.

The characteristics of the youth, especially the youth in the region, including their personal characteristics, motivation and preferences, behaviour and living conditions of youth are an important factor as they influence the use young people make of the opportunities (still) available to them.

Under regional determinants a key determinant is the regional labour market. This concerns the characteristics of labour demand and supply in the regions and in particular the match or mismatch between these two. The sector structure is another factor here, as the presence of specific sectors may entail specific opportunities or barriers for youth to enter the labour market. Certain sectors appear to be “youth-friendly”, such as tourism, ICT, social services, or environmental management. The sector structure is also expected to influence the options for work experience and work-based learning for young people. The cultural and historical context has been kept as a separate factor in our analysis. It will also enable us to include regionally specific factors that have not been captured under any of the other headings.

Regional public policy and its implementation incorporates (un)employment related policy initiatives specifically aimed at young people as well as more general measures with a distinctive

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impact on youth, if relevant in a specific region. National and regional Active labour Market Policies (ALMPs) as well initiatives supported by EU funding, will feature heavily in the analysis. This category also includes governance issues. Obvious examples of relevant governing bodies in the framework of YU include the Public Employment Services (PES), private employment services, and the management of EU funds. Cooperation between employer and sector organisations with trade unions, education institutions and public institutions may also be a factor of importance for dealing with YU.

**Spatial factors**, such as the heterogeneity or the interaction of regions are important for explaining different developments in unemployment at regional level and for understanding causes and policy implications.

Finally, as mentioned before, **regional resilience** plays a specific role in explaining youth unemployment is discussed in more detail in section 2.6.

*Figure 4: Causes of youth unemployment*

Source: Produced by the author

**2.3 The relative importance of causes**

Literature summarising and comparing findings from existing research provide information on the type of factors that matter, but in principle also on their relative importance. Figure 5 presents the causes covered in the main studies analysed so far. Four studies are selected, among which the very thorough study published by O’Higgins in 2015. Also presented are three studies with primary empirical evidence on the relative importance of causes, including two recent and one older study that together cover a broad spectrum.
### Figure 5: Causes and their indicators found in the main studies covering multiple causes

<table>
<thead>
<tr>
<th>Character of findings</th>
<th>2008</th>
<th>2017**</th>
<th>2016</th>
<th>2015 (a)</th>
<th>2015 (b)</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business cycle</strong></td>
<td>EMP</td>
<td>EMP***</td>
<td>EMP</td>
<td>LIT</td>
<td>LIT</td>
<td>LT</td>
<td>LT</td>
</tr>
<tr>
<td>Economic conditions</td>
<td>Level of economic activity</td>
<td>GDP growth</td>
<td>Aggregate demand</td>
<td>Buffer function</td>
<td>Business cycle conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demographic structure</td>
<td>Share of young people in the total population</td>
<td></td>
<td></td>
<td>Demographic developments</td>
<td>Share of young people in the total population</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher EPL*</td>
<td>EPL</td>
<td></td>
<td></td>
<td>EPL</td>
<td></td>
<td>EPL</td>
<td></td>
</tr>
<tr>
<td>Minimum wages</td>
<td>Min. wage</td>
<td>Min. wage</td>
<td>Min. wage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible labour markets</td>
<td></td>
<td>Share of temporary employment</td>
<td>Various indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Union density</td>
<td>Union density</td>
<td></td>
<td></td>
<td>Unionization rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td># years of education, number of young people with vocational training and high scores in the PISA**** study</td>
<td>VET participation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal characteristics and conditions of youth</td>
<td></td>
<td>Less mobility due to homeownership, high remittances from abroad, low work intensity of other household members or less possibilities for young people to live outside parental homes</td>
<td></td>
<td>Likelihood of resigning voluntarily, lack of experience, shorter credit history and lack of access to business networks, youth share in the pool of jobseekers</td>
<td></td>
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<tr>
<td>Governance</td>
<td></td>
<td>Perceived corruption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- EMP: Employment
- LIT: Labor in transition
- LT: Labor of the temporarily unemployed
- **: Additional information
- ***: Indicators specific to the year
- ****: Indicators related to the PISA study
* EPL = Employment Protection Legislation


*** EMP = empirical findings from authors, LIT = review of research by others

**** Programme for International Student Assessment
A. Business cycle

The business cycle is included in most of the studies and reflects the obvious importance of this cause and perhaps also the fact that internationally agreed indicators and data are readily available. The studies confirm the paramount and dominant importance of the business cycle for YE and YU and the relationship is clear as well as undisputed for every indicator used: growth and decline of the economy lead to increasing and decreasing YU respectively.

More specifically, young workers mostly play a role of a "buffer" to absorb macroeconomic shocks, through wider fluctuations in their unemployment rates (Caroleo F. E., Ciociano E., Destefanis S., 2015). YU responds more sensitively to the business cycle conditions than adult unemployment. (Gontkovičová B., Mihalčová B., Pružinský M., 2014). In addition, YU in the EU is more pronounced in countries with comparatively poor GDP growth, low share of construction and high public debt (Tomič I., 2016).

B. Demographic structure

In 2008 Ramon Gomez-Salvador and Nadine Leiner-Killinger showed that if the share of young people in the total population is higher, a higher proportion of them will be unemployed and vice versa. This variable would seem to have lost some of its relevance due to the ageing societies that most EU Member States are becoming. At regional level, this variable may still play a more prominent role but it should be noted that research also shows that its influence is outweighed by the impact of the business cycle.

C. Labour market institutions

The evidence on Employment Protection Legislation (EPL) as a determining factor for YU is mixed. Minimum wages and union density seem to have clearer impact, closer to that of the business cycle.

According to Caroleo, Ciociano, and Destefanis, (2017), besides economic activity, union density and the minimum wage are the important causes of youth employability. Their study also included data on educational attainment and expenditure on public education, but these had less important influences on YU. Görlich, Stepanok, and Al-Hussami, (2013) however draw attention to the fact that EPL is less for temporary contracts and was even decreased during the recession in many countries. This heavily affects young people as they are far more often hired on such contracts than adults.

The impact of flexible labour markets as a whole is not as clear-cut as is often assumed. O’ Higgins (2015) describes how research shows that while flexible labour markets do seem to exacerbate the effects of an economic downturn on YU, the opposite does not seem to happen during economic recovery.

Niall O’ Higgins (2015) conducted sophisticated analyses taking account of a variety of factors. Based on this he clustered EU countries in terms of characteristics that mitigated or strengthened the impact of the business cycle on YU. He concluded that making labour markets more flexible will definitely not facilitate the entry of young people into stable employment.
Complex relationships

In the analyses mentioned above O’Higgins distinguished three types of flexibility: numerical (hard to fire workers), wage, and functional (workforce easily adapts to structural change). On this basis he found three clusters of countries where GDP had different impacts on flexibility:

- **Very small impact:** the ‘Education-based’ systems comprising Scandinavian and Continental European countries with numerical, wage, as well as high functional flexibility.
- **Very high impact:** the Anglo-Saxon countries characterised by high numerical and wage flexibility, but only intermediate functional flexibility.
- **High impact on atypical employment:** in Mediterranean countries with low flexibility on all counts. In these countries ‘atypical employment forms were very responsive to variations in GDP indicating that these forms were used as to adjust to variations in labour demand’.

D. Education

Education-related causes are included in only two of the overview studies. They suggest a positive impact in the sense of lowering YU, but a limited one. Causes related to education include the number of years of education and the number of young people with vocational training. High scores in the OECD international comparative student assessment survey –PISA- have a smaller effect on lowering youth unemployment rates in the 2008 study of Ramon Gomez-Salvador and Nadine Leiner-Killinger. The participation of young people in VET is relevant, but only in countries where the dual apprenticeship system is important, according to Caroleo, Ciociano, and Destefanis, (2017).

E. Personal characteristics and living conditions of young people

Two studies include a focus on causes that have their origin in young people themselves and the circumstances they live in.

Görlich, Stepanok, and Al-Hussami, (2013) explain that young people may be more likely to resign voluntarily, as they may want to explore other options before settling, have fewer people depending on them, and they are at the age where higher education ‘is a more natural and viable option’. On the other hand, the labour market also presents them with higher entry barriers because of their lack of experience, while the option of becoming self-employed is hampered by a shorter credit history and lack of access to business networks.

Tomić (2016) points at some causes that do not play the all-pervasive role that other factors play, but that still may be a factor of importance in countries with comparatively high youth unemployment rates. These include homeownership (lower mobility), high remittances from abroad, household members that work relatively little, and less opportunities for people to live outside parental homes.

F. Governance

This topic was covered in one study only. According to Tomić (2016), countries with high perceived corruption have higher YU rates.
2.4 The specific situation of NEETs

Data analysis is expected to provide new information when it comes to NEETS and the factors which lead to changes in NEET rates at regional level (Map 4). The fluctuations in NEET levels in EU regions can be followed in this four-part map, illustrating a high level of NEETs in 2001, which has somewhat dropped by 2008, as the economy saw a bubble before the crisis, only to spike again by 2012 once the effects of the crisis sink in. Visibly however, pre- and post-crisis high NEET rates did not affect the same regions.

Two studies specifically address the position of NEETs, from different perspectives and looking at their evolution across a timeframe close to that of this research work. On the one hand Bruno, Marelli, and Signorelli (2013) find little or no differences between the impact of GDP on youth in general and on NEETs during the periods 2000-08 and 2009-11. Both studies do find however, that NEET rates are persistent throughout the crisis and, according to Carcillo et al. (2015), continued to be so afterwards.

### 2.5 The regional dimension

Most of the studies available at the international level (in English) did not contain a regional dimension. However, the few exceptions show that this omits a key element in the analysis:

- It would be unwise to assume that causes of YU have the same importance at regional as at national level.
- When looking at the region level it is paramount that inter-regional effects are taken into account.

This is confirmed by the few studies that do consider regional differences. Annekatrin Niebuhr (2003) stresses ‘the spatial dependence among regional labour markets’. What is of particular relevance is that high and low unemployment regions tend to cluster geographically. The development of regional unemployment is strongly affected by such spatial interaction.
In addition, Overman and Puga (2012) signal an overall polarisation of regional unemployment rates towards extreme values since the mid-1980s. They argue that the polarisation has similar outcomes for neighbouring regions, only partially explained by similar skills levels and industry performance. They point to new economic geography literature that shows that economic integration fosters employment clusters that cross regional and even national borders. This would imply that regional and transnational employment policies, including those related to wage-setting and mobility, are required to deal with ‘neighbour effects.

Capello, Caragliu, and Fratesi (2015) are an example of researchers studying the role of cities in the resilience of regions and hence the prevention and combating of YU.

Daniel Rauhut and Petri Kahila (2012) reviewed the way how public policy aims to address the consequences of ageing on the Swedish regional labour market. One of their conclusions is that such policies are failing because they do not address the variety in ageing (consequences) amongst Swedish regions.

Even in a country such as Greece, which has seen a sharp rise in unemployment across the country during the crisis, remarkable regional differences in the development of unemployment and adjustment trajectories exist. Vassilis Monastiriotis and Angelo Martelli (2013) find that in the main metropolitan regions and the north and north-western periphery of the country the fall in effective demand was largest. Overall, adjustment processes have been weak. The crisis in fact hit especially those regions that benefitted most from the Eurozone. Specific problems in need of addressing during the recovery included over-education and ‘matching efficiency in the demand-depressed areas and of inter-regional adjustment mechanisms nationally’.

E. Marelli, D. Sciulli, M. Signorelli (2014) also refer to the risk of over-education when discussing the the importance of human capital for economic growth and local development. While universities may play an important role in developing a “learning region”, a mismatch between acquired skills and employer demands for skills, including over-education, may contribute to high and persistent youth unemployment rates.

2.6 Regional economic resilience

An important insight gained from the analysis concerns the specific role of regional resilience. The interlinkages between economic resilience on the one hand and resilience to YU on the other are complex. For this reason, the relationship between these two is examined specifically.

Regional economic resilience is been defined in this report as the ability of a regional economy to withstand and recover from the effects of exogenous shocks (vulnerability or exposure to exogenous shocks coming from economic openness). In general, resilient regional (and local) economies are expected to have strong labour markets and could therefore be expected to be more resilient against YU. This assumption will be reviewed and tested where possible in the study.

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6 AWM Strategy Team: Community Economic Resilience Index, 2008
Available at:
A number of determining factors on regional resilience feature in various studies. These are exemplified by a recent empirical study by Giannakis and Bruggema, and extensive data analysis and case studies reported in the twelfth Territorial Observation published by ESPON. Some other studies zoom in on the impact of sector structure, regional labour markets and regional public policy.

One of the more recent EU-wide empirical studies on the causes of regional resilience was published in the Journal of European Planning Studies (Giannakis E., Bruggeman A., 2017). The authors compared likely socioeconomic causes during the pre-crisis period (2002–2007) to employment changes during the period 2008–2013. Contributing factors to economic resilience identified by them are the region’s accessibility, its education and its economic development level. A large manufacturing sector turned out to negatively impact on the ability of regions to withstand economic shocks.

According to another study (ESPON, 2014c) the ability of regions to withstand economic shocks or regional resilience, is determined by the form and structure of the economy, labour market flexibility and skills, place-based characteristics and community-based characteristics:

- The most important factor is the form and structure of the economy. This means that the initial strengths and weaknesses of regions, their industrial legacy, the size of the market and access to a larger external market will have a substantial impact on regional resilience. Having a more diverse economic structure in the region and higher levels of innovation performance are also found to be extremely important in this respect.

- Greater labour market flexibility also contributes to economic resilience, as does the skills level. Other population characteristics have not shown unequivocal impacts on resilience in research.

- Amongst the place-based characteristics, a clear difference exists between, on the one hand, urban areas and those which are more accessible, and on the other hand the more remote locations which are less resilient. For other types of regions resilience depended on the wider context rather than simply their physical characteristics.

- Community-based characteristics, notably the quality of governance, seemed to play a role, but evidence is scarce and mainly of a qualitative nature.

Some regions outperformed the national average and other regions in their country in withstanding the crisis (ESPON, 2014). Their example illustrates the conclusions above, but also provides more insight in successful strategies for regions to make use of the assets they have. Using the crisis to restructure and reorient the economy seems a recurring theme. Access to international markets was a crucial positive factor for many of the success examples shown in the research. Examples of such regions and the likely reasons for their relatively strong economic resilience are:


7 Notably mountainous, coastal and island regions.
Baden-Württemberg (Germany): a vast recovery from the crisis was attributed to ‘the supportive link between short-term and mid-term policy strategies’, i.e. keeping workers in firms through private and public initiatives, while structural adjustments were implemented for the longer-term.

Rethinking business models and implementing productivity-enhancing adjustments also benefitted North Estonia.

The resilience of Pomorskie (Poland) proved itself during the 2006 and 2011 period. Factors contributing to this include: increasing the region's transport accessibility, high level of international economic openness, the use of the inflow of European funds for modernization of the regional economy, entrepreneurial spirit and occupational mobility of people, as well as high qualification levels for relevant sectors.

Diversity and an export-orientated economy mitigated the impact of the crisis for South West Ireland.

High quality niche-based production proved to be a successful strategy for Puglia (Italy). Local entrepreneurs listed three key success factors when implementing such a strategy: the flexibility inherent to small firms (ii) cooperation in the local territory and with the local workforce and (iii) a unique product, due to their brand and short supply chains.

Within the region of Uusimaa (Finland) as a rule, more remote localities have been less resistant to the crisis. However, it should be noted that external context factors such as joining the Eurozone, and increasing or falling international demand play a supporting or negative role.

The importance of sector structure for resilience is specifically discussed in a number of other studies. Silvia Rocchetta & Andrea Mina (2017) empirically examined the effect of different regional technological profiles on the regional economic resilience for the United Kingdom (UK) using NUTS 3 data. They found that regions with technologically coherent knowledge bases and local economies that innovate in sectors with the strongest growth opportunities, are more resilient to exogenous shocks. Simone Busetti, et. al (2017) examined the impact of the knowledge economy on YU in regions. They argue that less developed and rural areas are often unable to develop and sustain knowledge dissemination and innovation since they lack infrastructure and the highly-skilled human capital needed for this. This leads to out-migration, with young people in particular moving to regions with high income levels, especially since they tend to have higher education levels than their elders. This has a further downward impact on the resilience of sending regions and decreasing cohesion between regions. On the other hand, this shows that the knowledge economy and richer regions offer opportunities to young people that may mitigate the impact of unemployment. In general, sheltered economies are less resilient, with the possible exemption of the extremely sheltered ones (Ugo Fratesi Andrés Rodríguez-Pose, 2016).
Another group of key factors relates to the **regional labour market**. This concerns the characteristics of labour demand and supply in the regions and in particular the match or mismatch between these two. Special attention will be paid to the sector structure, as the presence of specific sectors may entail specific opportunities or barriers for youth to enter the labour market. Certain sectors appear to be “youth-friendly”, such as tourism, ICT, social services, or environmental management.  

The final group of factors often found to be of influence concerns **regional public policy** and its implementation. It incorporates (un)employment related policy initiatives specifically aimed at young people as well as more general measures with a distinctive impact on youth, if relevant in a specific region. National and regional Active labour Market Policies (ALMPs) as well initiatives supported by EU funding, will feature heavily in the analysis. This category also includes governance issues. Obvious examples of relevant governing bodies in the framework of YU include the Public Employment Services (PES), private employment services, and the management of EU funds. Cooperation between employer and sector organisations with trade unions, education institutions and public institutions may also be a factor of important for dealing with YU.

## 2.7 Consequences of youth unemployment

The specific research questions underlying this part of the work were broken down as follows:

1. What general and specific consequences of YU are identified in the literature?
2. What empirical evidence on European countries and in different types of territories is available at EU level and what can be learned from this regarding territorial specific consequences of YU?
3. What are the most important impacts of YU, at individual and society level in the short and in the longer term?

The consequences of YU are often long-term and have an impact on regional labour markets.

The literature scan shows that impacts of prolonged unemployment at a young age concern both the individuals and the society or the region in which they live. For both levels the possible impacts encountered in the literature have been combined into four groups of impacts.

- Young people who experience a period of unemployment at the start of their career may encounter a more difficult labour market position in their future. They may be more likely to experience further unemployment spells and the quality of their jobs may be lower in terms of wages and contract duration.

- Non-employment has negative consequences for both the jobseeker and the employer, with the former failing to acquire the work experience and skills needed by the latter.

- Educational institutions may also react to high rates of YU by encouraging young people into educational choices that may not offer the best employment prospects, leading to future

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mismatches on the labour market. Several studies also report the more frequent occurrence of health problems for young people in unemployment.

➢ For societies, the waste of young people’s potential firstly concerns their contribution to the regional economy. It will also increase the public financial burden, although it remains to be seen to what extent this is felt at regional level. Regions will definitely be confronted with social inclusion/exclusion problems, possibly also resulting in rising criminal activities.

The following figure summarises the above findings.
2.8 Next steps

The next step will focus on the incorporation and, if enough data are available, further analysis of the quantitative data collected under task 1 and 2, as well as the incorporation of the findings on causes of unemployment in the case studies. The former will link the characteristics of relatively poorly/well performing regions to the causes of youth unemployment. The latter will provide anecdotal information on causes of youth unemployment for various types of regions.

In addition, it is foreseen to launch an additional research activity. The literature review yielded less information than expected on the specific causes and consequences of youth unemployment (including NEETs) at regional level. A number of publications on individual Member States included in the literature review suggest that this type of publication may help fill this gap. Another next step will therefore be to review research and other publications available on the causes and consequences of youth unemployment at regional level in the ten countries in which case studies were carried out.

The new review will cover all regions in the countries and include national and regional level publications. Each review should cover the following subjects:

- The causes and the relative importance of causes of unemployment for different (types of) regions in the country.
- The relationship between regional resilience and the development of youth unemployment before, during and after the crisis for the regions in the country.
- Identify the role played by the specific characteristics and the situation of individual regions and thereby types of regions (Urban / metropolitan regions, Rural regions, Sparsely populated...
regions, Regions in industrial transition, Cross-border regions, Mountainous regions, Islands, Coastal regions) in cause and consequences as well as in dealing with them.

The experts will identify, describe and summarise all the information existing in their country pertaining to the above subjects. Additional information will be sought through interviews with experts and policy makers.

This process will also direct the final stages of the international literature review, in the sense that it may point to important gaps or areas of research to be developed further, especially relating to specific types of regions.
3 Case studies

3.1 Introduction

The ten case studies (Task 4) set out in the first Interim Report have now been completed with full drafts of the write-ups. The basic parameters of the case studies are in Table 1. To help ensure some consistency of approach, the local experts engaged to carry out the work used the ‘toolkit’ developed for this purpose. However, with a diverse set of cases and contexts there was inevitably some variation in how the discussion guide could be adhered to, leading to some differences in the level of detail in each case study. Nevertheless, all case studies have addressed the key issues and provide a rich source of information on policy and practice at a local level.

In this Interim Report some of the key messages emerging from the case studies are set out and will be developed further in the final report. Each of the ten case studies will be reported in full in an annex to the main report, with a one-page vignette on each in the main body of the report. Examples of the latter are included in this Draft Final Report below.

3.2 Case studies

The ten case studies covered the following five types of regions, with two examples in each from different European countries:

- Urban-rural;
- Metropolitan (not including capital);
- Capital city;
- Industrial transition;
- Border.

The local experts contracted to carry out the case studies worked during the last quarter of 2018 and combined desk research and discussions with key local stakeholders. Table 1 summarises the ten completed case studies.

3.3 Issues emerging from the case studies

It is clear from the case studies that each of the ten areas have had differing experiences with youth unemployment over the long-term. All have experienced increases in visible and invisible (NEET) in the aftermath of the Great Recession and in some cases, this has been severe and persistent. Even in those areas with a history of relatively low youth unemployment by European standards (such as Hamburg (DE), Leeds (UK) and Pamplona (ES) there are significant variations within the areas once the analysis drills down to NUTS 3 levels. For example, while LEEDS (UK) has a youth unemployment rate of around 12 per cent,
<table>
<thead>
<tr>
<th>No</th>
<th>Location</th>
<th>Country</th>
<th>Category</th>
<th>Key Facts</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Blagoevgrad</td>
<td>Bulgaria</td>
<td>Urban-Rural</td>
<td>Integrated approach towards tackling YU. Successful in retaining young highly educated people in the area by offering suitable job opportunities working closely with employers and technical university. Established organization (Youth Foundation) aiming to attract young people to the area.</td>
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<tr>
<td></td>
<td>Betty Loukanova</td>
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<td>2</td>
<td>Pamplona</td>
<td>Spain</td>
<td>Urban-Rural</td>
<td>The YU rate (and NEETs rate) is among the lowest in Spain. Has shown resilience to the increase in YU following the crisis. Considered an innovative region in policy.</td>
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<td></td>
<td>Elvira Gonzalez Gago</td>
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<td>3</td>
<td>Turin</td>
<td>Italy</td>
<td>Metropolitan</td>
<td>Large urban area with strong manufacturing and services base with the mix changing. Focus on tackling YU through various projects including ‘My Generation Work’ offering innovative, collaborative solutions.</td>
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<td>Giuseppe Ciccarone</td>
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<td>4</td>
<td>Leeds</td>
<td>United Kingdom</td>
<td>Metropolitan</td>
<td>City region embracing old and new sectors with large youth population and ethnic mix. Big reduction in NEETs. Devolved Youth Contract since 2012 has transformed the approach to tackling YU and inactivity and collaboration crucial to reducing YU.</td>
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<tr>
<td></td>
<td>Kenneth Walsh</td>
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<tr>
<td>5</td>
<td>Hamburg</td>
<td>Germany</td>
<td>Capital City (State)</td>
<td>Relatively low levels of YU and inactivity have been maintained through a combination of economic success, established structures (e.g. apprenticeships) and interventions coordinating their activities. Since 2012, Hamburg has been a model region in offering specialised support to unemployed young people.</td>
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<tr>
<td></td>
<td>Lena Thurau</td>
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<td>6</td>
<td>Riga</td>
<td>Latvia</td>
<td>Capital City</td>
<td>Dominant capital city with significant changes in service sector particularly that has stimulated labour demand. Successful in limited outflow of youth and through targeted policy enabling them</td>
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<tr>
<td></td>
<td>Zaiga Priede</td>
<td></td>
<td>to benefit from the upturn in jobs.</td>
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<td>7</td>
<td>Tampere</td>
<td>Finland</td>
<td>Industrial Transition</td>
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<td></td>
<td>Esa Jokinen</td>
<td></td>
<td>Resilient economy in a relatively isolated location, helped by high tech industry and large education sector plus pilot project tackling youth unemployment. Promising results from employment programme focused on employment trials. Change in the focus of support for jobseekers with the municipality taking over the provision of services from the national PES.</td>
<td></td>
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<tr>
<td>8</td>
<td>Gdańsk</td>
<td>Poland</td>
<td>Industrial Transition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lukasz Sienkiewicz</td>
<td></td>
<td>Region showing strong resilience to YU partly through economic resilience and targeted measures some that youth do not fail to benefit from the buoyancy. The Gdansk Labour Office was nominated as the 2017 national Leader in Activation of Young Persons.</td>
<td></td>
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<tr>
<td>9</td>
<td>Twente</td>
<td>Netherlands</td>
<td>Border</td>
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<tr>
<td></td>
<td>Marjolein Peters</td>
<td></td>
<td>Important border region of the Netherlands adjacent to Germany with a predominantly agricultural and services-based economy. Rising YU post-recession has been successfully tackled through locally focused policies and collaborations.</td>
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<tr>
<td>10</td>
<td>Donegal</td>
<td>Ireland</td>
<td>Border</td>
<td></td>
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<tr>
<td></td>
<td>John McGrath</td>
<td></td>
<td>County town in the Borders, Midlands and Western NUTS3 region that has seen significant improvement in YU through the application of national policy. Border town with UK (Northern Ireland) with limited industry and heavy reliance on tourism.</td>
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</tbody>
</table>
before and after the peak from the effects of the crisis, certain local authority areas (equivalent to NUTS 3) have much higher rates. Furthermore, when analysing by age sub-groups, the 16-19-year olds fare much worse than the 20-24-year olds. For example, at the peak of the effects of the crisis, unemployment rates for the younger cohort were over twice those for the older group.

However, this is not necessarily the case in other case study areas. In Hamburg, for example, while similar pockets of comparatively high youth unemployment exist across the city region, here the experience of the age sub-groups is reversed. The 20-24 years old age group has consistently higher rates of unemployment than the under 20s and this is in large measure due to the effectiveness of the vocational training system that starts in school and culminates in the dual apprenticeship system. In addition, Hamburg has pioneered an approach to helping young people that includes mandatory professional guidance and early job orientation (including cooperation with schools and youth services), and the reduction of multi-layered and redundant structures to allow the pooling of support services in a one-stop-shop.

This 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 make the transition from education. In Poland, at the regional and local levels, the labour offices at the different levels work with the long-established Voluntary Labour Corps (or OHP), financial intermediaries, labour market partners (social partners, employment agencies, NGOs, social economy actors, educational institutions, social dialogue institutions, municipalities and employers) to implement a range of measures under the Youth Guarantee (YG) (with funding from the Youth Employment Initiative (YEI). Since 2014 the YG has been the main vehicle for policy with a range of measures on offer such as vocational guidance, traineeships/internships, vocational training, public works and grants for self-employment, many of which predate the introduction of the YG in 2014. Innovation has come through the development of a voucher system for young people which can be used to access employment, training and other activities.

It is evident across the case studies that the Youth Guarantee has provided a catalyst for action on youth unemployment and inactivity, though mostly focused on those registered as unemployed (thereby missing most of the NEETs). Funding through the YEI and ESF has also enabled support measures to be implemented, especially in those countries with particularly high levels of unemployment. However, in most cases (such as in Gdańsk (PL) and Blagoevgrad (BG) the national policy on YG and YEI has left only limited room for local innovation in policy but even so, there are good examples of where initiatives have been taken reflecting local contexts such as collaborative and support structures that can build on YG and other nationally-driven policies.
Tackling the problem of NEETS remains a concern in all the case study areas and it is apparent that none have yet been wholly successful with policies aimed at this group. A significant problem with NEETs is that they are not a homogeneous group and are often difficult to identify and engage with. In many areas the main NEET problem appears to be centred on the 16-18-year olds, though providing precise numbers is problematic. In Leeds (UK) for example, the responsibility for tackling NEETs in this age group rests with local authorities who freely admit that they have great difficulty in identifying them once they have left school. In Gdańsk (PL) tackling NEETs has been a key part of the local strategy, though because of the compulsory requirement to remain in education or training to age 18, most of the NEETs are over 18 and aged up to 29 in the somewhat generous definition of youth that applies in Poland.

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. In Leeds (UK), for example, employers are central to the development of policy through structures such as the employer-led Local Enterprise Partnership which has a wide remit that economic development, tackling skills shortages and reducing unemployment and inactivity. Employers are also key to the implementation of the various measures introduced locally to help young people into the labour market, and much of this involvement by employers is voluntary so by comparison with other countries, the level of funding is low. In Blagoevgrad (BG), a relatively small area with a low base of employment, the engagement of employers is mostly done through special events such as "employer days" and jobs fairs aimed at bringing employers with vacancies in direct touch with jobseekers and with some considerable success.

3.4 Case study vignettes

The full case studies will form an annex to the main report with short summaries (vignettes) of some of the key points set out in the body of the main report and referred to as appropriate. Two such vignettes (for Leeds (UK) and Hamburg (DE) are included below for illustrative purposes.

These case study summarisations can be further elaborated for the purpose of publication in the final report, including made more visually attractive and colourful for the purpose of separate dissemination (e.g. via Twitter or other social media) as an output of this applied research. The detailed case study reports upon which these vignettes are built can be found in Annex 2 of this report.
Case Study Vignettes
1: Leeds City Region (United Kingdom)

Spatial characteristics
Leeds City Region (LCR) is in Yorkshire in northern England and includes nine NUTS 3 areas (i.e. Bradford, Craven, Calderdale, Harrogate, Kirklees, Leeds, Selby, Wakefield and York). Of these, Bradford and Leeds are major cities, with Leeds the de facto capital of the Yorkshire region.

Key indicators
Currently the resident population is 3.1 million with an employment rate of 73.7 % and unemployment rate of 4.3 %. Youth unemployment is 9.0 %. Across the ten local authority areas there are large variations in employment and unemployment with the more deprived areas registering much more than the LCR average.

Development of youth unemployment
Over 2004-2017 youth unemployment (16-24) in the LCR peaked at 23.5 % in 2012 due to the Great Recession. This fell to 11.6 % in 2017. The 16-19s were worst affected with a peak rate of 42.9 % falling to 16.7 %. The 20-24s reached at 18.5 % falling to 11.6 %.

Policy challenges related to youth unemployment
The effects of the low economic activity caused by the recession were exacerbated for young people by low educational attainment, lack of skills and employer reluctance to take on young people.

Key policy initiatives
A raft of related initiatives was introduced, focused on four key instruments of policy as follows: Devolved Youth Contract; Talent Match; Headstart; and Apprenticeship Hub. All four initiatives were underpinned by good information, shared between the key players working in the transparent and collaborative framework created.

Local policy effectiveness
Basic requirements were: An effective, trusted and inclusive structure to oversee activities; Employer commitment; Existing infrastructures complementary to any local initiatives; and Raising awareness among all stakeholders.

Overview
The policy approach has achieved a good balance in what is possible to help young people through a structural approach, with collaborative bodies and shared responsibilities, with targeted policies to help young people at various degrees of remoteness from the labour market.

Transferability issues
Common elements likely to be transferable include: One inclusive body coordinating activities that is influential and trusted; Some devolved funding available which can be used flexibly; and Culture of effective employer involvement in local structures.
Case Study Vignettes

2: Hamburg (Germany)

Spatial characteristics

Hamburg is a federal city-state in Northern Germany with a relatively high level of municipal autonomy and comprises seven districts with a status like local authorities responsible for their own planning. Within the city-state there are elements of NUTS 1, 2 and 3.

Key indicators

The current population is 1.88 million making it the second largest city in Germany. The employment rate is 61.9% and unemployment 6.5%. Youth unemployment (15-24) stands at 5.6% after a peak of 11.5% in 2005.

Development of youth unemployment

Between 2000 and 2017 youth unemployment (aged 15-24) peaked at 11.5% in 2005 before falling back to 5.6% in 2017. The 20-24s were worst affected with a peak unemployment rate of 12.1% compared to 11.5% for the 15-19s. During the Great Recession unemployment reached 8.2% in 2009.

Policy challenges related to youth unemployment

Youth employment is shaped by the dual VET system. Choices made between attending upper school or starting a vocational track after the 10th grade are important, but transition may not be always smooth for reasons such as: Low academic performance; lack of information; or social problems. (Then follow this up with something like "Youth-related labour market policies are required to ensure a smoother adaptation", which leads on to the next paragraph).

Key policy initiatives

Hamburg tested the Youth Employment Agency (YEA) initiative involving cooperation between stakeholders and jurisdictions of different Social Codes under one roof. In 2012 a coalition of different public service providers began collaborating to support youth by providing: Guidance concerning VET, study or employment; Entitlement to benefits; Assistance in overcoming social or educational problems.

Local policy effectiveness

The key ingredients of policy effectiveness include: Mandatory professional guidance and early job orientation; Pooling of services in a one-stop-shop; Systematic cooperation between the key players; Reduction in the layers of support and redundant structures; and Cooperation with schools and youth services.

Overview

The successful approach hinges on the collaboration between key stakeholders to identify young people at risk of unemployment and becoming NEETs and intervening early to provide employment or learning solutions.

Transferability issues

The transferable qualities of the approach include: Early intervention and registration of young people; Cooperation between partners and counselling networks; and Dualization of classroom instruction and company-based training.
4  Policy recommendations and proposals for further analysis

4.1  Strategy for the production of policy recommendations

As detailed in the introduction to this report, the delays caused by difficulties encountered collecting data have led to an overall delay in the data analysis which was the means towards identifying and producing evidence-based policy recommendations in the present research work. In order to avoid providing non-founded recommendations, we choose instead focus on proposals for further analysis which could be identified at this stage.

Baseline recommendations which can be issued before the analysis is undertaken remain:

- The setting-up of additional financial instruments, to be fully integrated into the ESF programming framework (with the aim to provide targeted support to the EU regions worst affected by youth unemployment)
- The use of “delta-factors”, i.e. allowing targeted thematic reprogramming to provide a flexibility to policy action where and when it is needed
- A better targeting of specific (sub-)populations
- A better targeting of specific (sub-)areas
- Rethinking the youth unemployment issue from a middle and long-term perspective in the light of regional technological transformation and regional resiliency.

We retain the process of production for policy recommendations designed in the interim report and summarised in Figure 7 below. This process will be applied as soon as accurate mapping and full typologisation of regions can be conducted, providing the research team with a solid evidence base on which to build the policy recommendations in question.
Figure 7: Policy recommendations – process and presentation

1. Sources (outputs of earlier research tasks)
   - Mapping of regional YU patterns
   - Typology of youth unemployment regions
   - Observations, causes and consequences, sources of influence, lessons learned about YU from different territorial perspectives
   - Good practices in combating YU in different types of regions

2. Policy analysis
   - Further literature review, Qualitative analysis, Quasi-Delphi, Categorization of evidences and policy lessons and their effectiveness in combating YU

3. Policy implications and recommendations
   - Review of policies and instruments effectively supporting resilience to YU and not effectively supporting resilience to YU

<table>
<thead>
<tr>
<th>Policy finding / Instrument / Initiative description</th>
<th>Employment policy domain</th>
<th>Employment policy level</th>
<th>Applicability to categories of regions with different YU resilience</th>
<th>Recommendations for Cohesion Policy instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boosting demand for labour</td>
<td>Enhancing labour and skills supply</td>
<td>EU</td>
<td>[categories to be defined under task 2 – typology of European regions with respect to coping with YU, established with reference to ESPON typology of regions as applicable]</td>
<td>[including anti-YU measures in OPs, specific measures under YEI/YGIPs?]</td>
</tr>
<tr>
<td>Enhancing labour and skills supply</td>
<td>Better functioning of labour markets</td>
<td>Member States</td>
<td>descriptive</td>
<td>descriptive</td>
</tr>
<tr>
<td>Better functioning of labour markets</td>
<td>Fairness, combating poverty, equal opportunities</td>
<td>Regions/Localities</td>
<td></td>
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</table>

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BCD X X
4.2 Recent findings and publications with influence on policy recommendations

While the literature review conducted as a means of collecting qualitative evidence for the causes and effects of youth unemployment, and summarised in Chapter 2 of this report, covers all relevant publications in the domain, the labour market research landscape is constantly developing and in producing policy recommendations, it is important to keep track of the most recent developments. Therefore, in adding to the findings presented in the Interim Report of this research activity, we include below two 2019 publications which must by their nature influence the policy recommendations to be issued under this applied research, summarising their implications for the field of youth unemployment research.

A. The report that launched a hundred gig economy theories – and its retraction

In the respect of labour market trends, the study focuses on incorporating new findings and publications into the already-performed desk research in order to ensure the facts presented by this study are current and relevant to the reader. One such point of interest is the fact that, in early 2019, Alan Krueger and Larry Katz have jointly retracted the findings of their famous 2016 study on the rise of the gig economy. This study has influenced policy-makers worldwide and reverberated across the scientific community, leading many researchers to try to analyse data and, in the case of EU researchers, explore the possibility of this apparent gig economy boom in the European regions and provide a cost-benefit estimation of its potential impact. The estimates provided by the two American researchers equated gig work with full-time employment, however this does not reflect the goal of creating “decent jobs” which is at the forefront of EU labour market policy.

However, it now appears that Krueger and Katz relied on erroneous data which completely skewed their findings. The survey used to collect data in 2015, which was compared to pre-2000 and 2005 survey findings, proved to be different from the original survey used, to the point that the data collected should not have been considered comparable. Failing to spot this error, which appeared to indicate the number of persons relying on gig economy had more than doubled in ten years and was rising sharply, led to the two researchers concluding that the gig economy would rise to incredibly high levels in the American labour market. This however is not the case, and the misinterpretation can be blamed mostly on poorly used definitions and misinterpretations of available data.

The error remained unspotted for just a little over two years and had a visible influence on labour market researchers and policy makers, who struggled to catch up with and analyse this seemingly overbearing trend. The nature of the findings – pointing to accelerated change in a labour market already facing changes brought on by rapidly evolving technology and robotization, not to mention demographic and social changes and globalisation, has served to

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amplify its message and, as policy makers and the general public all had the confirmation bias of previous reports on (more realistic) market changes to build on, the credibility of these findings was amplified by context. In the timespan it took to analyse flaws in the methodology and refute the report’s claims, its message was already ingrained in popular culture. As of the publication of this report, adapting to the platform economy remains at the top of the labour market policy agenda for many policy makers. This is, of course, still a necessary and useful policy direction to further, but it may be less relevant than it has been made out to be in the last few years.

However, regulating the platform and gig economy remains a pressing concern for policy makers, as this type of work continues to function around the EU regulations regarding decent work, job security, social benefits and other aspects of employment identified as core values in the EU. In order for regional youth employment markets to benefit from this type of employment fully, achieving sustainable labour market integration of young people in decent jobs with full benefits, the gig economy must not only be regulated at EU and national level, but regional authorities must be made aware of the costs and benefits of platform economy jobs in order to enable them to competently assess their sustainability in specific regional labour markets. It is mostly relevant to bring to the attention of policy makers the risks entailed in encouraging unemployed persons from entering the gig economy as a way to exit unemployment, since the lack of the above-mentioned benefits and work security in this field may in fact cancel out the perceived benefits of employment over unemployment, on a social and psychological level. The common narrative surrounding the gig economy has tended towards assuming that particularly young job-seekers prefer it for the flexibility it affords them, but this assumption lacks evidence to date, and as was the case with flexicurity, an early adoption of the system

However, the ambition of an analysis of the potential impact the gig economy can have on YU at regional level is outside of the scope of the present study, therefore assessment of its potential effects will be based on literature review.

B. Youth unemployment, EU and the ILO

Another major actor in the definition of “good jobs” and proposals for reduction of unemployment overall, and youth unemployment in particular, is the International Labour Office. The EU and the ILO have collaborated since 1958, working together both inside and outside of the EU, but their collaboration has significantly intensified immediately after the 2008 crisis, as the two institutions sought to jointly define good employment and, in the wake of the crisis, to avoid a lowering of the quality of employment in the pursuit of more employment opportunities, particularly for young people just entering the labour force.

In terms of supporting measures to lower youth unemployment, the ILO is particularly active in assisting with achieving efficiently structured public employment services and boosting
vocational training and apprenticeships, including under the Youth Guarantee. It was also invited to consult on the EU 2020 strategy\textsuperscript{10}. Youth unemployment continues to be a major focal point of the EU-ILO cooperation, as highlighted in the conclusions of the 2018 high-level meeting the two institutions hold every year.\textsuperscript{11}

Youth unemployment has also been a major topic in the ILO report “Future of Work”, published on 22 January 2019 as part of the ILO’s centenary celebration. The report is based on the research conducted by a global commission working on the subject starting from 2017, and is accompanied by several research and working papers on different aspects of the future of work, in Europe and world-wide. The report covers such themes as the “future of work transition”, or adapting to the ever-changing labour market, a topic directly linked to young persons experiencing difficulties entering the labour market as their education and training was not linked to employment demands, or not updated to respond to technological or social change.

Building paths to the labour market and facilitating school-to-work transition is one of the major requirements for improvements this report highlights. While it may appear that the provision of support to adapting to new technology and labour market trends would be more necessary for older jobseekers, in practice young persons are just as much dependent on current approaches to finding employment, and the education system fails them in terms of preparing them for real employment conditions, which leads to the need to both update the education system – in content and approach to learning - and encourage life-long-learning among all age-groups, including youth just leaving education.

Another major theme of the report is that of human-centric employment and the need to focus all labour market policy on building a welcoming society and a system which does not leave anyone behind. In EU terminology, this is referred to as social inclusion, one of the major tenements of DG EMPL. This overlap is unlikely to be coincidental given the collaboration of the two institutions.

The European Parliament is preparing an EU-perspective report on the future of work, to be published later in 2019, in order to provide support to policy makers in the identification of current labour market trends which may develop either into causes of youth unemployment or potential job sources, depending on the approach to regulating the labour market and the specificities of regional labour markets, as well as the overall awareness of policy makers when it comes to the ever-changing landscape of employment.

\textsuperscript{10} ILO (2018) Response to Consultation on the Europe 2020 Strategy

\textsuperscript{11} Website, link: https://www.ilo.org/brussels/key-documents/WCMS_647798/lang--en/index.htm, last accessed 29.01.2019
4.3 Recommendations for further research to be conducted in the field

As with the development of policy recommendations, this question would benefit strongly from the planned data analysis. As such it will be much better developed in the true final report.

At this stage in the findings, the main labour market-related topics identified which would benefit from being covered by further research at NUTS3 or NUTS2 level, depending on data availability, are following:

1. The variety in quality of jobs at regional level – an analysis of employment quality in European regions, covering such aspects as job stability, employment benefits such as vacation days relative to the legal minimum number of days, work-life balance, income relative to the cost of living in the region, and perceived satisfaction of employees (through case studies or small surveys of NUTS3 regions). This would, of course, aim to provide a set of good practices for regional employment and a map of employment satisfaction and “good jobs” across Europe.

2. Demographic change and its effects on the labour market – a study following demographic change catalysed by natality/mortality and migration across regions in the EU, and the response of employment rates to this change. It could encompass the period 2013-2018, which represents the period after the EU has introduced its latest MS and encompasses the 2015 refugee crisis. This research would provide valuable insight into the effects that demographic changes have on the labour market at regional level, and would circumvent the slight hesitation EU MSs have towards putting out national data which could inflame populistic rhetoric, by publishing regional data without placing focus on nationalist aspects.

3. Platform economy work and other forms of remote work, and their usability for regional labour markets – this study would aim to provide a critical view, and perhaps a cost-benefit analysis, of remote work and platform jobs to particularly geographically isolated regions.

Youth unemployment is directly linked to precarious employment and low-quality jobs, as post-crisis more and more employers have been put in the position of offering contract work rather than full-time employment, particularly to entry-level workers with fewer options than experienced jobseekers. Platform jobs have also emerged as a source of income and an exit from unemployment, but in lacking social benefits and job security, or indeed any guarantee of long-term gainful employment, do not qualify as “good jobs” by EU standards. Recommendations in the regularisation of this type of flexibility in the labour market should not be issued without extensive evidence and cost-benefit analyses, both at EU, at national and at regional levels.
Postscript

As this report was drafted before the analysis of the data could be fully undertaken, it is understood that all findings presented herein can and are likely to be changed and adapted once the findings of the data analysis are available to be included in the report.

In accordance with the research framework, the data analysis forms the main evidence base of this applied research, and will be used to produce separate findings as well as to validate all findings from case studies and literature review.
List of Annexes

Annex 1a: Dataset used for mapping and typologies

Annex 1b: Maps

Annex 2: Case study reports

Annex 3: YUTRENDS draft synthesis report

Annex 4: Web Content

Annex 5: Methodological concerns and foreseen data analysis outcomes
ESPON 2020 – More information

ESPON EGTC
4 rue Erasme, L-1468 Luxembourg - Grand Duchy of Luxembourg
Phone: +352 20 600 280
Email: info@espon.eu
www.espon.eu, Twitter, LinkedIn, YouTube

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