
YOUTH UNEMPLOYMENT IN WESTERN BALKAN COUNTRIES

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Abstract: The high unemployment rate among young population has become a serious problem worldwide, especially after the crisis, and each country explores mechanisms for its solution.

The situation of the youth in the labor market is a phenomenon which is increasing its importance in the European Union countries as well. On the level of youth employment, depends the sustainability of the current system of social protection, primarily the pension system. At the same time, investing in young people is essential in the forming of human capital, as one of the factors for economic and social improvement.

In Western Balkan countries, there are only a few policies that concern young people, and those which exist are established and applied isolated from each other. Despite the many government measures and employment programs for young people, the percent of young people waiting for their job is still high. Furthermore, there are no studies that would exclusively analyze the situation of the youth in the labor market.

Perhaps there is no other region in Europe that is facing with major economic shocks than the Western Balkans, which continues struggling with the decline of the economic activity and the rising unemployment. Although only very few countries in the world have unemployment rates above 25 percents, four of the six countries of Western Balkans now have rates above this percent.

Hence, the purpose of this thesis is to give a comprehensive analysis of the positioning of the youth in the labor market in Western Balkans.

Keywords: South East European countries, labor market, young people, World Bank, undeclared jobs, grey economy.

INTRODUCTION

Today, nearly 25 percent of the youth in the six South East European countries (SEE6) is inactive— not in employment, education, or training. Stubbornly high youth unemployment ranges from 38.8 percent in Montenegro to 54.3 percent in Bosnia and Herzegovina. These problems partly reflect the difficulty the SEE6 has had in recovering from the 2008 global financial crisis, which sent already high youth unemployment soaring.

Economic growth affects employment opportunities for youth more than for adults. While the crisis disproportionately hurts youth, it takes less economic growth to create jobs for youth than for adults in periods of expansion.

Poor labor outcomes also embody deeper structural problems in SEE6, where not only unemployment is high across the board, but labor force participation is low, especially for young women and minorities. Rigid labor regulation constrains opportunities for those entering labor markets, and taxation is relatively higher for low-wage and part-time workers—groups that are disproportionately young—which discourages this type of work.

New SEE6 labor market entrants are not equipped with the skills employers demand. Lack of access to productive inputs and professional connections also worsens their prospects for entrepreneurship as well as employment. Finally, certain cultural norms may narrow employment opportunities for youth, particularly women and members of ethnic minorities; important countervailing policies are to increase access to quality and affordable child care and make efforts over the long term to shift norms to make opportunities more equal.

Addressing the challenges faced by the cyclically unemployed and structurally jobless young people requires tailored policy responses. It is vital to keep youth engaged in the labor market during recessions and build their human capital while the labor market recovers. For the structurally jobless, the policy agenda is deeper; it is necessary to address the disincentives to work and hire youth that are embedded in exclusionary labor regulations and labor taxation; equip new labor entrants with the skills the market needs; and improve their access to productive inputs, such as land, finance, and professional connections.⁹⁹

⁹⁹ Source: South East Europe Regular Economic Report Special Topic Ten Messages About Youth Employment in South East Europe, World Bank (forthcoming) <http://pubdocs.worldbank.org/en/521981474898709744/SEE-RER-Report-Fall-2016.pdf>

YOUTH UNEMPLOYMENT IN THE SIX SOUTH EAST EUROPEAN COUNTRIES

With the exception of Kosovo, the World Bank data base on youth unemployment (ages 15-24) provides interesting information on Balkan countries, which allows inter-country comparisons and trend analyses.

Overall, as reported in Table 1 and illustrated in Chart 1, with rates in the range 29-57%, youth unemployment is quite high in the Balkan countries; it is the lowest in Albania and the highest in Bosnia & Herzegovina. In addition, with the exception of Macedonia, the situation does not really improve between 2011 and 2014. When comparing these countries with their EU neighbors, even if the youth unemployment rate in Albania is significantly lower than in Croatia and Greece, the Balkan countries are definitely confronted with serious unemployment challenges – the Greek case reflects economic conditions resulting from the high level of public debts and subsequent severe adjustments; the high unemployment rate mentioned for Croatia could perhaps be linked to the changes that were made to prepare for EU accession. Such observations are important because they may indicate that becoming an EU member is not necessarily a panacea for addressing or solving quickly unemployment problems.

Table 1: Youth unemployment in Western Balkan countries (1991 – 2014)

Country/year	FYROM ¹⁰⁰	Serbia ¹⁰¹	B&H ¹⁰²	Kosovo ¹⁰³	Montenegro ¹⁰⁴	Albania ¹⁰⁵
1991	52,9%	28,0%	49,7%	/	33,2%	21,3%
1992	52,1%	31,1%	50,4%	/	34,4%	25,9%
1993	50,1%	39,8%	55,2%	/	37,9%	32,6%
1994	55,2%	48,0%	58,2%	/	41,8%	31,9%
1995	53,5%	29,6%	51,8%	/	34,9%	29,5%
1996	61,0%	29,1%	53,3%	/	35,9%	27,8%
1997	61,1%	30,4%	58,4%	/	41,8%	26,3%
1998	71,9%	30,1%	55,1%	/	41,2%	29,2%
1999	62,9%	30,1%	53,5%	/	41,8%	30,1%
2000	59,9%	27,7%	52,0%	/	35,6%	24,6%
2001	56,3%	28,2%	58,0%	/	41,8%	35,5%
2002	58,5%	30,5%	50,2%	77,7%	41,8%	24,3%
2003	65,9%	33,7%	53,7%	74,9%	41,8%	20,5%
2004	65,0%	41,2%	59,6%	66,5%	35,2%	20,7%
2005	62,8%	46,4%	53,6%	70,5%	35,5%	20,6%
2006	59,7%	46,8%	62,5%	75,5%	33,4%	21,3%
2007	57,7%	42,8%	58,5%	70,0%	38,6%	22,3%
2008	56,5%	34,2%	47,7%	73,0%	30,8%	26,5%
2009	55,2%	41,7%	48,7%	73,0%	35,8%	25,2%
2010	53,7%	45,5%	57,2%	/	46,0%	25,8%
2011	55,4%	50,4%	57,1%	/	37,2%	27,0%
2012	53,8%	50,6%	61,7%	55,3%	41,3%	28,3%
2013	51,8%	49,7%	57,4%	/	40,5%	28,7%
2014	50,8%	49,5%	57,5%	/	39,5%	29,2%

Source: <http://data.worldbank.org/>

¹⁰⁰ <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=MK>

¹⁰¹ <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=RS>

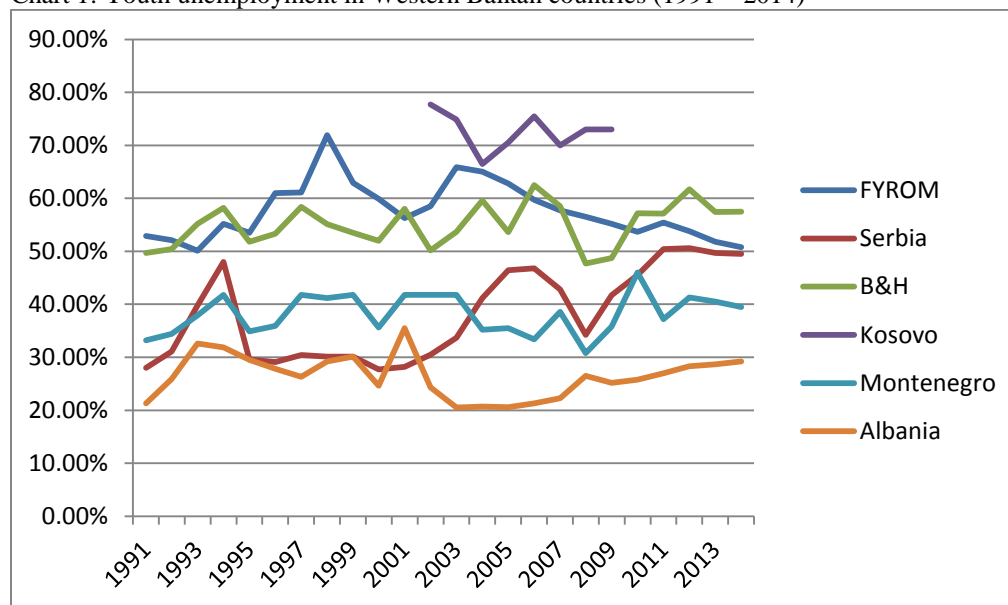
¹⁰² <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=BA>

¹⁰³ <http://data.worldbank.org/indicator/SL.UEM.1524.NE.ZS?locations=XK>

¹⁰⁴ <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=ME>

¹⁰⁵ <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=AL>

Chart 1: Youth unemployment in Western Balkan countries (1991 – 2014)



Source: <http://data.worldbank.org/>

The above figures do not take into account the importance of undeclared jobs in the grey economy and, *de facto*, in all Balkan countries the grey or parallel economy is “flourishing”.

In Albania, grey activities could represent 20% GDP in 2015. With about 30% GDP, Serbia has also a large grey economy. In Macedonia and Bosnia & Herzegovina, the corresponding figures are 25% and 33%, respectively.

Such situations are very damageable for companies operating legally. For instance, in the case of Montenegro, more than 50% of the firms are confronted with unfair competition created by the large informal economy, and the situation does not really improve over time – on the contrary, it seems that it deteriorated sharply after gaining independence.

The grey economy certainly contributes to the lowering of unemployment. However, it must be reduced for obvious reasons: it may correspond to poor and degrading working conditions, with little or no protection for the workers; it represents a lack of tax revenue for the state; children may also be abused when they are employed and there might be negative impacts on the environment.

Given the size of the grey economy in the Balkan countries, reported rates of youth unemployment should perhaps be adjusted downward.

Nevertheless, whatever the actual (high) level of unemployment, existing policies do not seem to have huge impacts and, as stressed in a recent public opinion survey, more could be done to address unemployment; for that purpose, it should be positioned higher in the agenda of politicians and be perceived as one of the top priorities by policy-makers.

Considering external support to the region, especially from the EU, it could focus more on seasonal jobs and internships in the EU member countries.

Referring to the experience of German speaking countries (namely Austria, Germany and Switzerland), vocational education and training should be developed further because of its positive impacts on employability. In addition, the role of the SSE should be properly assessed and enhanced to better integrate the youth and reduce the risks of marginalization.¹⁰⁶

CONCLUSION

Nowadays data show that the potential of young people is not used in the six South East European countries and that the young people are one of the most vulnerable group in the labor market in those countries.

Internships should be encouraged as an opportunity for the young people to gain some practical work experience and to be able to bridge the transition from education to the labor market. Therefore, there must be guaranteed minimum decent conditions for internships engagement.

¹⁰⁶ <https://europeanwesternbalkans.com/2016/07/19/addressing-youth-unemployment-in-the-balkans/>

There need to be combined various activation measures and policies on social protection to ensure the youth autonomy and equal position of the young people in the labor market.

The introduction of flexible working arrangements, combined with adequate support by the social system, contributes to fostering employment and ensuring decent working conditions.

Multiple exchanges between the education and labor market throughout the lifecycle should be allowed, as well as to recognize the skills acquired in the non-formal education.

Young people should benefit from their abroad experiences and therefore the youth mobility has to be promoted, especially that in European countries.

REFERENCES

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