



Vienna, 21 October 2013
Policy Dialogue on Youth in the Western Balkans,
the Vienna Institute for International Economic Studies,
the World Bank, and
the Global Development Network

JOBS FOR YOUTH: HOW THE BALKAN COUNTRIES COMPARE?

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OECD and Balkan labour markets compared: **Key similarities**

Very high youth unemployment rates: OECD average at 16.1%; EU-28 average 22.9% -- with peaks to 61.5% in Greece, 56% in Spain and 40.1% in Italy, and lying between 30% and 40% in Portugal and Slovak Republic -- Albania, 24%; Bosnia & Herzegovina 57%; Croatia, 43%; Macedonia 54%; Serbia, 51%

And much higher than among adult workers: in both Balkan countries and most OECD countries youth unemployment between 2 and 4 times higher than adult unemployment

Strengthening demand for high education: Tertiary enrolment rates have increased in both Balkan and OECD countries: from 16% at the end of the 1990s in Albania to about 44% (latest value); Montenegro from 17% to 48%; Croatia from 30% to 54%; Macedonia from 22% to 39%. Still, the gap with the OECD remains wide: OECD average from 49% in 2000 to 66% in 2010. *Interestingly, enrolment rates are higher for women than for men in both Balkan and OECD countries*

Very limited fiscal space: looking forward, very limited job prospects for youth can be expected to stem from the public sector



OECD and Balkan labour markets compared: **Key differences**

Demography: Youth as a % of total population = 13.4% for the OECD average and 12% for the EU average (10% in both Italy and Japan); the share is somewhat higher in a number of Balkan countries: Albania, 18%; Macedonia, 15.4% and Bosnia & Herzegovina, 14.7%

Activity: Youth Labour force participation as a % of youth population = 47% for the OECD average and 42.5% for the EU average; it ranges between 30% and 34% in Serbia, Croatia, Macedonia, Romania, Bulgaria and Bosnia & Herzegovina. Gender differences stronger in the Balkan countries than in OECD

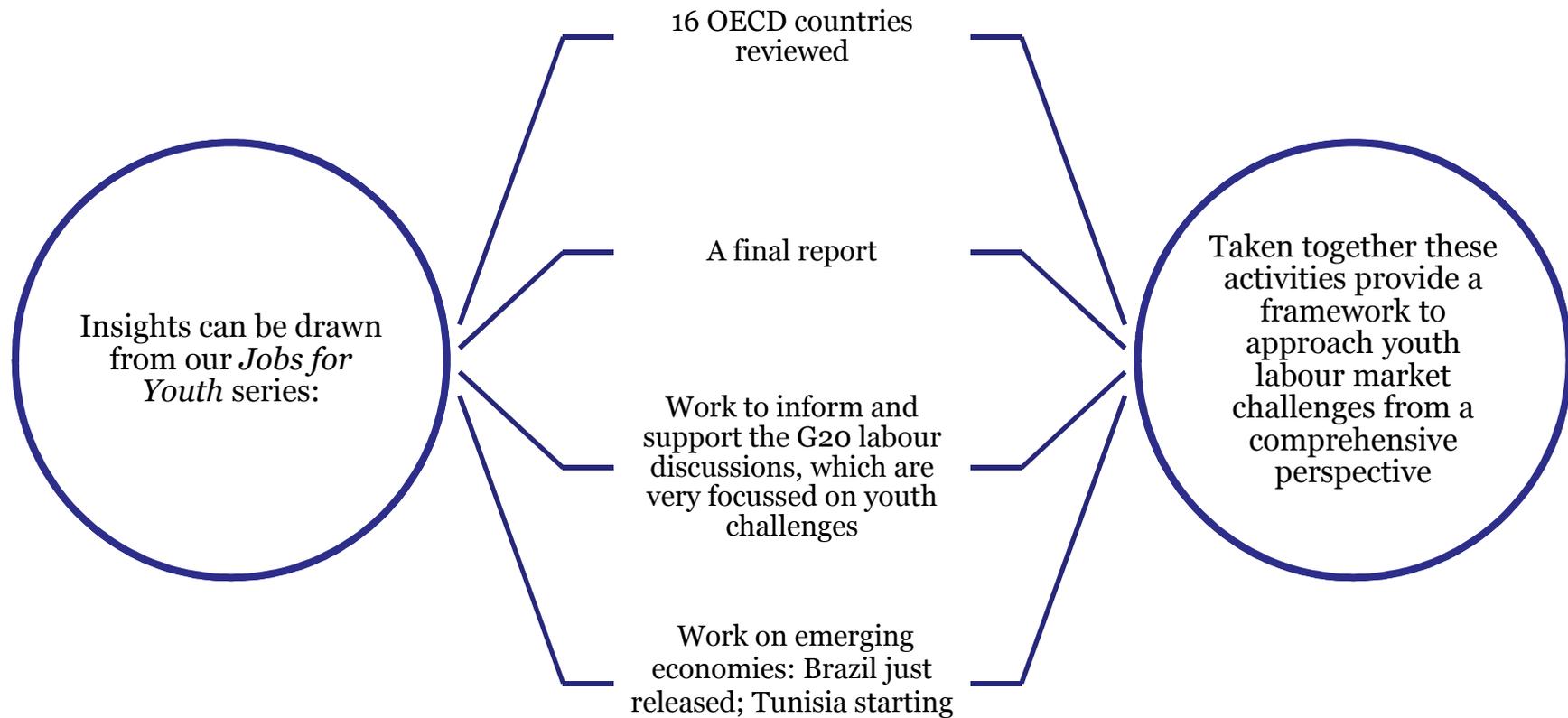
Unemployment rates among educated population: 8% for OECD average; 9.7% for the EU average; 11.7% in Bulgaria; 17.8% in Croatia; 29.9% in Bosnia & Herzegovina; 31.4% in Macedonia

Informality self employment: Much greater prevalence in Balkan countries

Propensity to work in the public sector: Much stronger in Balkan countries

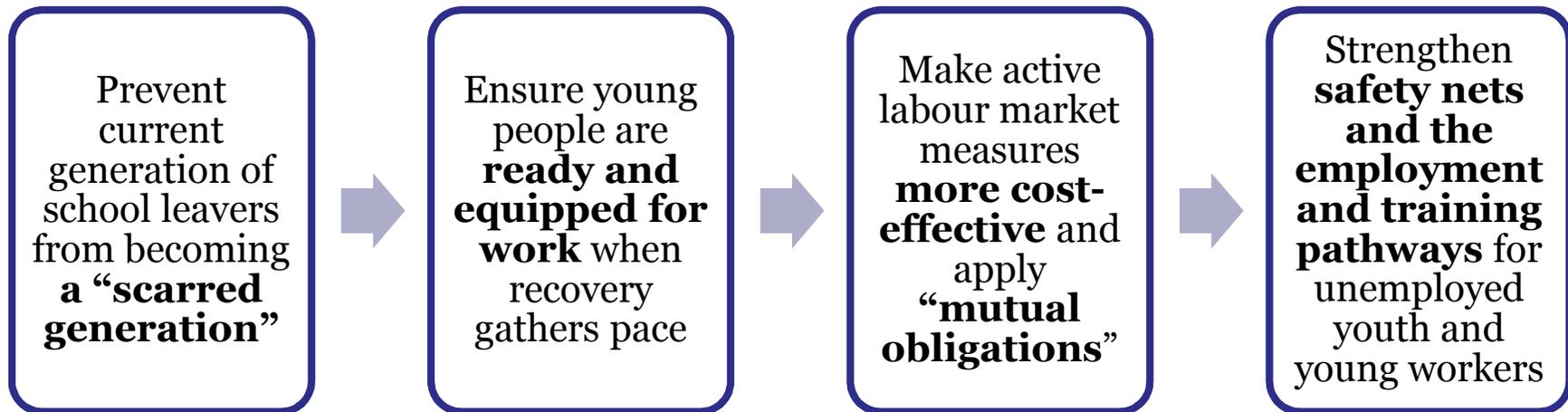


What lessons can be drawn from OECD's works on youth





Key short term challenges





Structural issues # 1

Ensure that everyone leaving the education system has the skills needed on the labour market

(e.g. basic “qualifications guarantee” up to a given age, strengthen apprenticeships targeted at low-skilled youth and young immigrants and promote second-chance learning opportunities for school drop-outs)

Make the transition from school to work less abrupt

(e.g. more opportunities to work while studying and compulsory internships at university)



Structural issues # 2

Address labour market duality; the tricky challenge of:

- Rebalancing employment protection between **regular** and **non-regular** workers, while at the same time...
- ...granting adequate income support for job losers, and...
- ...ensuring effective activation strategies to enable job losers to find a new job quickly.

Reforms to meet these challenges have been introduced recently in **Greece, Italy, Portugal and Spain**

- Main focus is on reducing regulation on permanent contracts, *e.g.*, reduction in up-front severance costs (GRC, PRT) and compensation for unfair dismissal (PRT, ESP, ITA); expansion of definition of fair dismissal (PRT, ESP), alongside improvements in functioning of courts (ESP, ITA) should allow firms to more easily make dismissals for economic reasons
- GRC and ESP extended the trial period for new hires, likely to be an important measure for encouraging hiring of youth
- Different approaches to the gap between temporary and permanent workers: GRC and PRT also reduced regulation on temporary contracts, while ESP and ITA increased it
- GRC, PRT and ESP also reduced scope, cost or complexity of collective dismissals



Addressing labour market duality is only part of the solution...

Raising job quality also requires specific measures to tackle informality. Where to look?

Depending upon local circumstances, candidate areas are:

- *Review the employment protection legislation:* Shifting the focus from job security to supporting job search and workers' employability could help the expansion of formal employment
- *Review the unemployment insurance system:* A broad-based UI system increases the incentives to work in the formal sector
- *Keep minimum wage policies in check:* If set too high they could encourage the hiring of low-skilled workers on an informal basis (the option of sub-minimum wage practices: *e.g.*, Germany and the UK);
- *Allocate more resources to enforcement:* *e.g.* increase number of inspectors, increase fines for breaches of labour regulations.



Sound apprenticeship systems can provide multiple dividends

Apprenticeship training and other dual vocational education programmes are **efficient school-to-work pathways**, particularly for secondary students.



They yield multiple dividends:

- lowering labour costs for the employer (**cost effect**) combined with a training commitment from the employer which yields a valued qualification on the labour market (**skill effect**)
- securing the transition towards employment for the apprentice (**stepping-stone effect**) with a small wage progressing with age and duration of contract (**income effect**)



The challenge of securing adequate resources for social policy but also of “doing more with less”

Fiscal pressures on social programmes are substantial in many OECD countries, given their large weight of public social spending on GDP (about 22% on average and increasing in the crisis)

But social policies are essential for cushioning the damaging effects of the crisis, and for supporting self-sufficiency

They also maintain and stabilise demand for goods and services, which strengthens growth and future employment gains

To be effective, policies should account, as much as possible, for the circumstances of jobless individuals and other vulnerable groups

Although fiscal challenges constrain the room for manoeuvre, maintaining adequate funding for employment-friendly social policies can contribute to a stronger and a more job-rich recovery

Youth need to be actively supported to avoid long-term “scarring” effects



Summing up: Countries face both immediate and long-term issues

Some OECD countries have acted swiftly during the crisis, including by **scaling up resources for youth programmes**

But keep the momentum to provide adequate resources for cost-effective youth measures over the long-term

Actions are needed to prevent **most school-leavers** from being trapped in long spells of unemployment

Keep a focus on **hard-core group** cumulating disadvantages and at high risk of long-term unemployment and inactivity

Support should not only be targeted to hard core group but also **geared towards activation**

Crucial that governments tackle the **structural barriers** this hard-core group faces in **education** and in the **labour market**



No one-fits-all solution to youth challenges

Question: Which policy options can be expected to fit the Balkans circumstances better?

Background note provides many useful insights



Thank you!

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