

# Youth Employment in Western Balkans: *Any lessons from the EU?*

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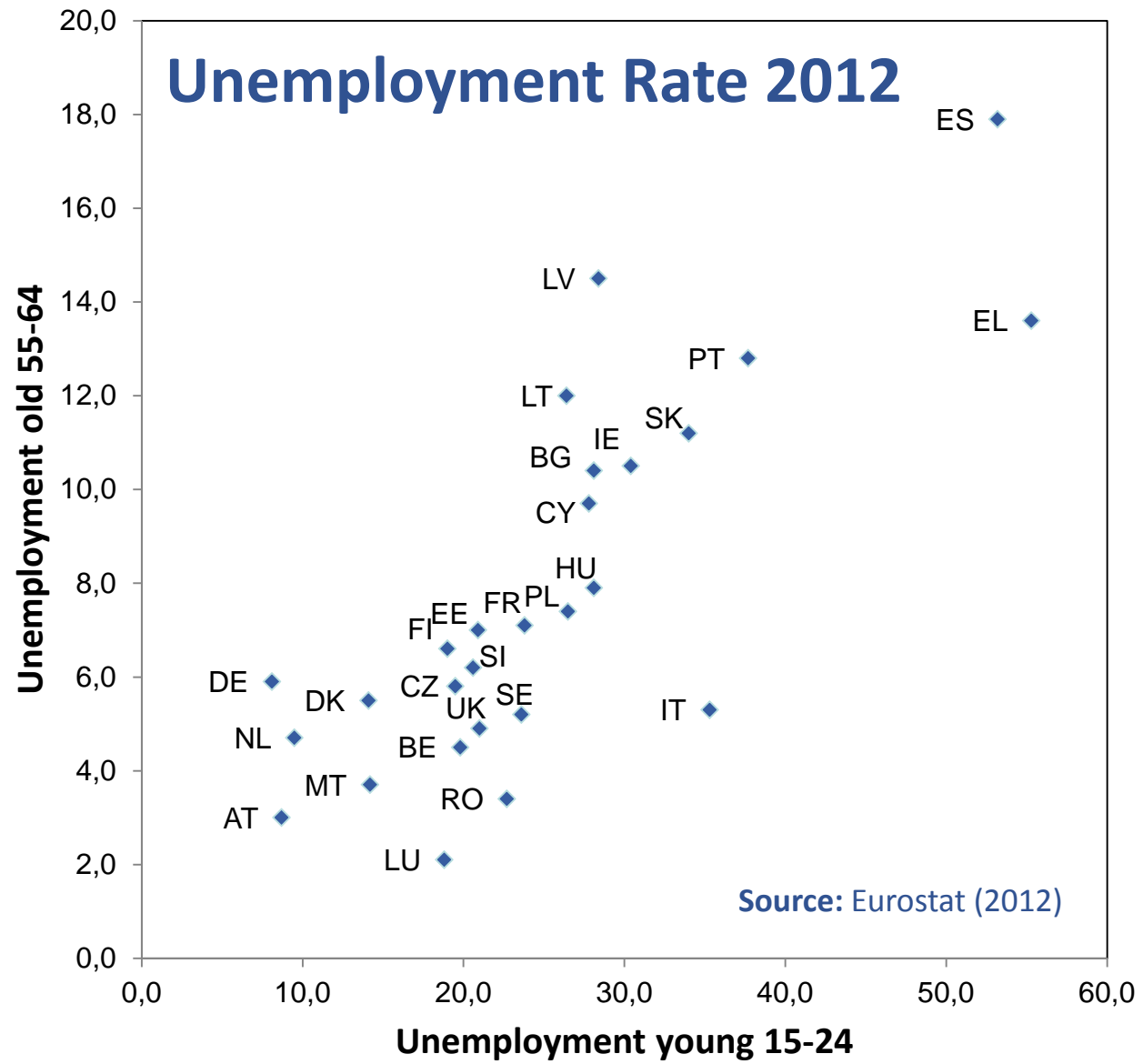
Central European Labour Studies Institute, Bratislava

# Two themes

- **Old workers – young workers: Any trade offs?**
- **Young workers and mobility: Exit or a way forward?**

# Young vs. Old Workers

- **Adverse demography necessitates retention of older workers and efficient entry of the youth**
- **Young workers more fragile labor force during the crisis. Hit hard especially if strong protection of regular employment combined with low legal barriers to the use of temporary contracts.**
- **Employment of older workers more resilient, mainly due to the withdrawal of early retirement as well as a more stable employment position (insiders)**
- **Interesting: Incentives to retire early or move into long-term unemployment benefit have been reduced, early retirement not facilitated as during previous crises**



# Do Old Workers Take Youth's Jobs?

- **Lump of labor rejected (Gruber and Wise, 2010; Kalwij et al, 2010):**
  - **Except some competition in stagnant firms or sectors with little mobility, ie severe duality of youth and prime-age or older workers' labour markets.**
  - **During a crisis retention of older workers might temporarily increase unemployment (but not necessarily for the young).**
  - **In the long-run, delayed retirement increases size of the economy and the total number of jobs for all ages**
  - **Young and old workers cannot readily substitute each other in most sectors – differences in e.g. skills or tenure**
  - **Early exit of elderly workers aggravates the labour market situation of young individuals.**
- **Policy perspective: Early retirement not helpful nor necessary**<sub>5</sub>

# Youth Mobility: Exit or a Way Forward?

- **Western Balkans exhibit high migration rates. Is this a problem, or a part of a success story?**
- **Out-migration may limit the economic potential of the sending countries**
  - **brain drain, innovation loss**
  - **demographic risks and a challenge for public finance**
- **But a number of potential benefits**
  - **adjustment to economic shocks**
  - **remittances**
  - **brain gain**
  - **trade and business ties**
  - **diasporas**

# Lessons from post enlargement migration

- After 2008 migration drifted away from countries and sectors most severely hit by the crisis
- The profile of the typical migrant changed as well
  - Pre 2008: Men in construction in UK and IE, labor market entrants
  - After 2008 Women in domestic care services in AT and DE
- What did this do to the destination economies?
  - Absorbed part of the shock
  - Increased labor supply of native women
- What did this do to the sending countries?
  - Relieved them of slack labor
  - The incidence of females' as breadwinners increased, female/male intrahousehold substitution
  - Remittances continued

# **Any prospects for brain circulation?**

- **Post-enlargement migration primarily temporary (self-reported)**
- **Recent evidence (Kahanec and Zimmermann (eds), forthcoming)**
  - **Brain circulation emerging**
  - **High educated more likely to return**
  - **Returnees more likely to migrate again**
  - **The proportion of potential movers is larger in countries most affected by the crisis.**
- **But:**
  - **Persistent barriers to mobility**
  - **Downskilling**
  - **Difficult transferability of human capita back home**



# Policy reflections I

- **Youth un/employment a key challenge in Europe**
- **Young workers complementary with older workers. Lump of labor is a fallacy**
- **Growth cannot be disconnected from jobs; efficient labor markets lead to growth**

## How?

- **No need to drive out the elderly, to the contrary**
- **Education, education, education: vocational education, continuous retraining and skill updating**
- **More balanced approach to EPL**
- **Mobility**

# Policy reflections II

- **Mobility provides for triple win. Circular migration a vehicle of progress.**
- **Post-enlargement migration contributed to EU's GDP, GDP *per capita*, employment *rate*...**
- **Projections show that liberalization has a temporary moderate effect on flows, simulations show generally positive effects**
- **More liberal regimes promote (efficient) circular migration**
- **We need an effective migration framework.**
- **Free mobility of workers == first-best policy approach.**



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