

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

**Martin Kahanec**

Central European University, Budapest

Institute for the Study of Labor, Bonn

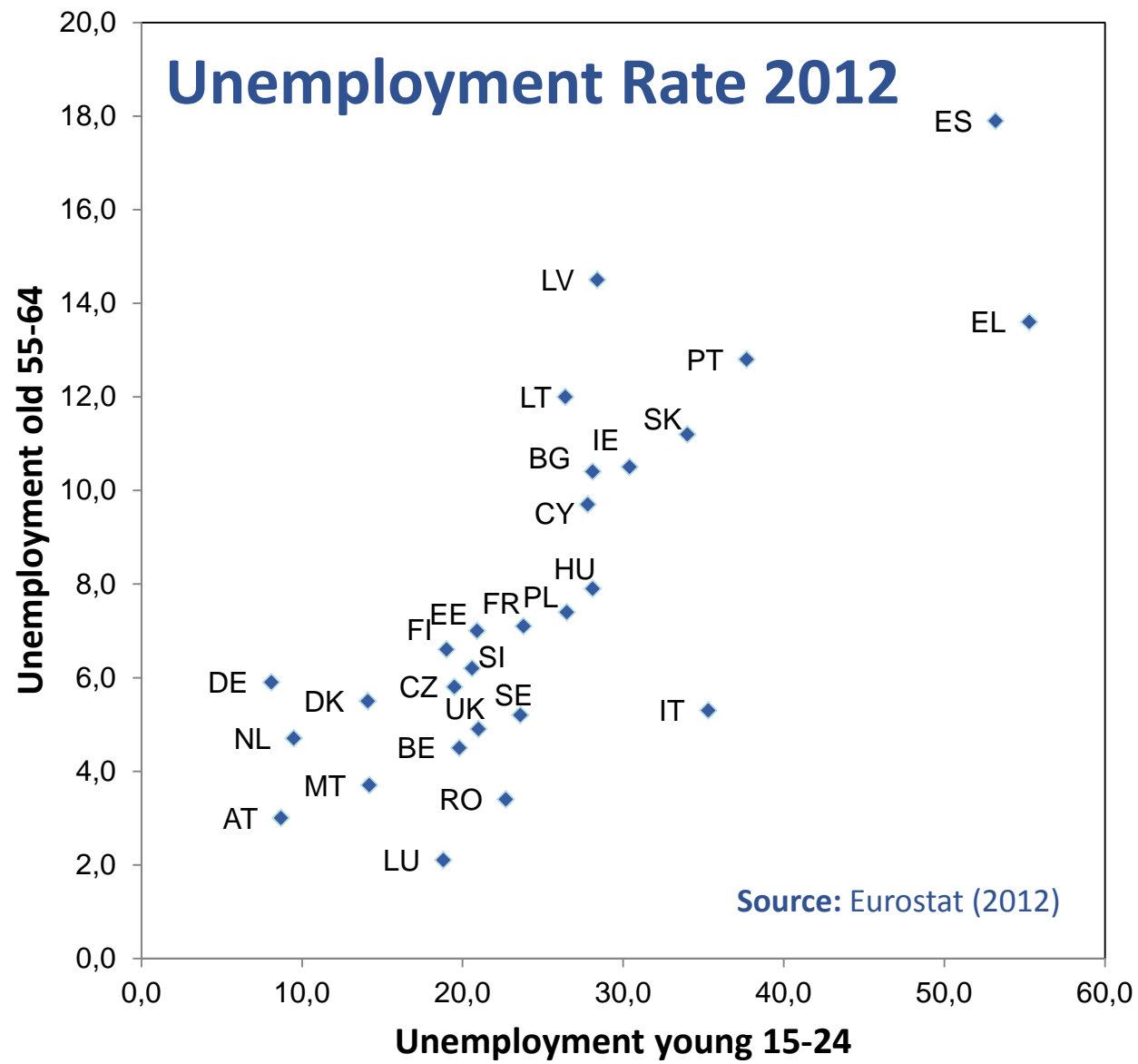
Central European Labour Studies Institute, Bratislava

# 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.



## **Martin Kahanec**

Tel/Fax: +36 1 235 3097

Email: [kahanecm@ceu.hu](mailto:kahanecm@ceu.hu)

Department of Public Policy  
Central European University

Nador utca 9

Budapest 1051

Hungary

**[www.publicpolicy.ceu.hu](http://www.publicpolicy.ceu.hu)**