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# **JOBS FOR YOUTH: HOW THE BALKAN COUNTRIES COMPARE?**

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

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*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**

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*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

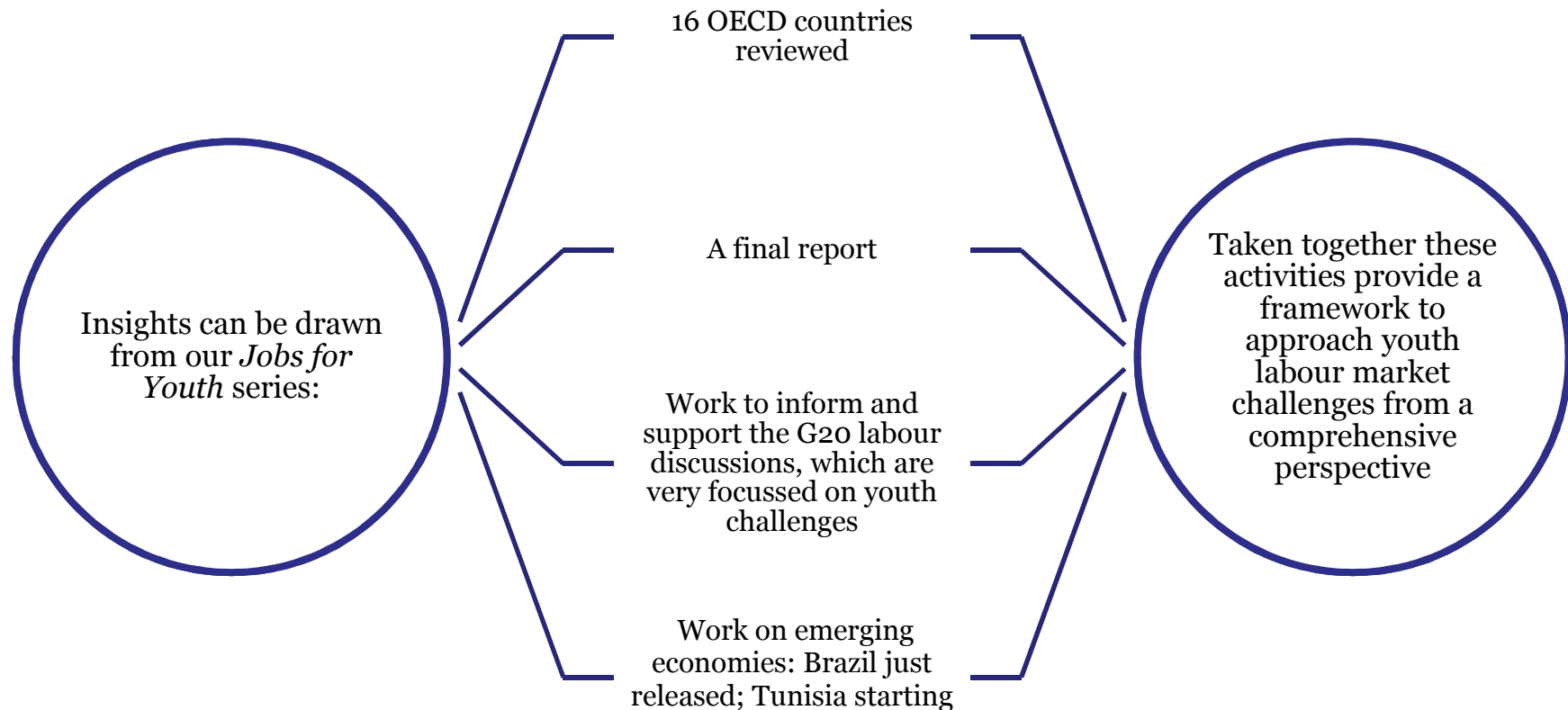
*Unemployment rates among educated population:* 8% for OECD average; 9.7% for the EU average; 11.7% in Bulgaria; 17.8% in Croatia; 29.9% in Bosnia & Herzegovina; 31.4% in Macedonia

*Informality self employment:* Much greater prevalence in Balkan countries

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



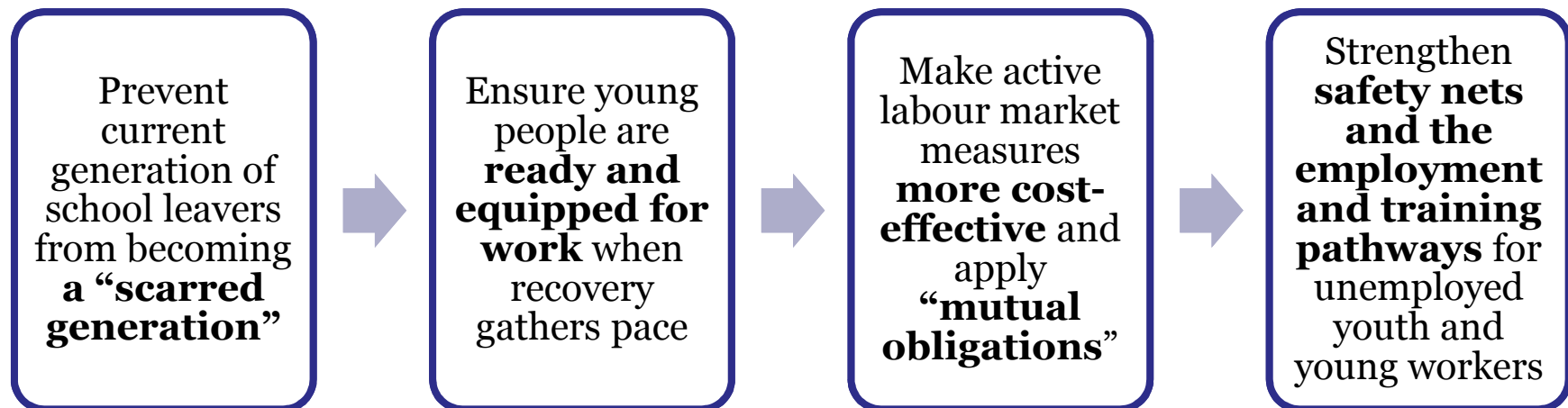
# What lessons can be drawn from OECD's works on youth





## Key short term challenges

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## Structural issues # 1

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**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...

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**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

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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”

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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)

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

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

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

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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

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

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

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

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

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

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

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

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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

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

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Background note provides many useful insights



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**Thank you!**

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