

POLICY DIALOGUE on Jobs Wanted: Youth in Southeast Europe

21 October 2013

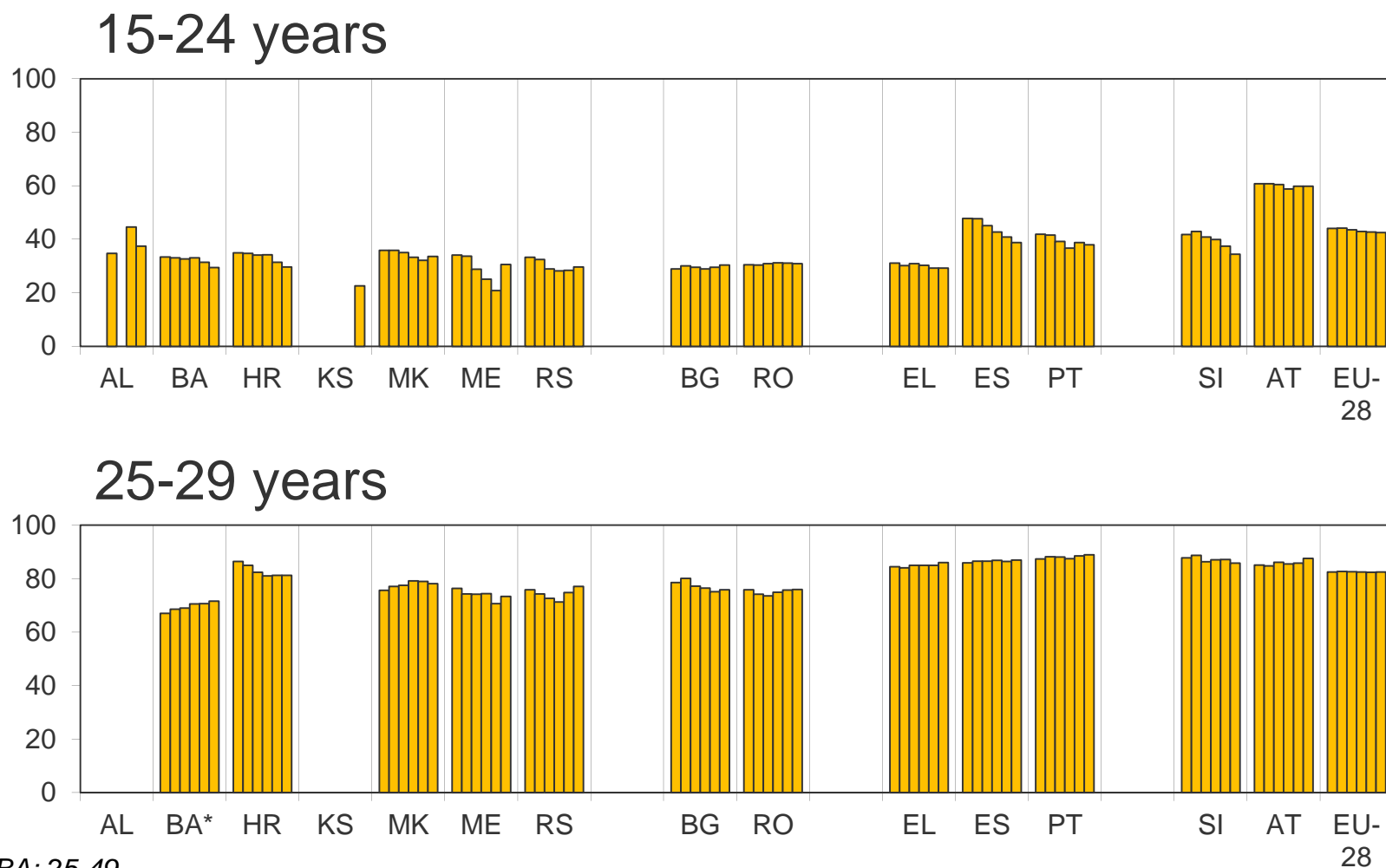
Hard to Enter: Young in SEE Labour Markets

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Topics to be discussed

- Features of the youth labour market
- Policy choices

Activity rates of young persons, 2007-2012



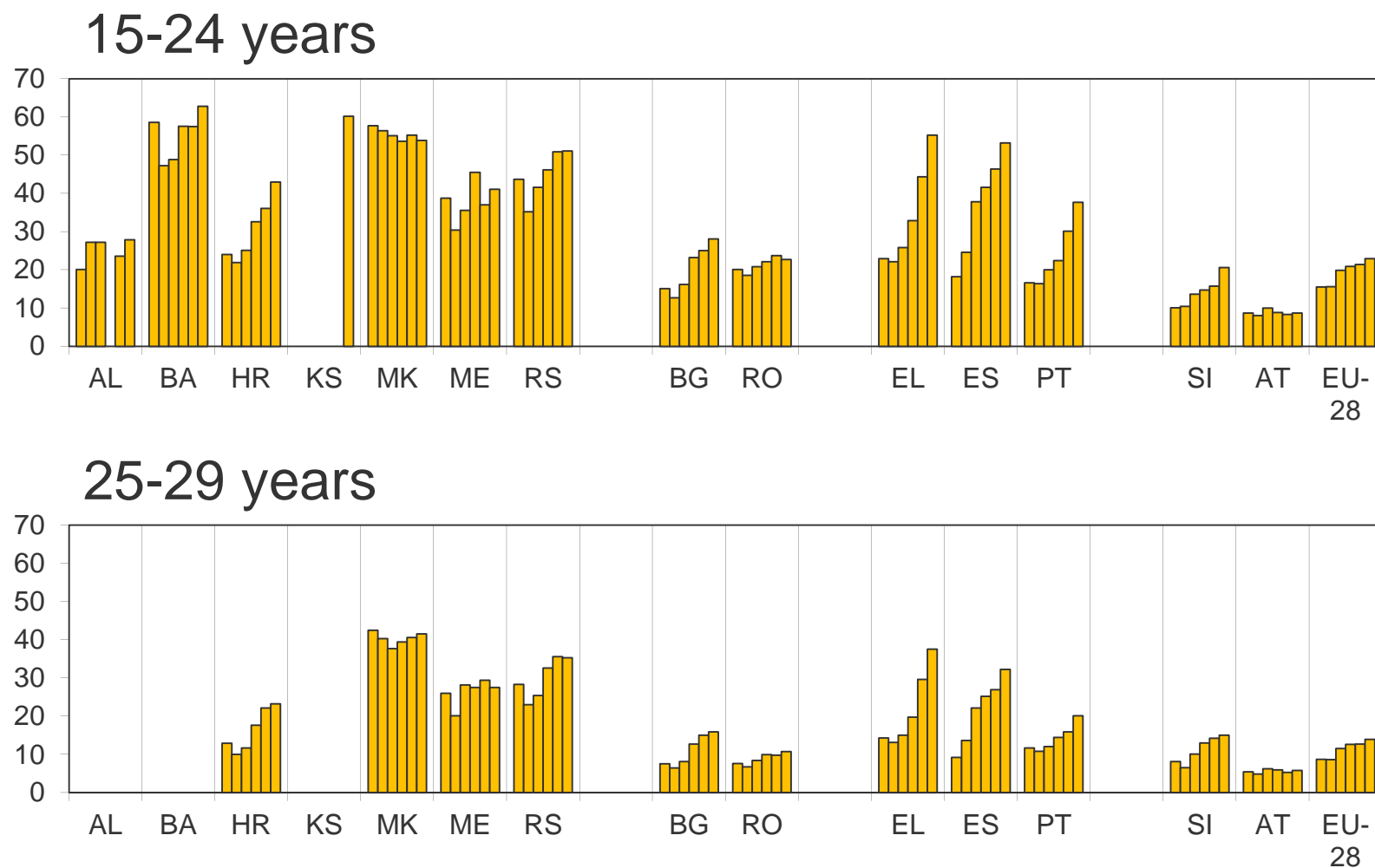
*BA: 25-49.

Source: wiiw Database incorporating national and Eurostat statistics.

Employment characteristics of young people

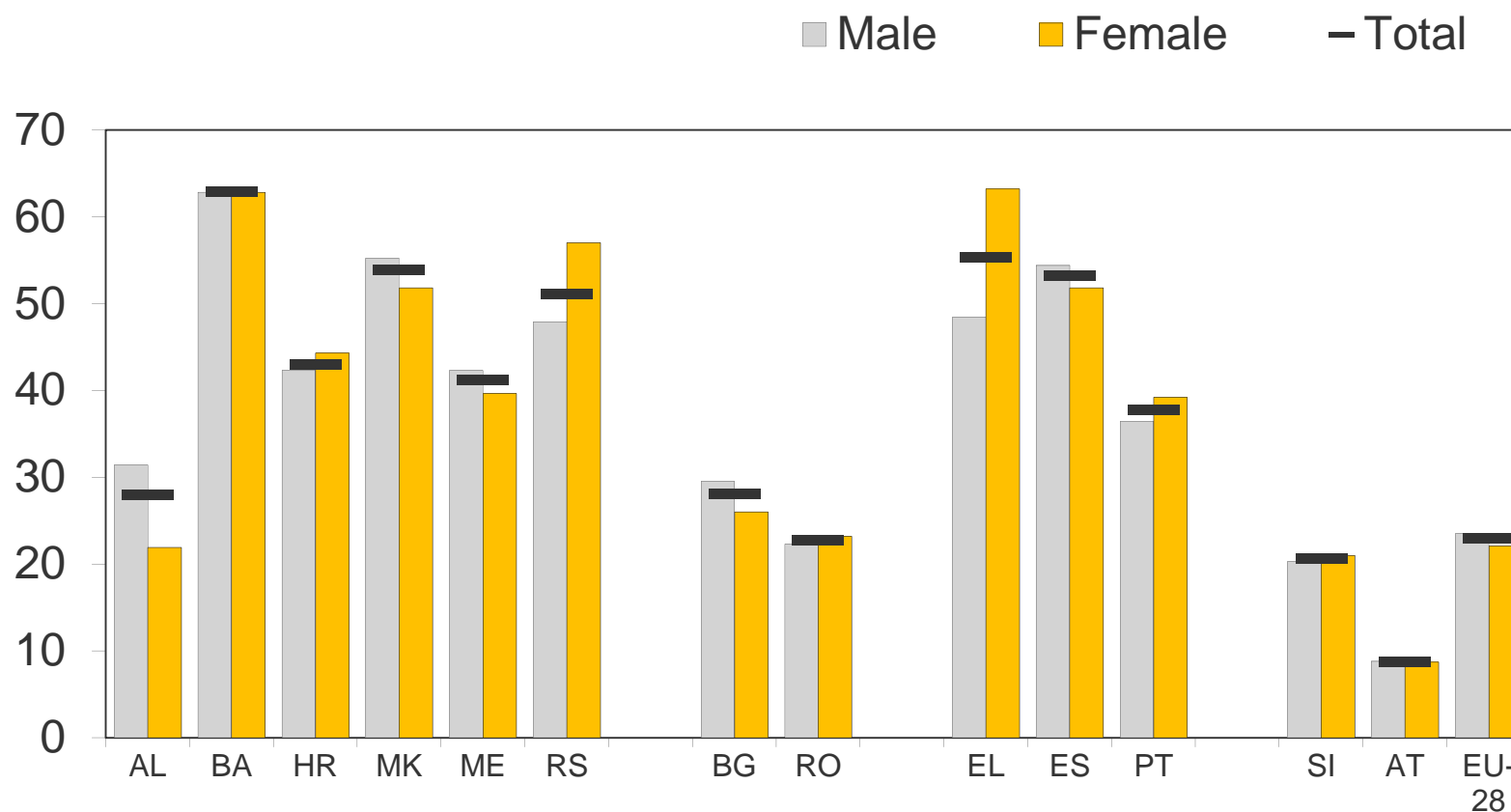
- Youth employment rates are generally low, particularly those for females and those with primary education;
- young people are increasingly engaged in atypical forms of employment; and
- they are more likely than adults to work in the informal sector, accounting for 26.3% in Serbia (17.5% total) and 41.8% in Macedonia (22.5%); since 2008 the share of informally employed young people has fallen more significantly than that of adults.

Youth unemployment rates, 2007-2012



Source: wiiw Database incorporating national and Eurostat statistics.

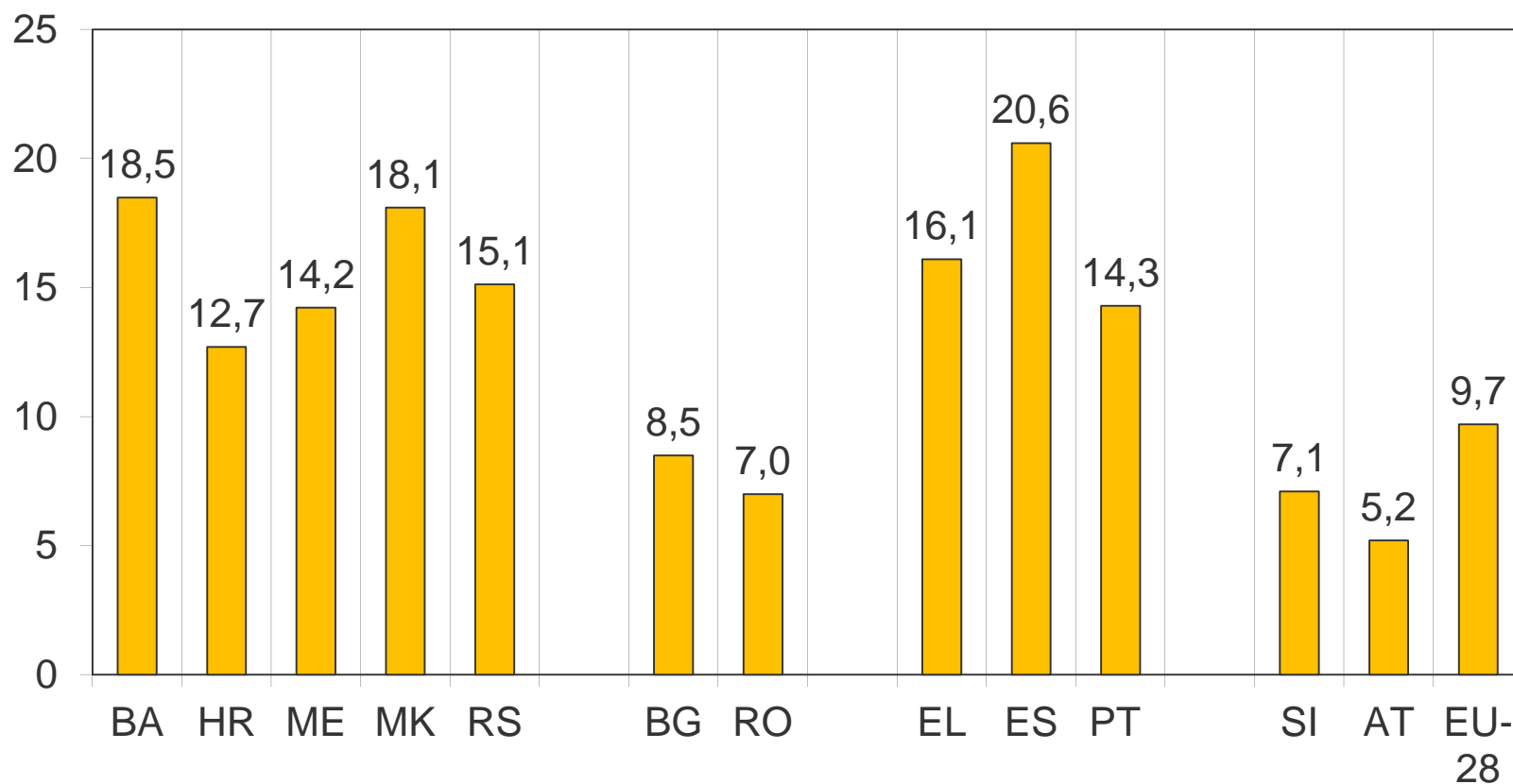
Youth unemployment rates by gender, 2012 (15-24 years)



Source: wiiw Database incorporating national and Eurostat statistics.

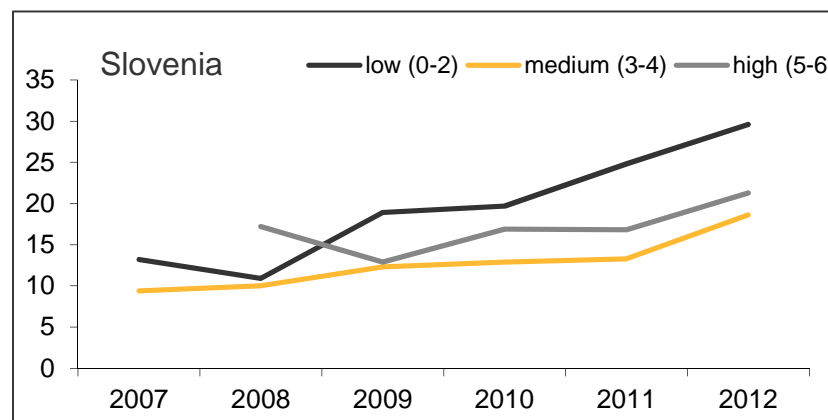
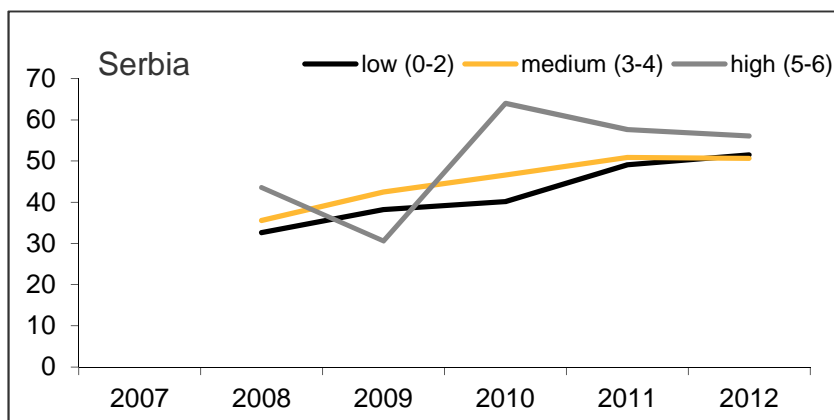
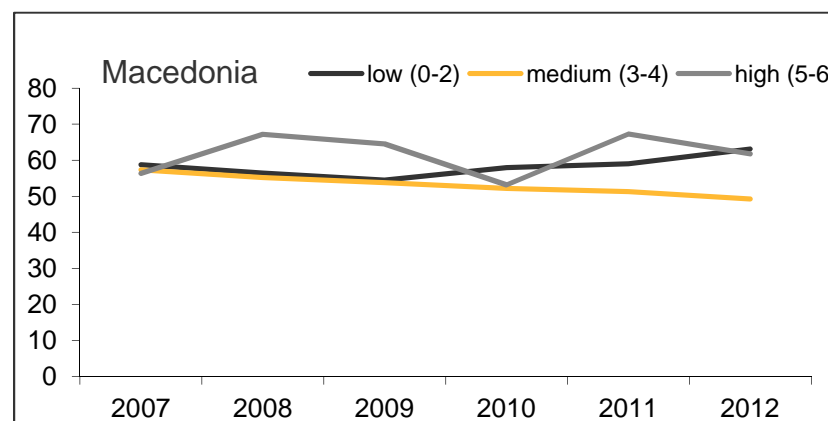
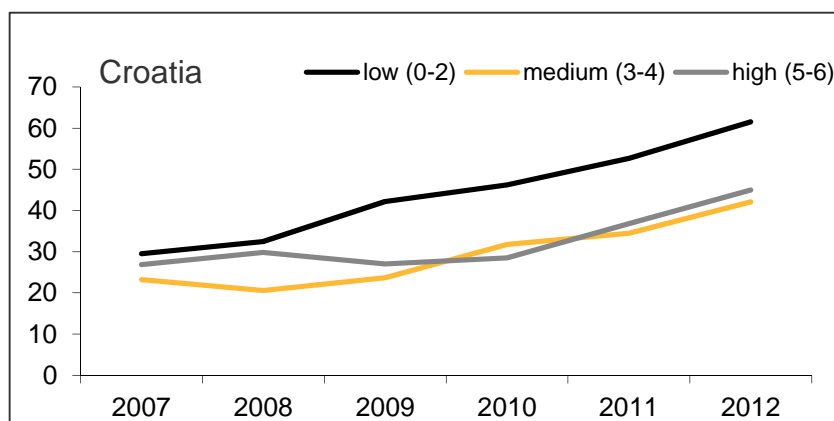
Youth unemployment ratio, 2012

(youth unemployment in % of population, 15-24 years)



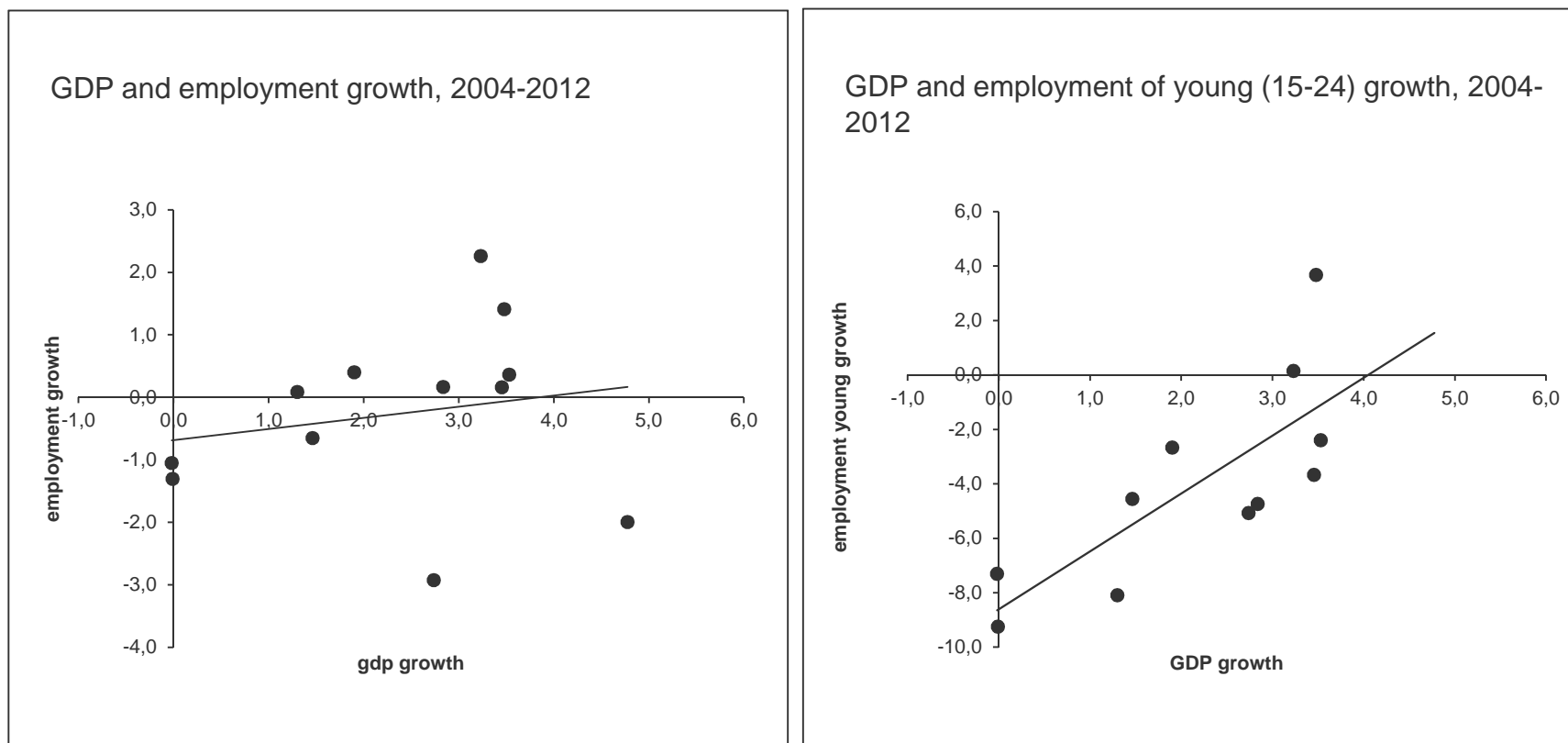
Source: wiiw Database incorporating national and Eurostat statistics.

Youth unemployment rates by educational attainment (15-24 years)



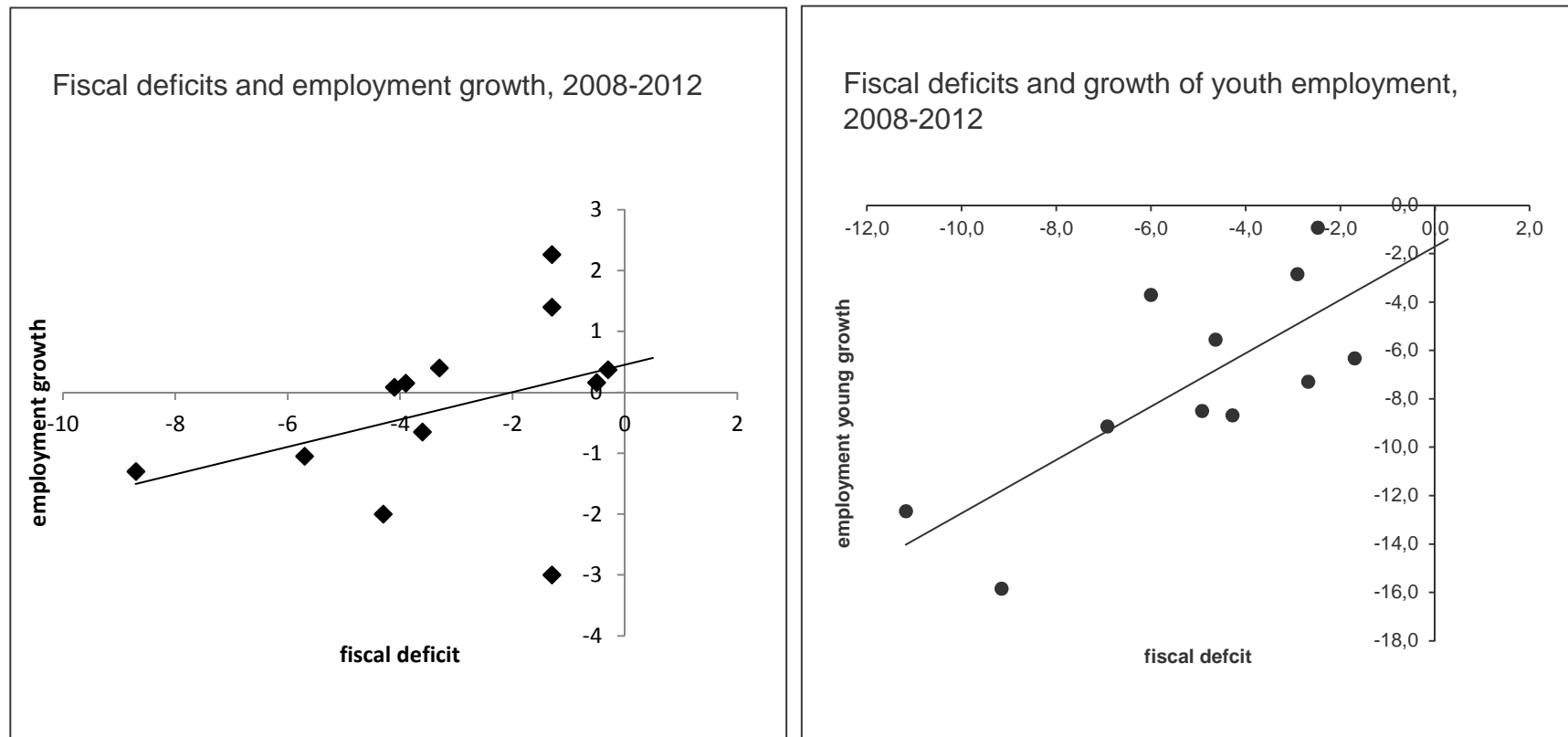
Source: National and Eurostat statistics.

Crisis impact: everybody does not do well, young do worse



Source: Eurostat, wiiw and national statistics.

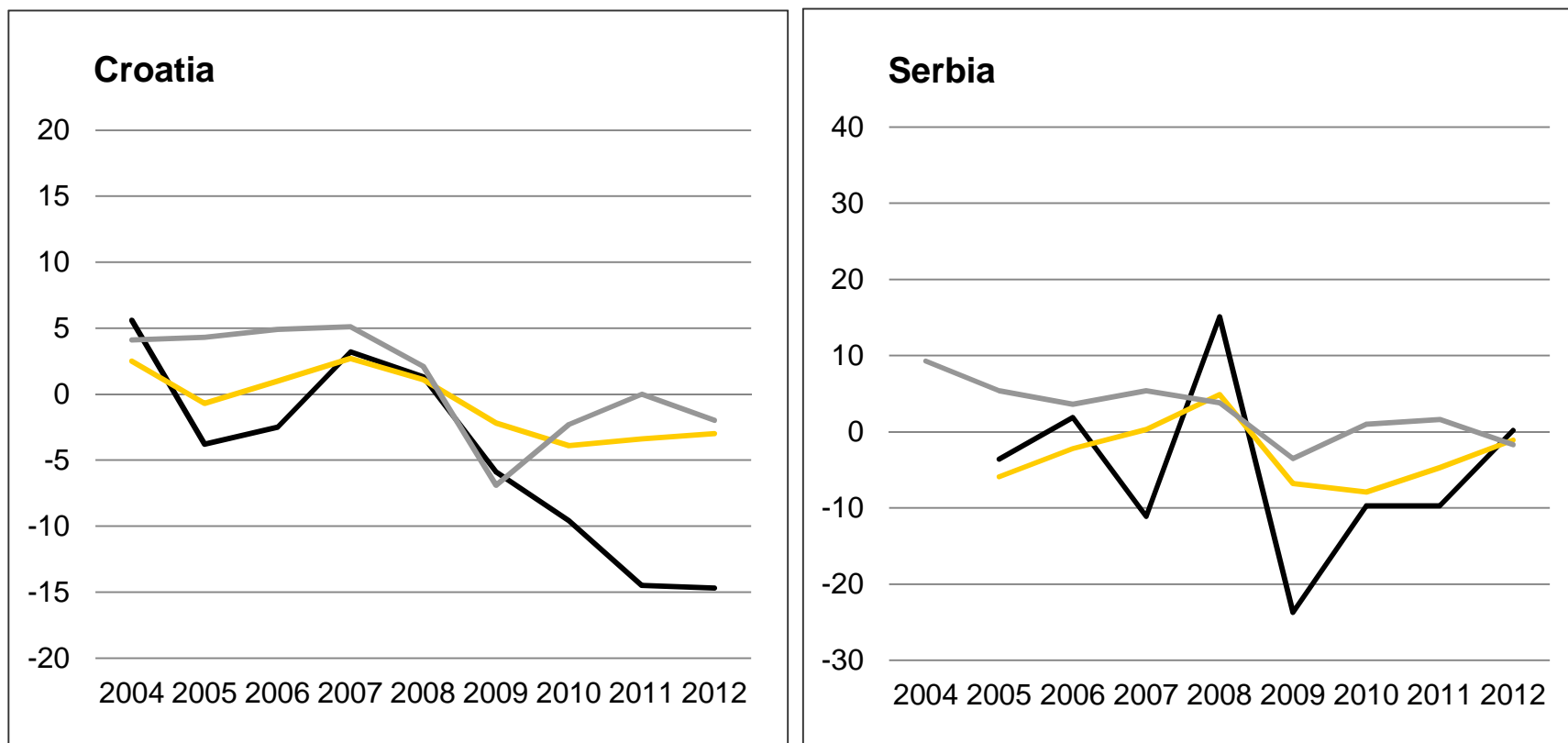
Crisis impact: everybody does not do well, young do worse



Source: Eurostat, wiiw and national statistics.

Employment growth and GDP growth

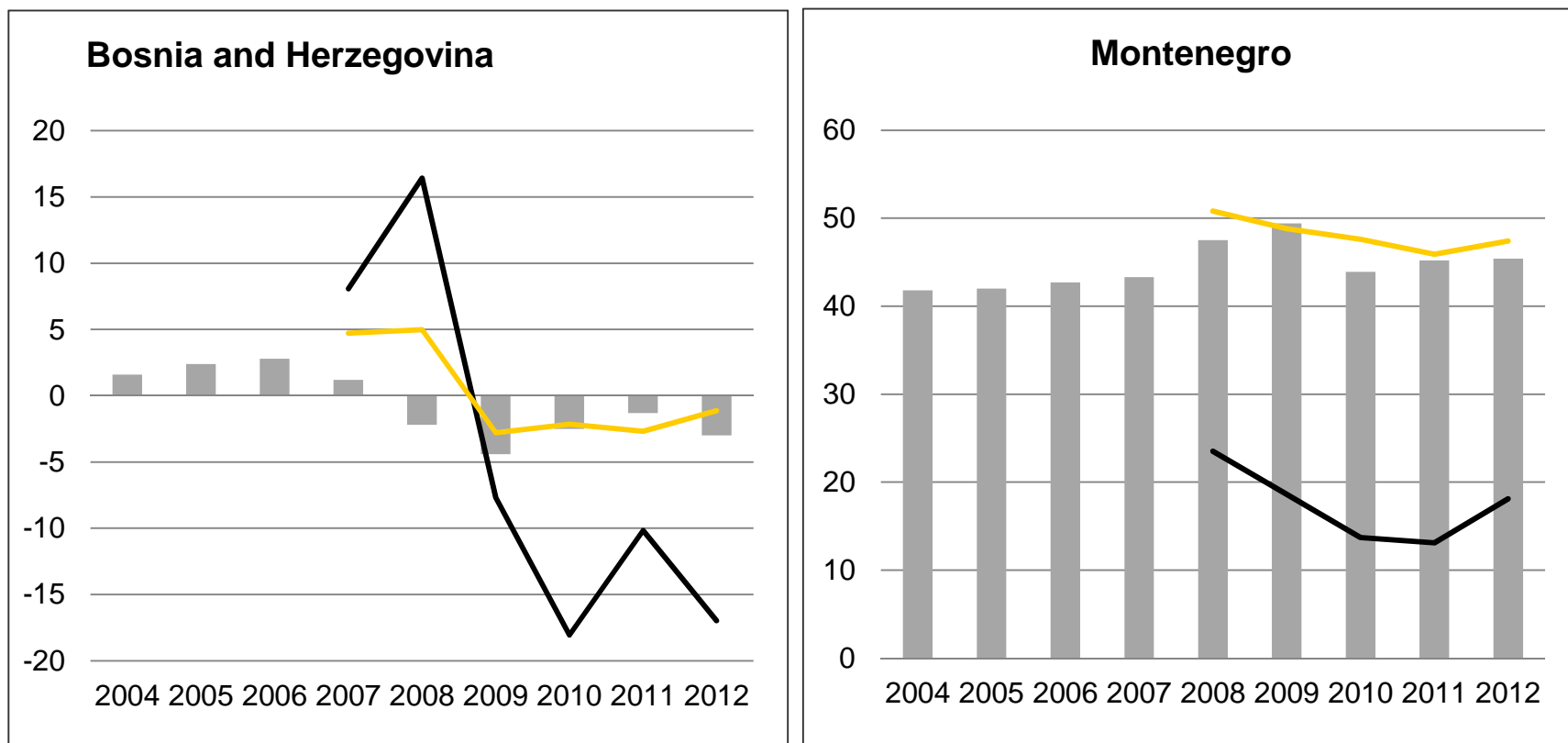
— Employment (15-24), growth in % — Employment (15-64), growth in % — GDP real growth in %



Source: Eurostat, wiiw and national statistics.

Employment growth and fiscal balance

— Employment (15-24), growth in % — Employment (15-64), growth in % ■ Fiscal balance in % of GDP



Source: Eurostat, wiiw and national statistics.

Wages more resilient than employment

- Real wages mostly do not decline
- Employment declines strongly
- Entry into the labour market becomes even more difficult

Not much help from informal labour market

- Most of the decline in employment is not structural as the decline is widespread including often the informal market too
- Financial markets shut out small and medium-sized enterprises
- Skills help; however, market signals not very strong
- Greater flexibility has distributional effects that depend on the optimal allocation of risks

Helping with policies

- On the spending side: increased capital investments
- On the taxing side: fiscal devaluation (if combined with exchange rate flexibility, reducing tax wedges on labour may not require compensatory hikes in other taxes, e.g. VAT)
- Skills help, so active labour policies with support in the search for jobs should work
- Macroeconomic stability should lower the risk and reduce the discount rate on future employment and consumption