



JOBS WANTED:

The Jobs Challenge and Youth Employment in Southeast Europe

Ellen Goldstein, Country Director Southeast Europe

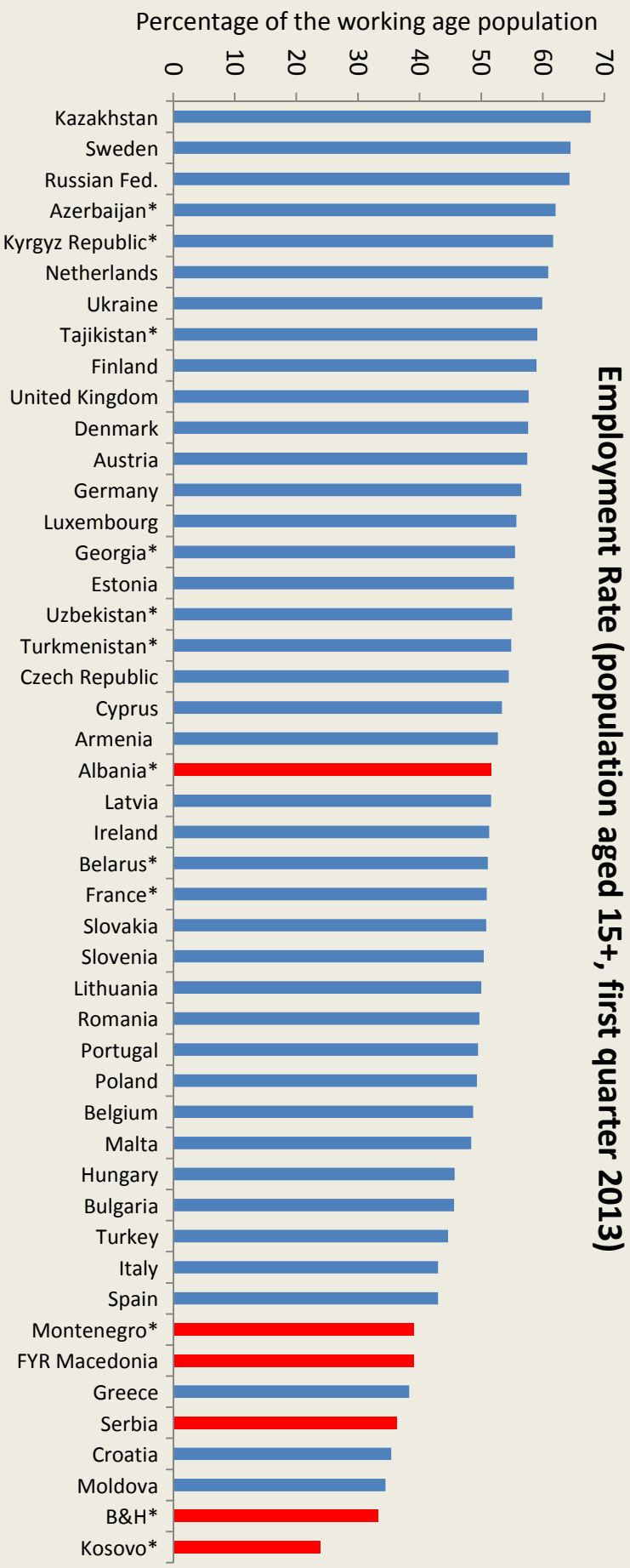
Omar Arias, Sector Manager Human Development Economics

World Bank

Vienna, October 2013



The jobs challenge is the most daunting in Southeast Europe



How to create more jobs? And how to make work opportunities accessible to all?

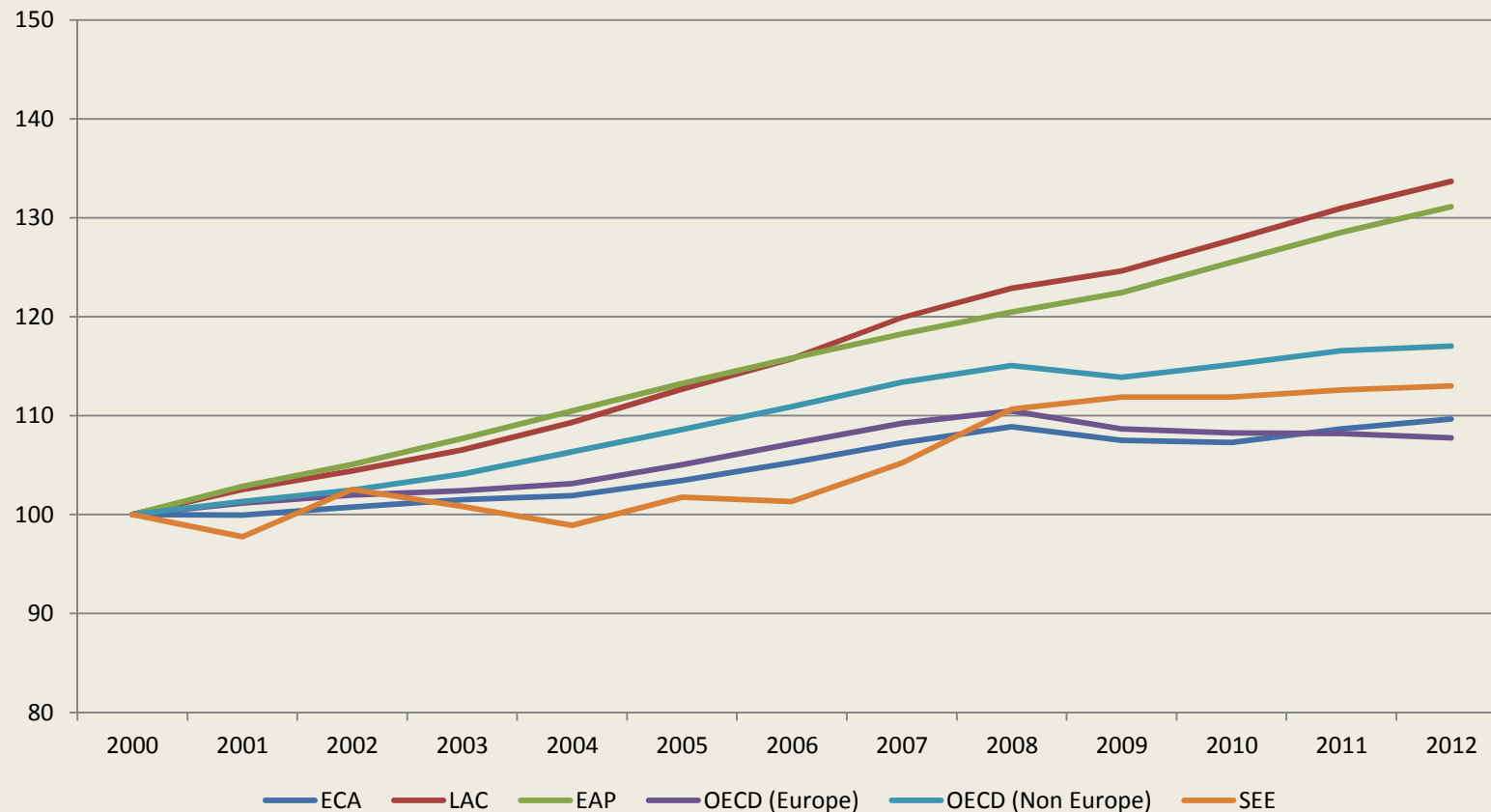
Notes: *denotes data for 2012. Data is not seasonally adjusted.

Source: ILO and ECA Regional Jobs Report (2013).



A poor employment record predates financial crisis

Employment growth, 2000=100 (2000-2012)

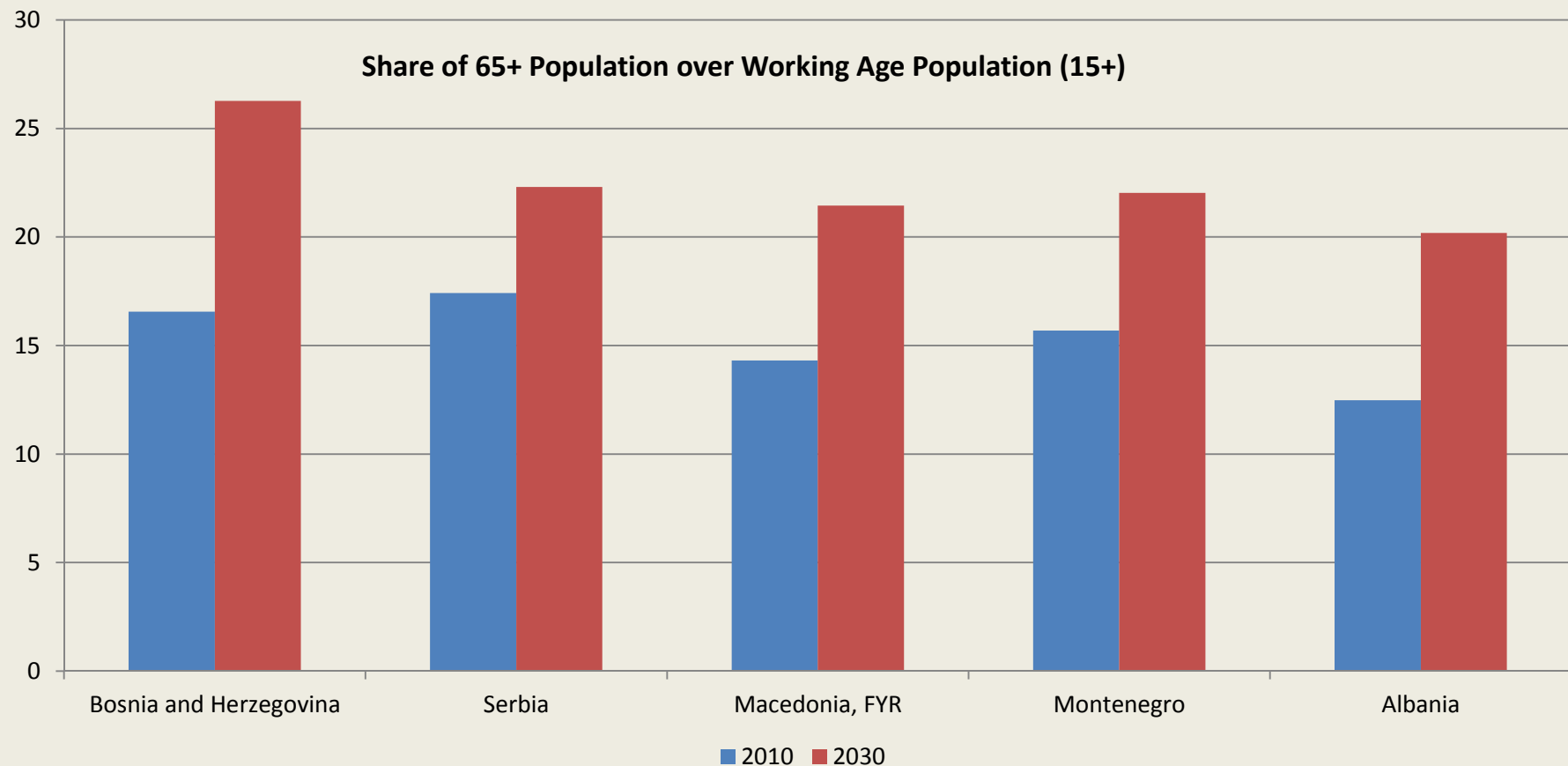


Notes: ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; EAP = East Asia and Pacific; OECD = Organization for Economic Co-operation and Development; SEE = Southeast Europe . SEE include: Albania, Bosnia & Herzegovina and FYR Macedonia.

Source: Authors' calculations based on ILO and WDI.



Population aging makes the jobs challenge more pressing (sustainability of pensions and growth)



Source: World Bank's calculations.



Meeting the Jobs Challenge in Southeast Europe:

Three policy goals

- 1 Resuming Sustained Growth:** (addressed in session 2 today)
 - ✓ Ensure macro fundamentals for economic recovery and regain pre-crisis reform momentum
- 2 Enabling Private Sector-led Job Creation:** (first part of this presentation)
 - ✓ Enable business creation and expansion, promote entrepreneurship
- 3 Preparing Workers for Jobs:** (second part of this presentation, with youth focus)
 - ✓ Helping workers acquire skills for the modern workplace
 - ✓ Eliminating disincentives and barriers to work
 - ✓ Removing obstacles to internal labor mobility



Meeting the Jobs Challenge in Southeast Europe

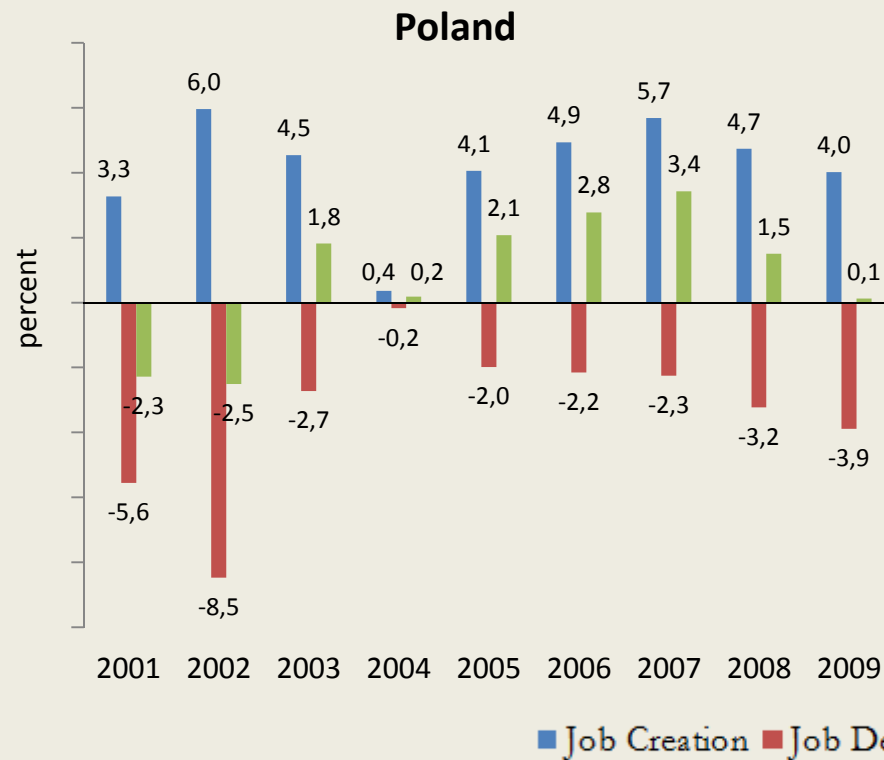
Enabling Private Sector-led Job Creation:

- ✓ Enable business creation and expansion, promote entrepreneurship

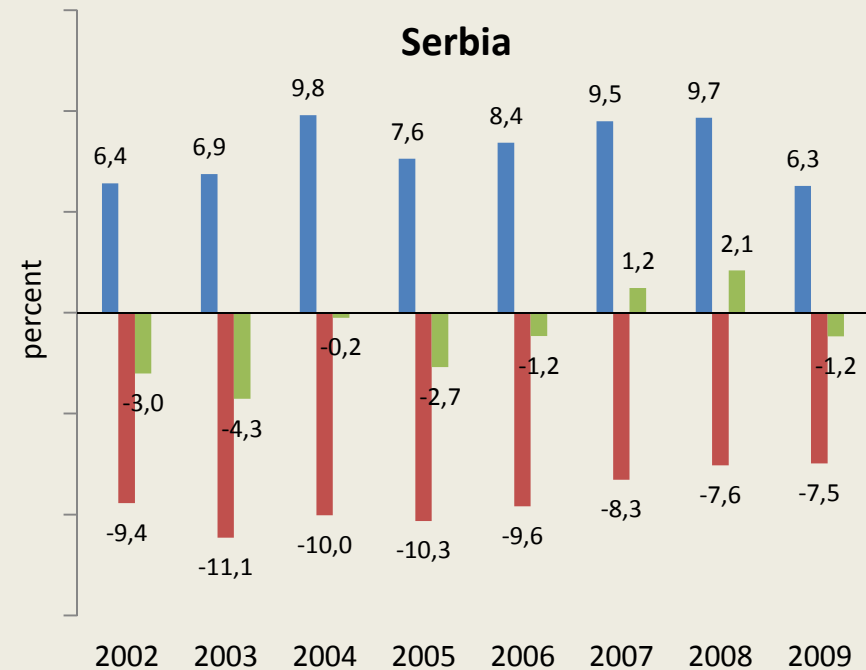


Reform leads to higher net job creation... although results take time

Poland (advanced reformer) achieved net employment creation in mid-2000s...



... while job destruction is still higher in Serbia (Intermediate reformer)

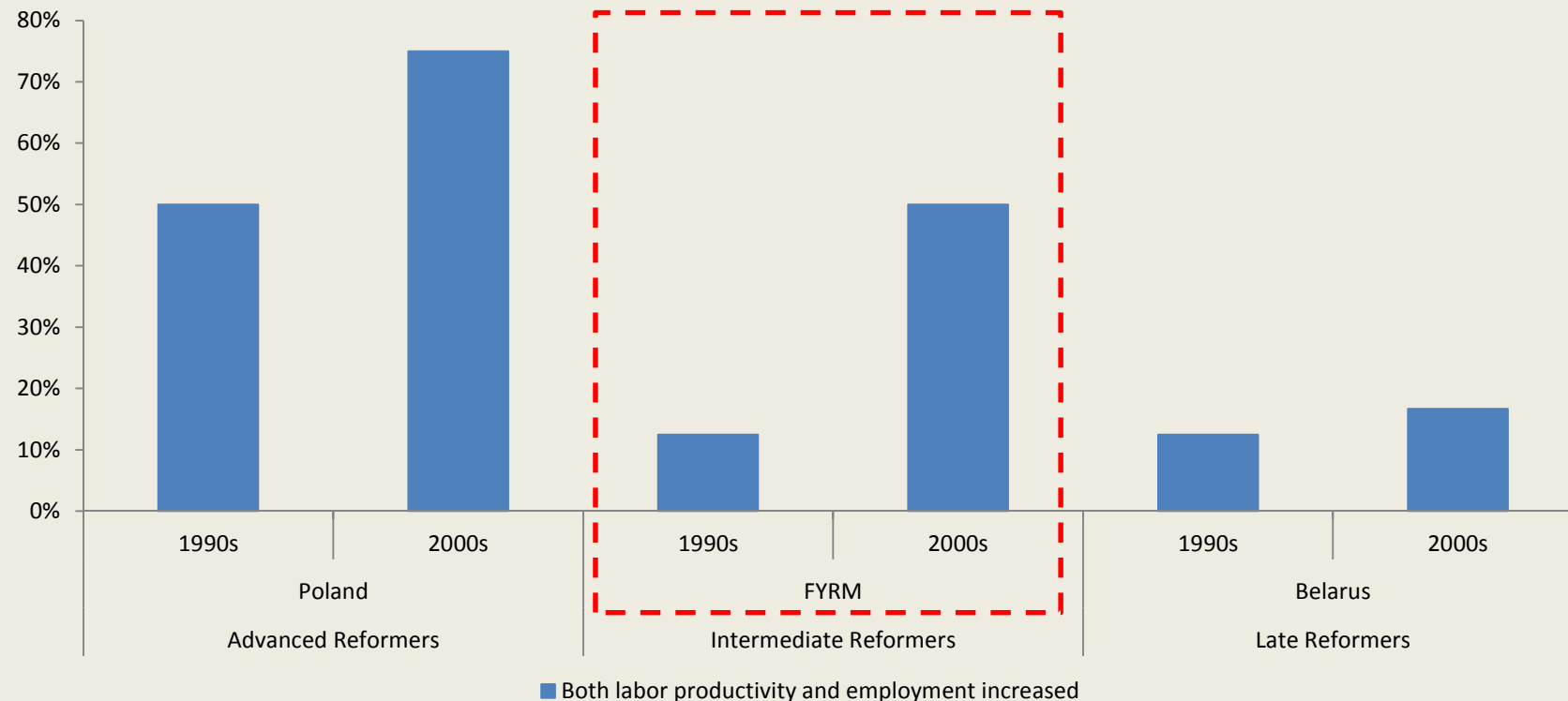


Source: World Bank's calculations using data from Amadeus database.



Over the long run, reforms create a virtuous circle of productivity and employment growth

% of years in each decade in which labor productivity and employment increased

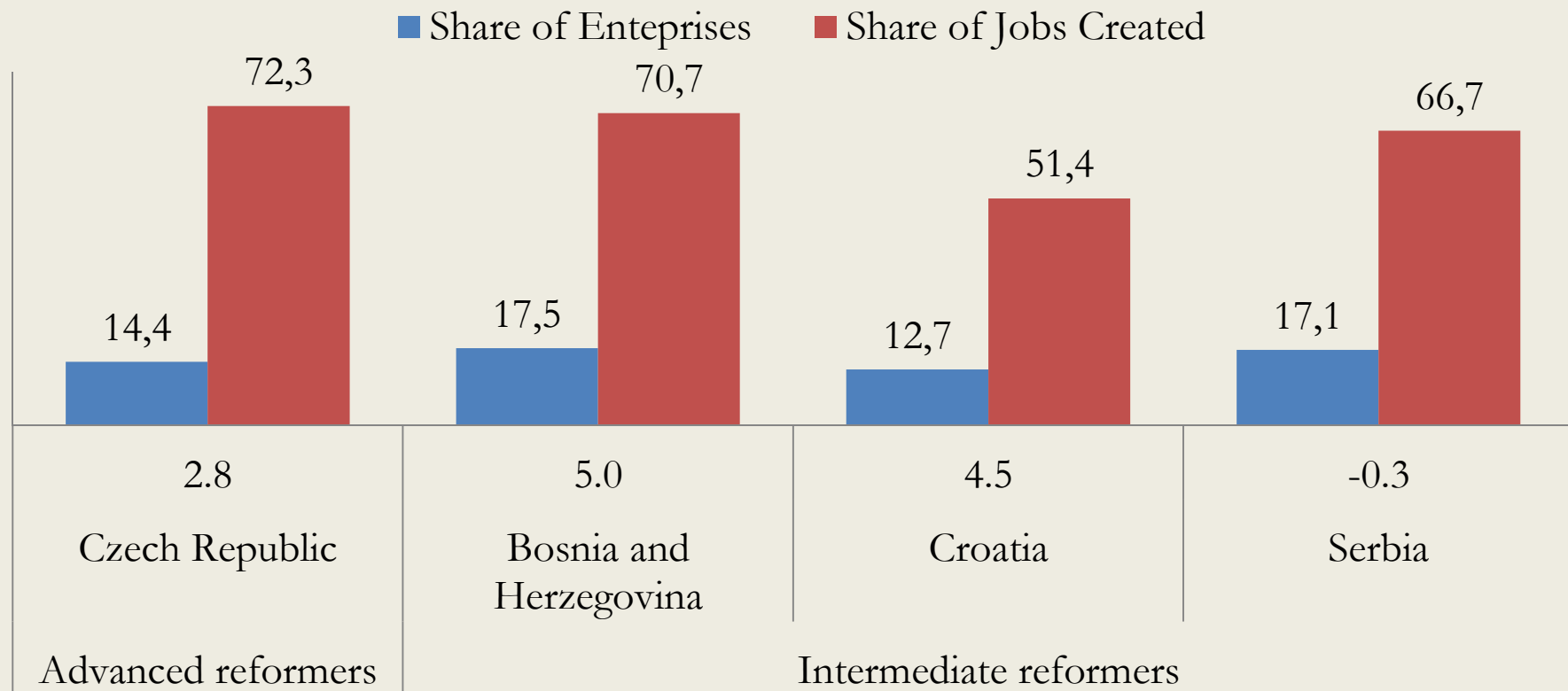


Source: World Bank's calculations.



Young firms that grow rapidly are the engine of job creation

“Gazelle” firms, 2006-2008

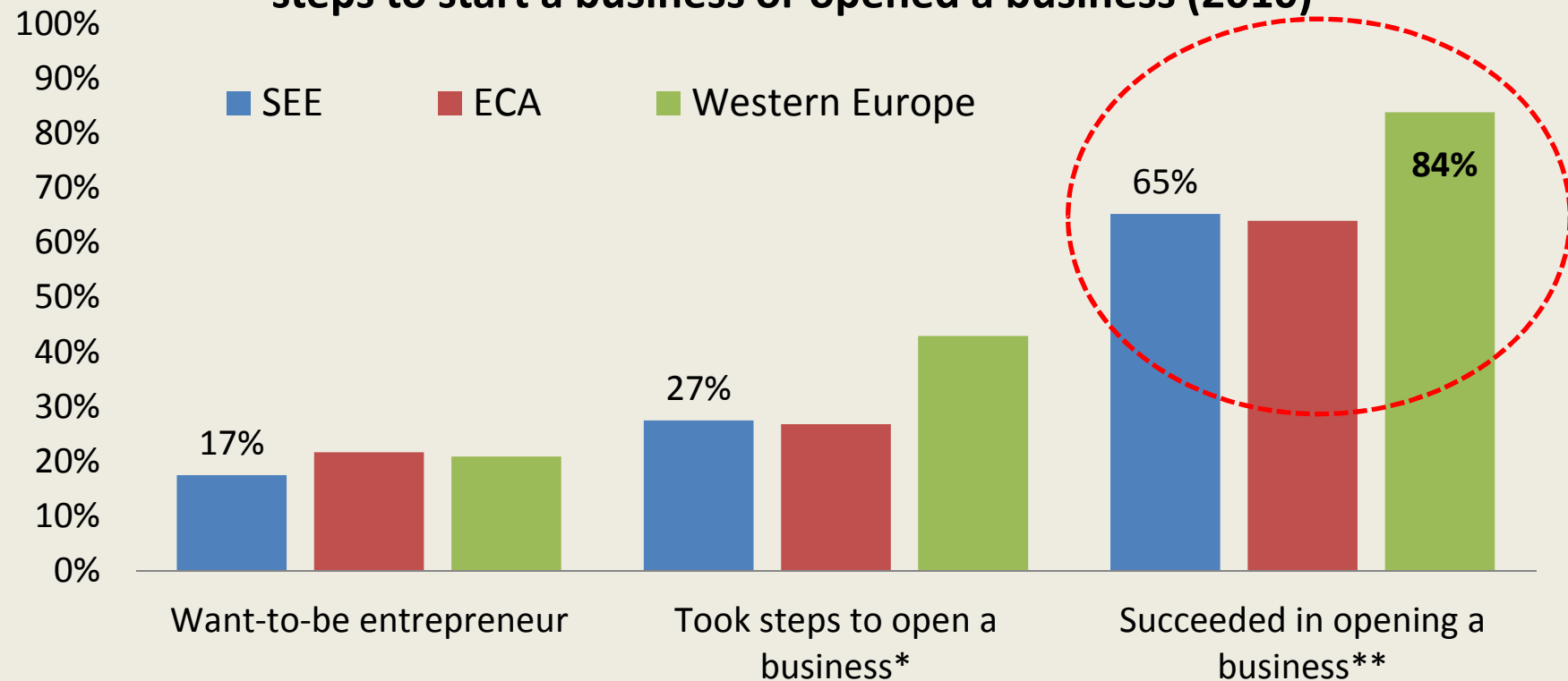


Source: World Bank's calculations using data from Amadeus database. Gazelle firms are those that increased employment at least 20% on average during 2006-08.



Southeast Europe can capitalize on untapped entrepreneurial potential to create jobs

Share of respondents with entrepreneurial ambitions who took steps to start a business or opened a business (2010)



Notes: *Among those who wanted to be entrepreneurs

**Among those who wanted to be and tried to become entrepreneurs

ECA = Europe and Central Asia; SEE= Southeast Europe

Source: World Bank's calculations using LiTS (2010).



Key Messages on Enabling Private-sector Led Job Creation

Addressing the jobs challenge calls for improving the environment for firms to thrive and create jobs

- ✓ Reforms pay off, but require persistence
- ✓ Need to translate entrepreneurial drive into young firms that act as the engine for job creation
- ✓ Focus on leveling the playing field for new and existing businesses, rather than targeting specific firms

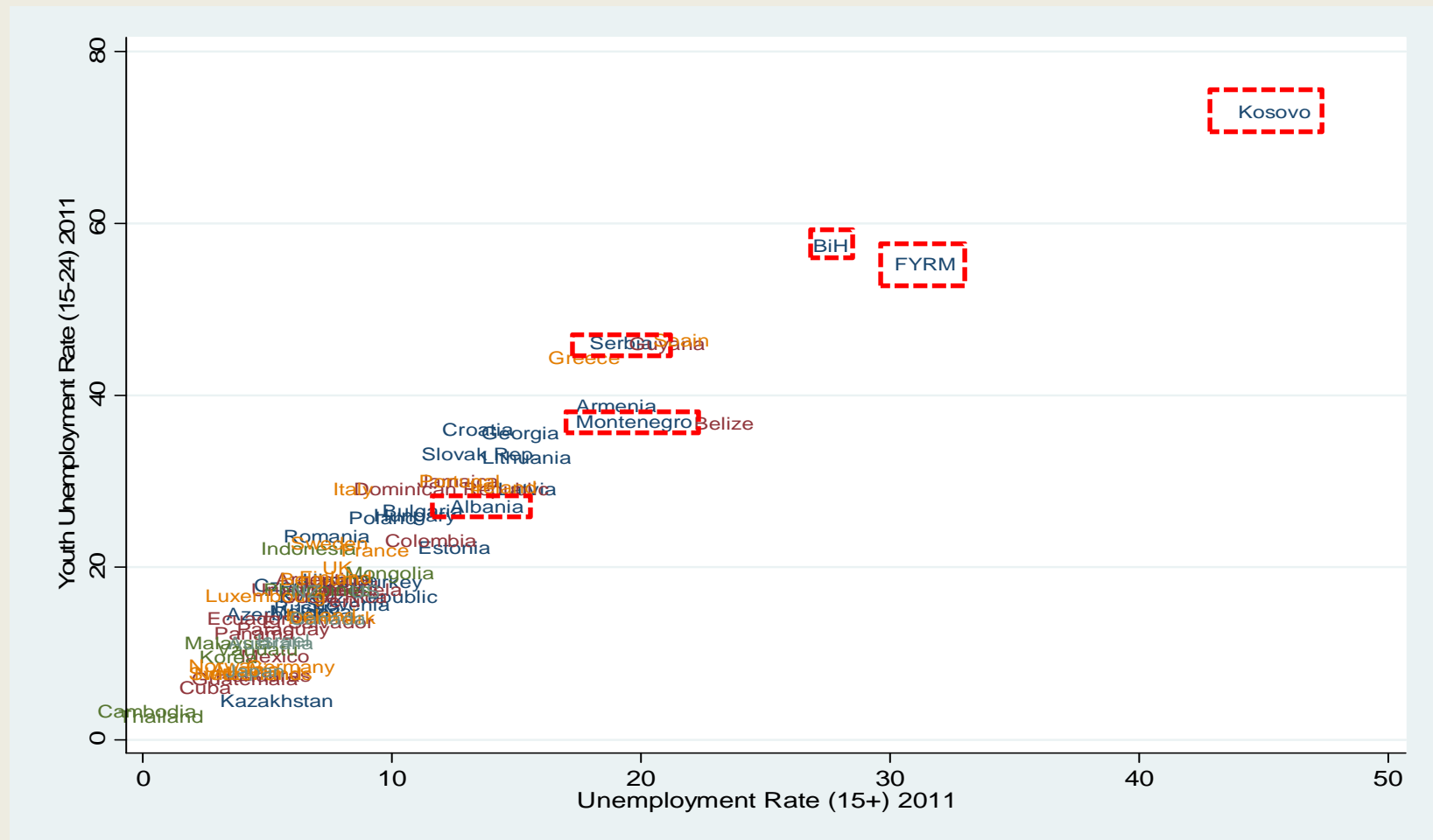


Preparing Youth for Jobs

- ✓ Helping youth acquire skills for the modern workplace
- ✓ Eliminating disincentives and barriers to work
- ✓ Removing obstacles to labor mobility (less acute)



Youth in Southeast Europe are disproportionately likely to be unemployed

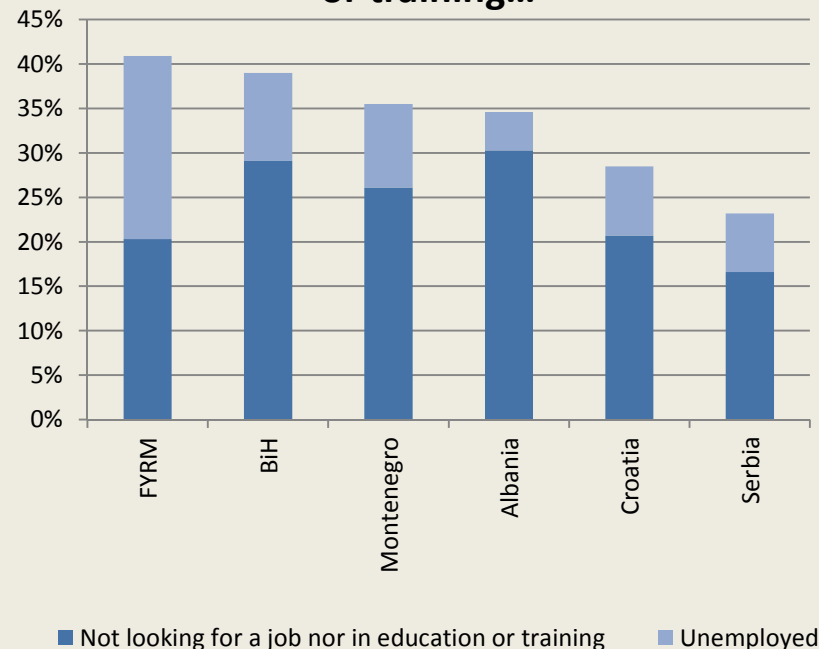


Source: World Bank based on LFS

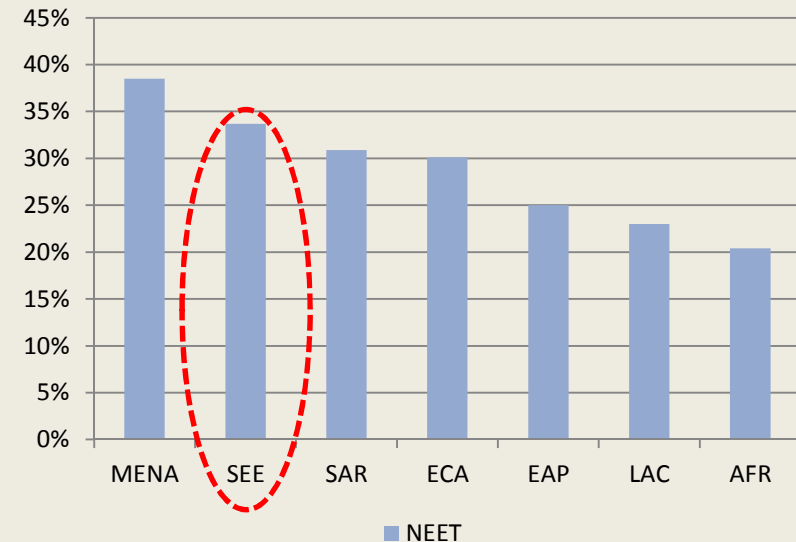


Youth face unemployment, but also remain idle and outside the labor force

Many youth are not employed, not looking for jobs and not in education or training...



...this problem is particularly severe among youth in Southeast Europe



Notes: NEET= Not in employment, education or training. *Estimates

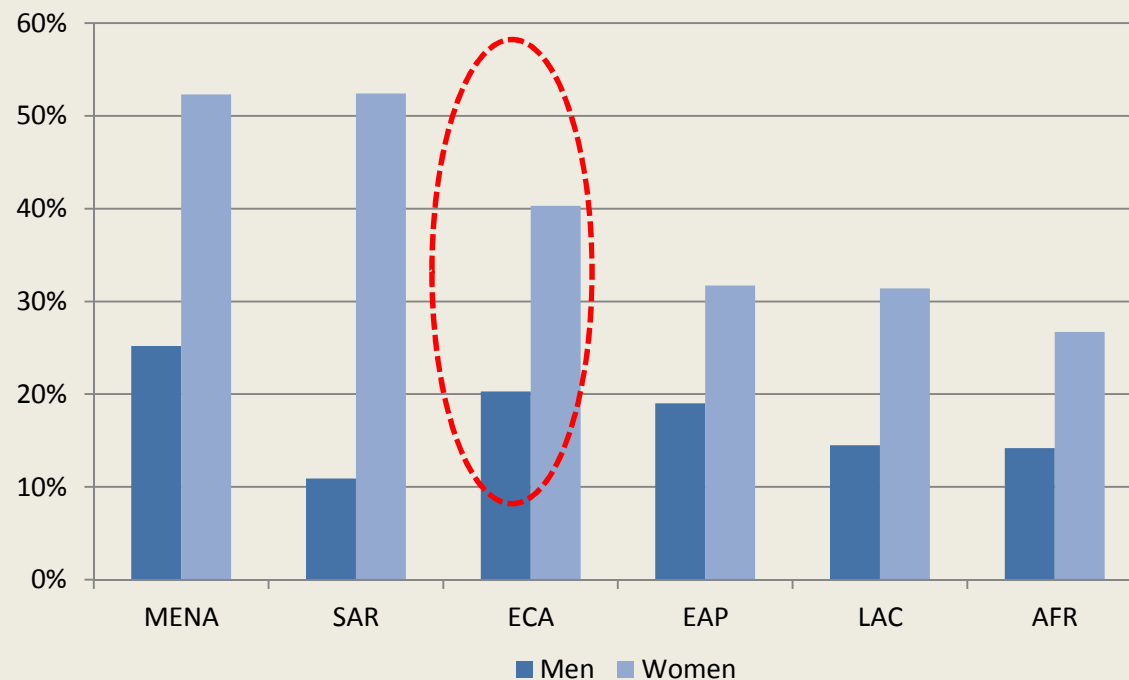
MENA= Middle East and North Africa; SEE = Southeast Europe; SAR = South Asia Region; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; EAP = East Asia and Pacific; AFR = Africa

Source: World Bank's calculations.



More young women than men are neither looking for jobs nor in education and training

Share of youth not employed, in education or training (NEET) rates



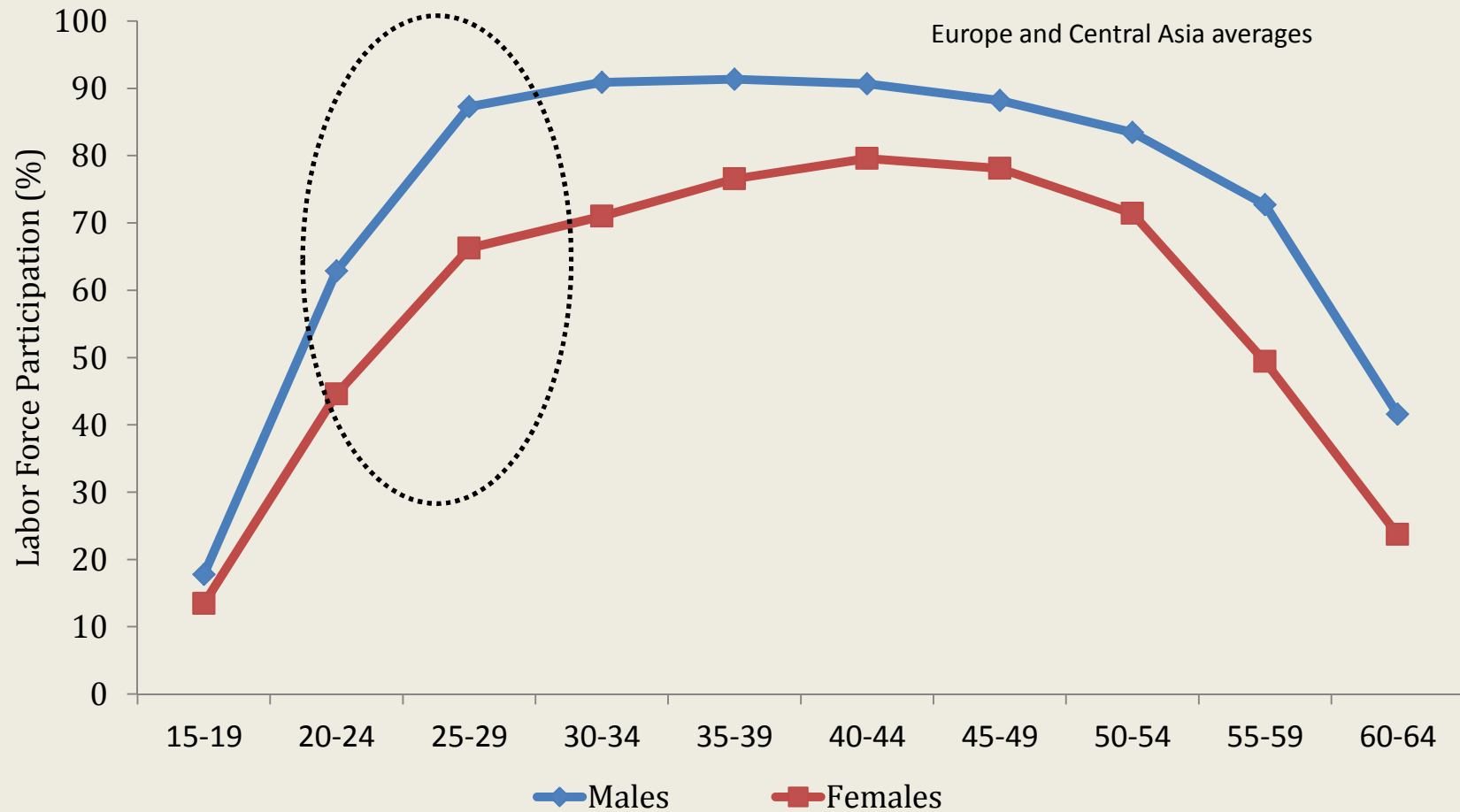
Notes: NEET= Not in employment, education or training. *Estimates

MENA= Middle East and North Africa; SEE = Southeast Europe; SAR = South Asia Region; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; EAP = East Asia and Pacific; AFR = Africa

Source: World Bank's calculations.



Women participate less in labor markets during childbearing years

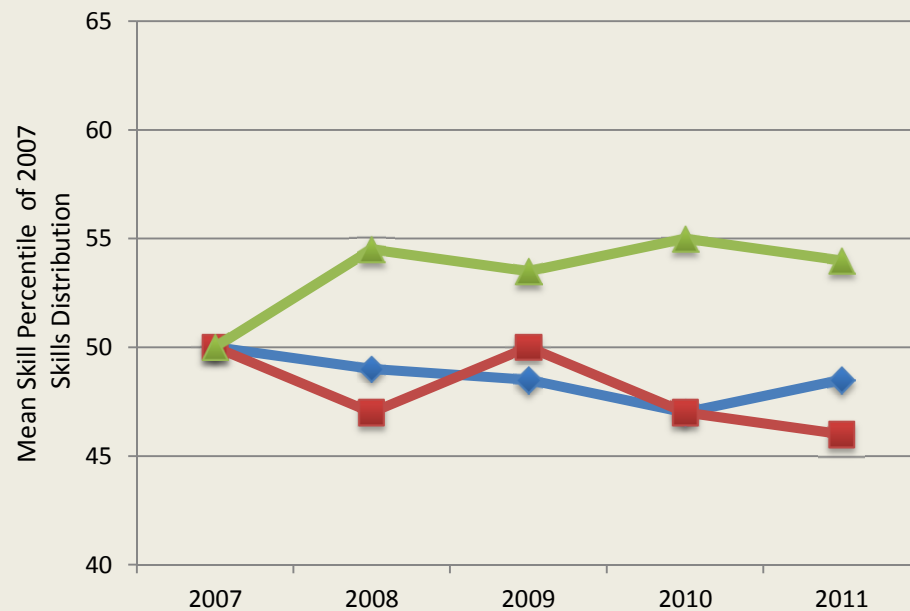


Source: ECA Jobs report. With data from household and labor force surveys, circa 2010.

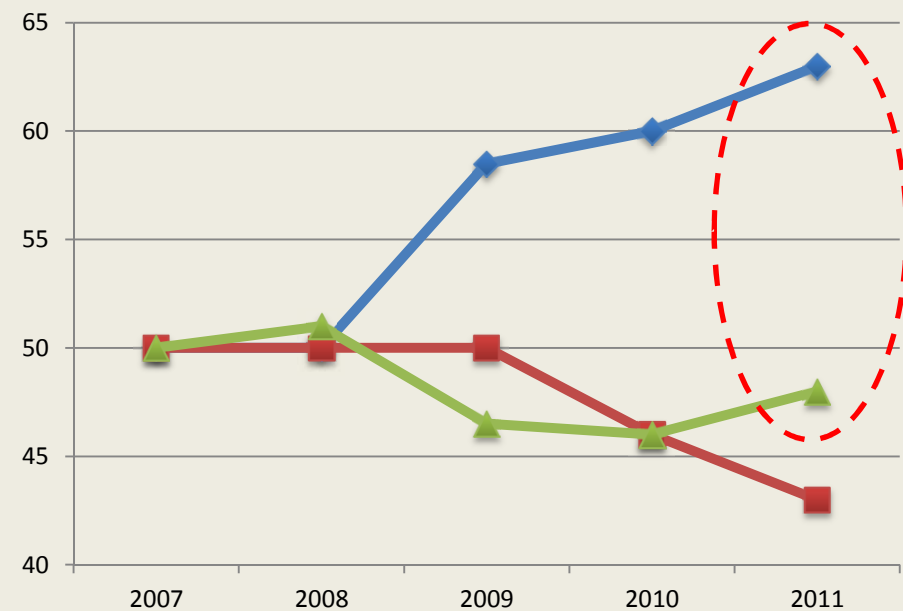


Skills demanded of youth are increasingly “new economy skills” rather than routine or manual

FYR Macedonia, Cohort born after after 1955



FYR Macedonia, Cohort born after 1974

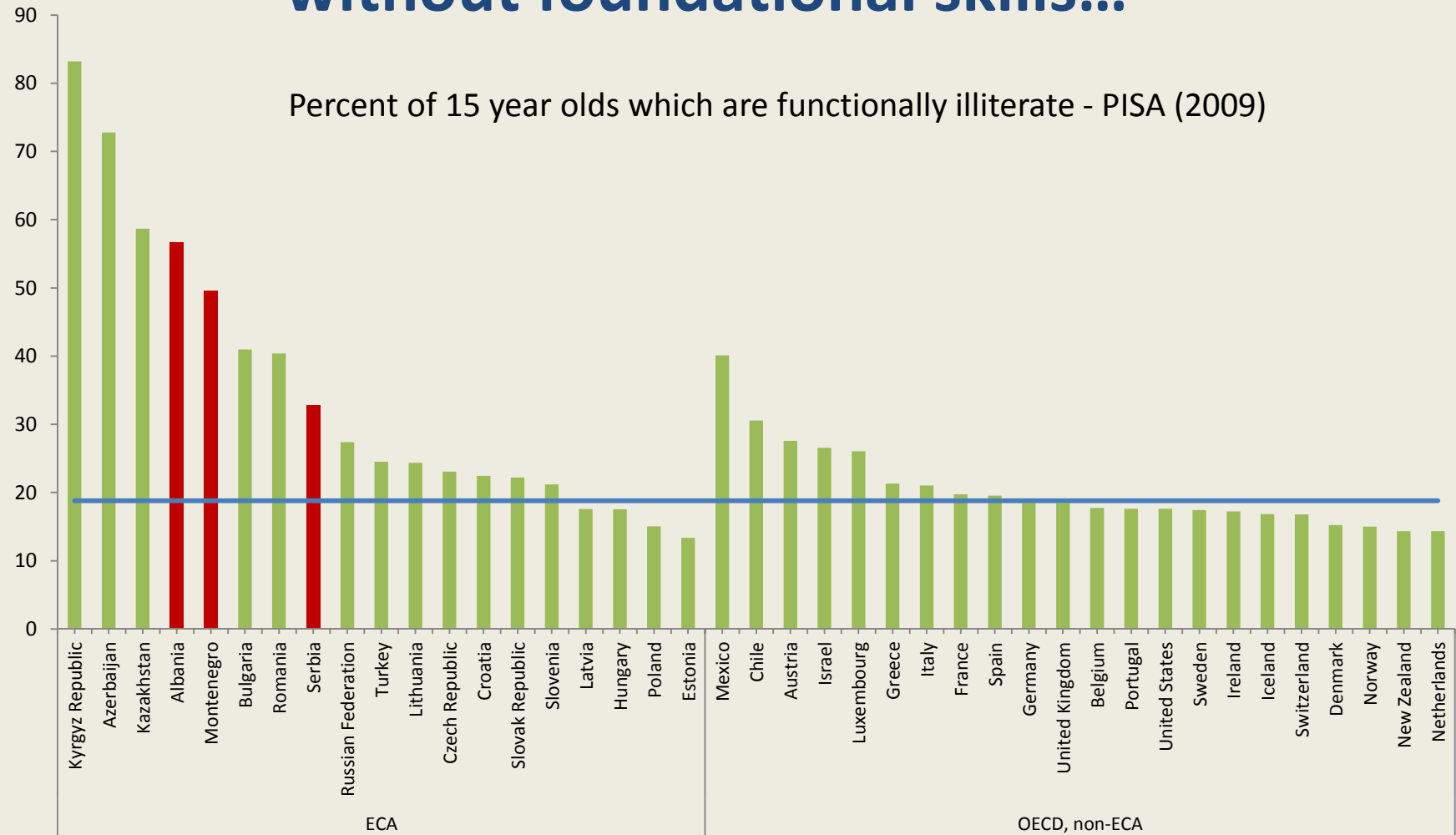


◆ New Economy Skills ■ Routine Skills ▲ Manual Skills

Source: World Bank staff, based on LFS.



Youth in Southeast Europe often leave education without foundational skills...



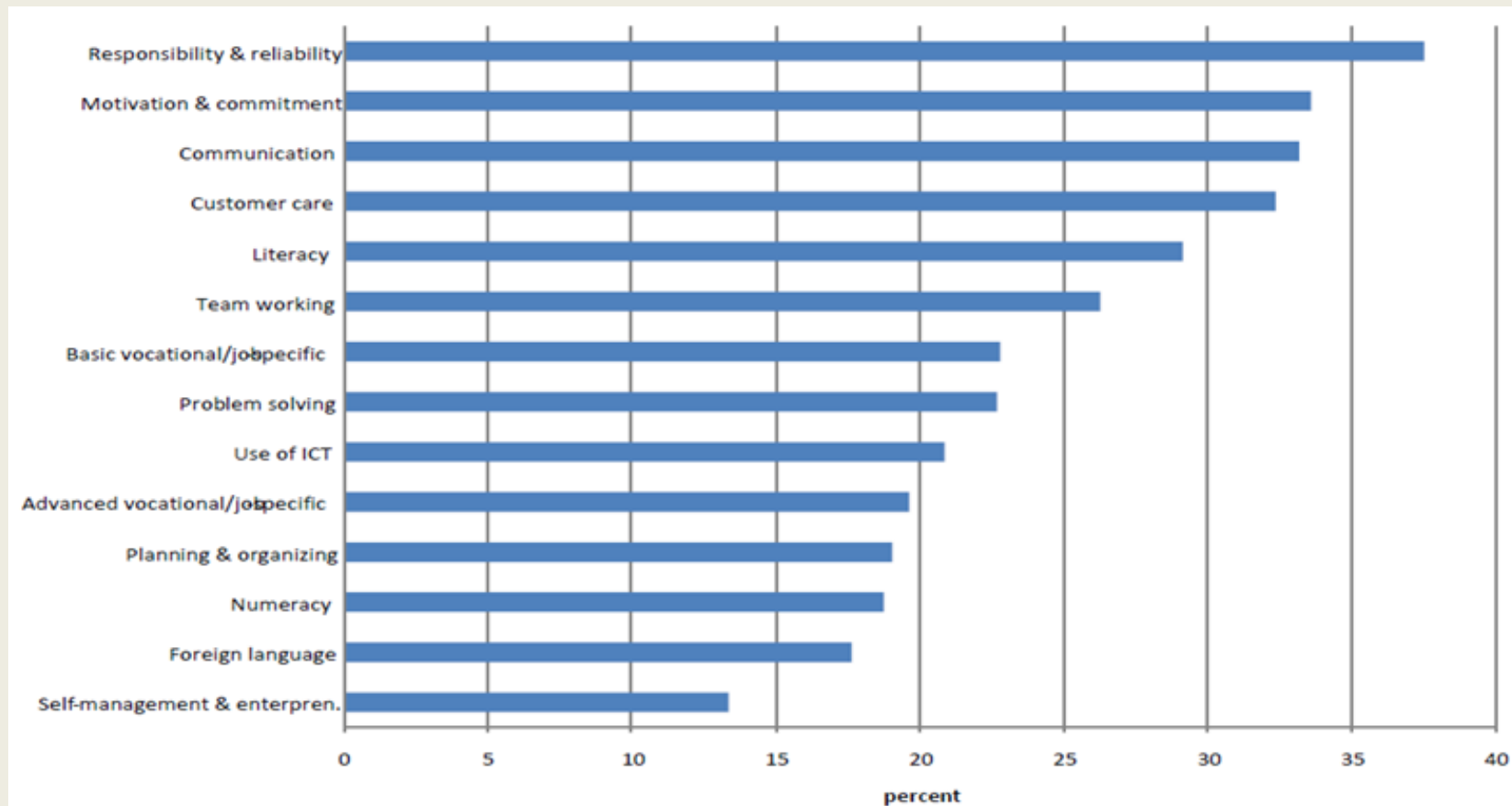
Notes: % students scoring "below level 2" on reading test.

Source: "Skills Not just Diplomas", based on OECD PISA 2009



...and education and training systems are not equipping youth with skills employers value most

Skills young workers are lacking according to FYR Macedonia employers (% of firms)

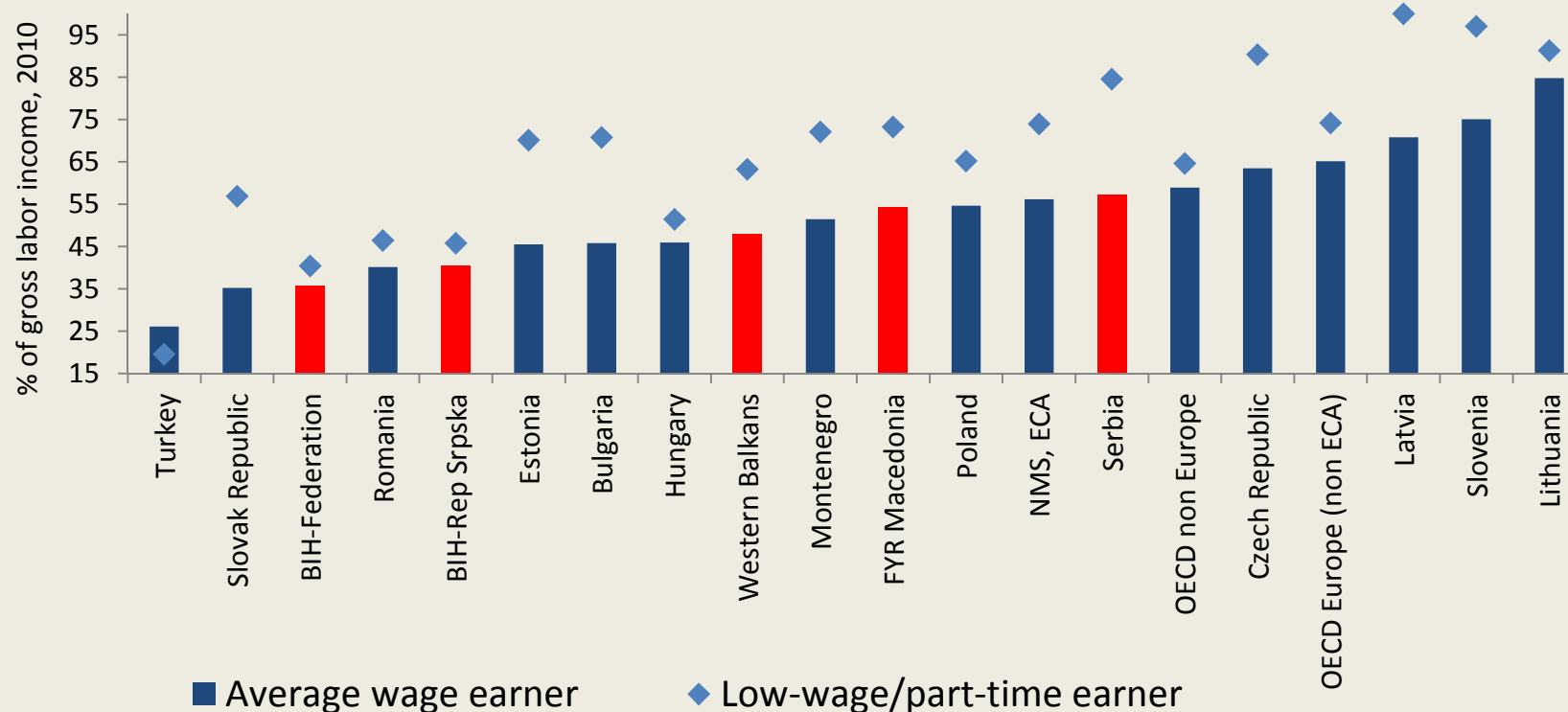


Source: World Bank (2010) FYR Macedonia Labor Demand Study.



Youth are more heavily taxed when working formally (often part-time and low-wage earners)

Average Effective Tax Rate; 2010

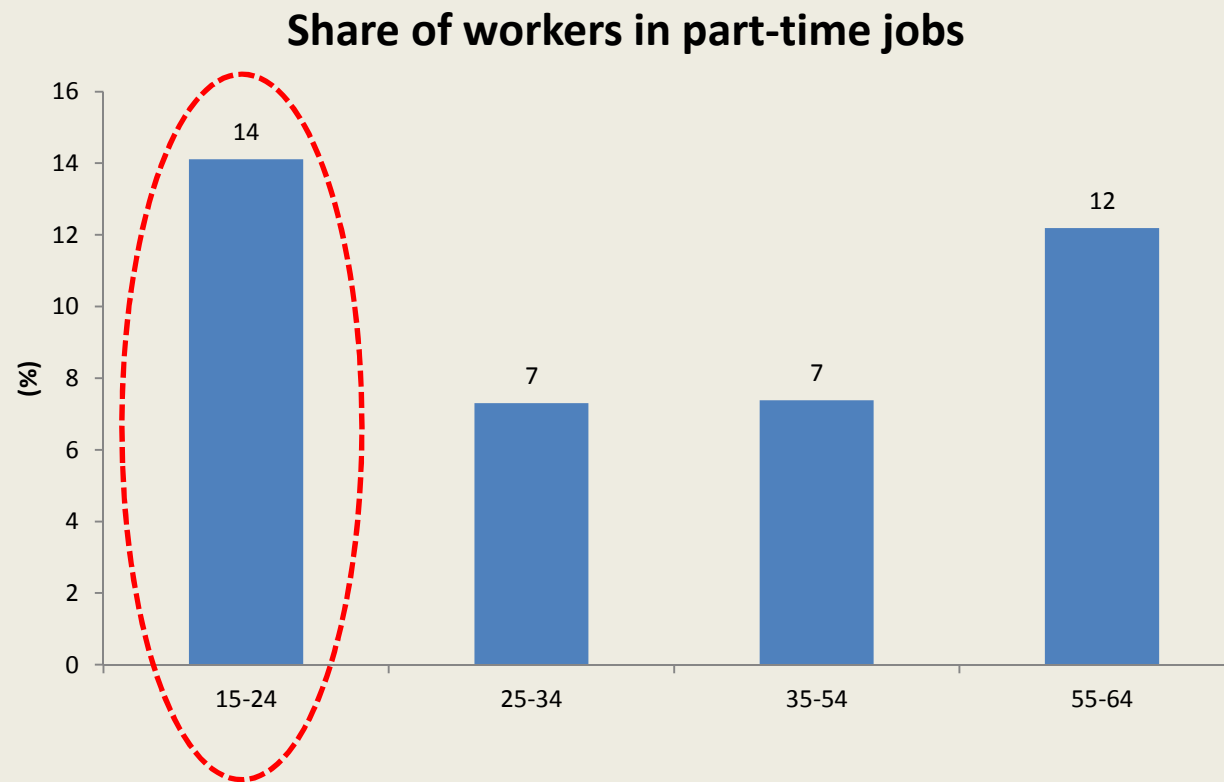


Note: % of the gross income that is taxed away through personal income tax, social security contributions and lost social benefits when moving from inactivity to a formal job.

Source: World Bank's calculations.



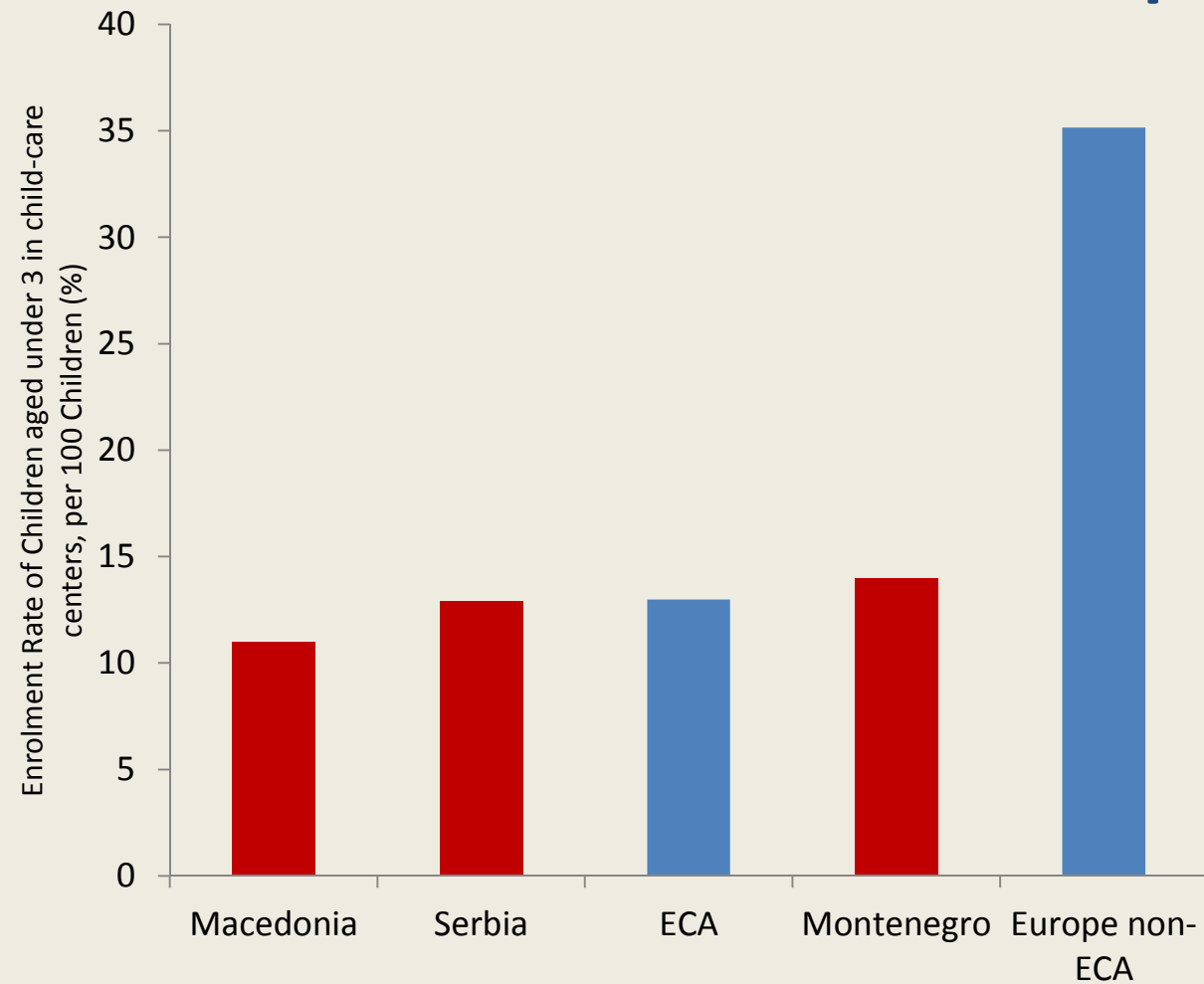
Youth are most affected by restrictions on flexible work arrangements



Source: World Bank based on Labor Force and Households surveys



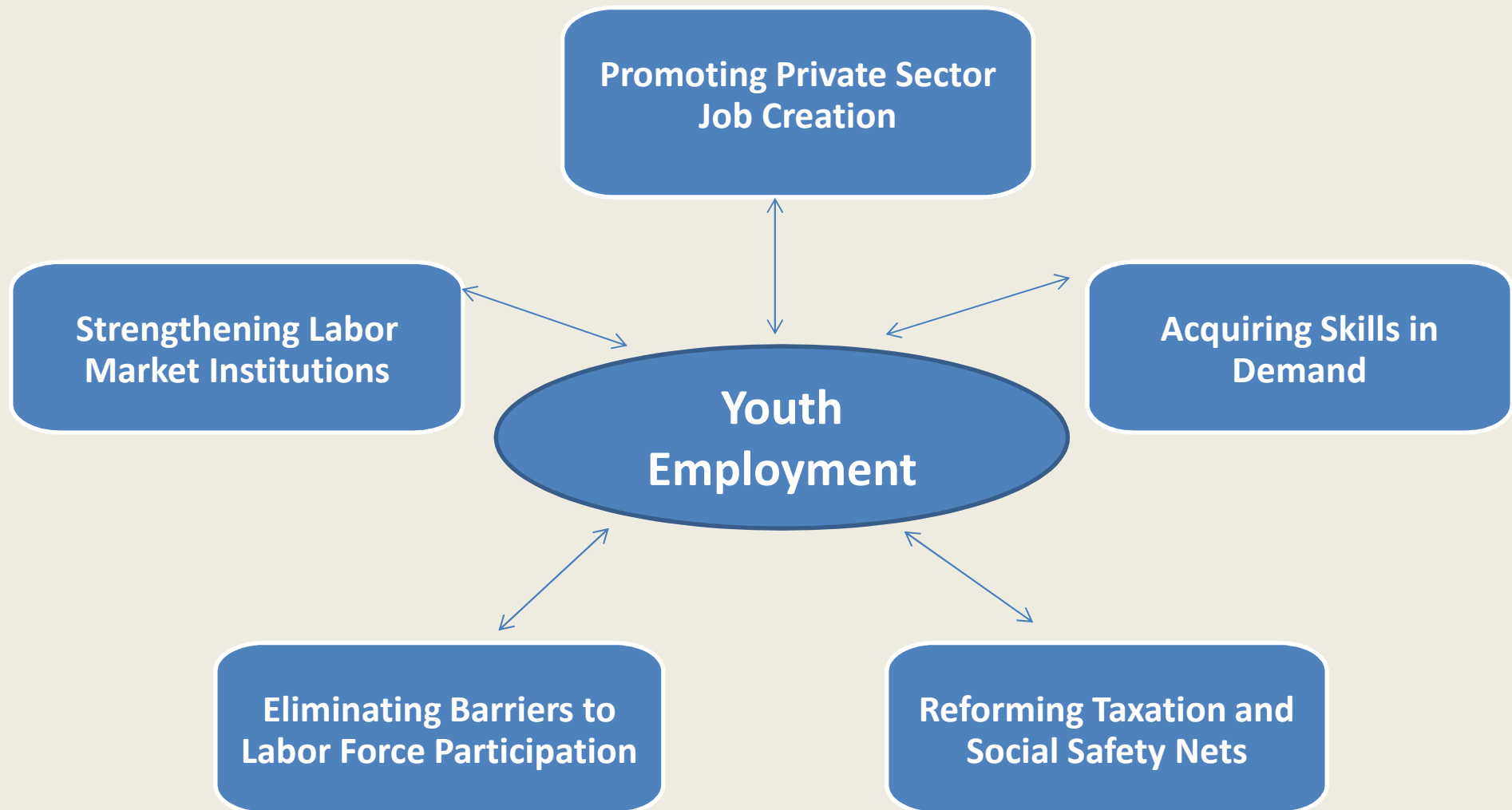
Female youth are most affected by limited child-care options



Source: UNECE Statistical Database, 2008-2011.



A Multisectoral Jobs Agenda for Youth





Key Messages on Preparing Youth for Jobs

Youth need to be prepared to exploit job opportunities

- ✓ Acquire the skills that employers value
- ✓ Make formal work pay by lowering labor taxes and designing “smart” social benefits
- ✓ Eliminate barriers that exclude youth from the labor market



JOBS WANTED: The Jobs Challenge and Youth Employment in Southeast Europe

Ellen Goldstein, Country Director Southeast Europe

Omar Arias, Sector Manager Human Development Economics

World Bank

Vienna, October 2013