

Youth Employment in the Western Balkans – markets and incentives

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Youth Employment – still no clear policy direction. Why?

- Diversity of young people – the only strong intra-group commonality related to generational characteristics – otherwise, youth full cross section of a society
- Different contexts – economies and labour markets imply different solutions
- Including for the Western Balkans – universally poor labour market outcomes still do not imply exactly the same set of problems – e.g. population structure

The general case against a special youth employment policy, even in the Western Balkans

- Youth unemployment is transitory and situational, related to first-time job seeking and lack of work experience
- Today's youth are better educated and healthier than ever before – youth activity rates decline universally and secularly as a part of adjustment in lifetime activity patterns
- Youth as a stock are technically a vulnerable group, but not at the margin
- Even LTU unemployment of some youth is not harmful
- Youth employment is procyclical – in the Western Balkans youth employment grew faster than general employment in the period of jobless growth (2001-2008)
- Youth employment in the Western Balkans is the lowest in the world because general employment is the lowest in the world; youth to adult employment / unemployment ratios are about average
- In principle, employment policy should be general, and ALMPs should address in the first place deeply vulnerable persons, including youth among them (in WB context – Roma, illiterate/no qualifications, refugees/IDPs, PWDs etc).

Three stylized alternative policy approaches

- Policy approach 1 – Care about growth only, avoid distortive policies
- Policy approach 2 – Care about equitable and youth friendly economic growth, but refrain from openly distortive policies. Focus on institutions, limited ALMPs
- Policy approach 3 – As a strategic priority, care about youth as the main driving force of future growth. Focus on institutions and extensive ALMPs, support to youth dominated sectors.

Which policy approach is best suited for the Western Balkans?

- Case for the more aggressive youth employment and ALM policy in the WB:
- Sheer size of the problem – a complex of objective indicators beyond the employment and unemployment rates – LTU, avg duration of STW transition etc.
- Emigration (drain) threat – loss of human capital and further worsening of demographic balance, already bad dependency ratio
- Quick wins available – youth friendly employment policy as a catalyst for overall labour market reform
- Typically low and unstable expenditures on ALMPs

Agenda for the youth-friendly reform of labour market institutions

- Working time regulations – promote part-time, mini and midi jobs, work at home, other atypical employment contracts
- Labour taxation – reduce tax wedge for low-wage labour, remove minimum social security contribution base
- EPL – reduce the protection of permanent contracts to address the dual labour markets
- Minimum wage – reduce the MW / AW ratio, relax the rules

Agenda for youth-friendly reform of active labour market programmes

- Address the vulnerable youth in the first place (dropouts, no qualifications, rural poor, Roma, single mothers, detention returnees, youth with disabilities)
- Offer youth guarantee, but strongly tested for individual search efforts
- Apply programmes with a proven significant net impact, nationally or at least internationally

Some recommendations for the region

- An universal recommendation – find what fits
- PA 2 plus individually chosen and designed elements of PA 3
- Avoid sudden policy swings, control expectations
- Creating the optimal ‘youth employment policy mix’ is an evolving task, should be solved country by country, based on precise labour market diagnosis and careful assessments of growth constraints and opportunities.