

2.2. WHY WESTERN BALKAN LABOUR MARKETS ARE DIFFERENT

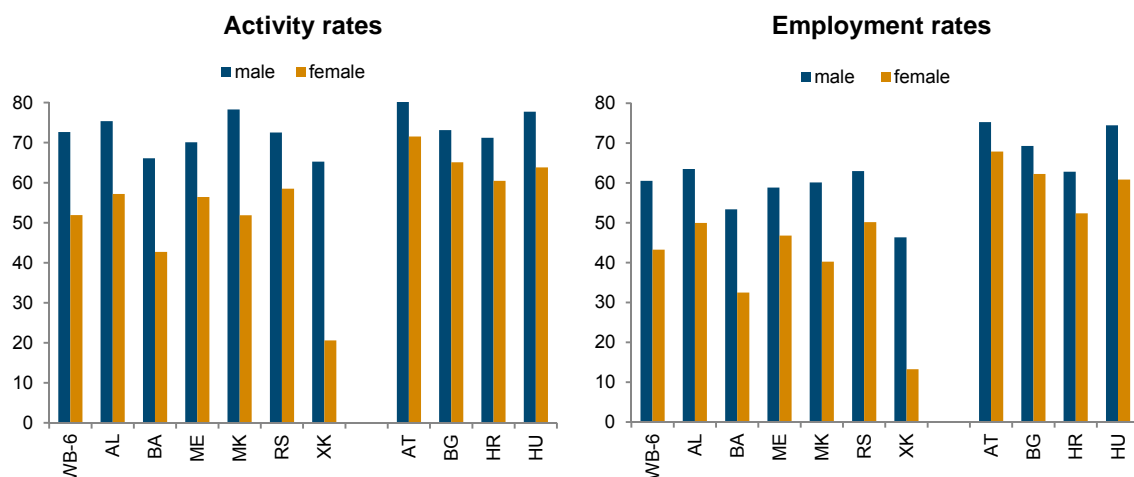
by Hermine Vidovic

Unlike in much of EU-CEE, labour markets in the Western Balkans are not facing significant labour shortages. In the region, unemployment is generally high, employment rates low, and most countries have a particularly high share of youth and long-term joblessness. This reflects cultural factors, a reliance on remittances, and a high degree of informality.

Across most of EU-CEE, unemployment is low and labour markets are becoming increasingly tight, with quite serious labour shortages reported in many places. However, the situation is quite different in the Western Balkan countries (Albania, Bosnia and Herzegovina, Montenegro, Macedonia, Serbia and Kosovo). For the past two years, wiiw has been working with the World Bank to study the underlying issues in the Western Balkans in more detail, and to develop policy-relevant conclusions. This cooperation has resulted in the establishment of the SEE Jobs Gateway database covering the Western Balkan labour markets, as well as in two reports that draw on this database (World Bank and wiiw, 2017; 2018).

In the Western Balkan sub-region, labour markets are characterised by low employment rates and high (youth) unemployment, a high and persistent share of long-term unemployment (more than 80% in some countries), as well as substantial informal-sector employment. In addition, outward migration has traditionally played an important role in cushioning the problem of unemployment, and has become an important source of income. Almost the entire sub-region – except for Albania and Kosovo – is facing an ageing and shrinking population due to low birth rates and high emigration.

Figure 18 / Western Balkans: Activity and employment rates, by gender, 2017



Note: Activity rate: labour force as a percentage of working-age population aged 15–64. Employment rate: employed persons as a percentage of working-age population aged 15–64 years.

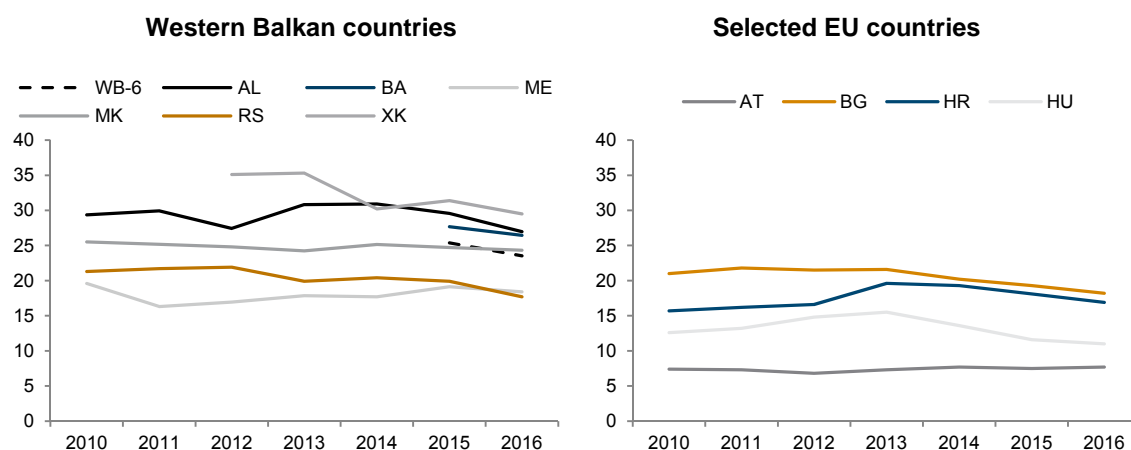
Source: SEE Jobs Gateway Database, based on data provided by national statistical offices and Eurostat.

Activity and (especially) employment rates in the Western Balkans are suppressed mainly because of low female labour market participation: women are more likely than men to be inactive. The differences between the sexes are particularly noticeable in Kosovo (where less than 20% of

women are active in the labour market) and Bosnia and Herzegovina (where the figure is 42%). In three out of the six Western Balkan countries (Bosnia and Herzegovina, Kosovo and Serbia), the incidence of unemployment is higher among women than among men. Explanations for these disparities are manifold and include: religious and cultural reasons; traditional roles assigned to women; care responsibilities for children and older family members; living in rural areas with limited childcare facilities. In addition, a reliance on remittances and the widespread informal economy are believed to reduce employment incentives, resulting in low labour force participation, especially among women.

As in the EU, the youth unemployment rates are double the overall unemployment rates in most Western Balkan countries. However, young people are at much greater disadvantage in this sub-region, because the unemployment rate itself is much higher. In 2017, the youth unemployment rate averaged close to 38%, as compared to 17% in the EU. The poor labour market situation of young people in the Western Balkans is also reflected in high rates of young people who were not in education, employment or training (NEET), averaging 23.5%, compared with 11.6% in the EU.

Figure 19 / NEET rates (15–24 years), as a percentage of the respective population



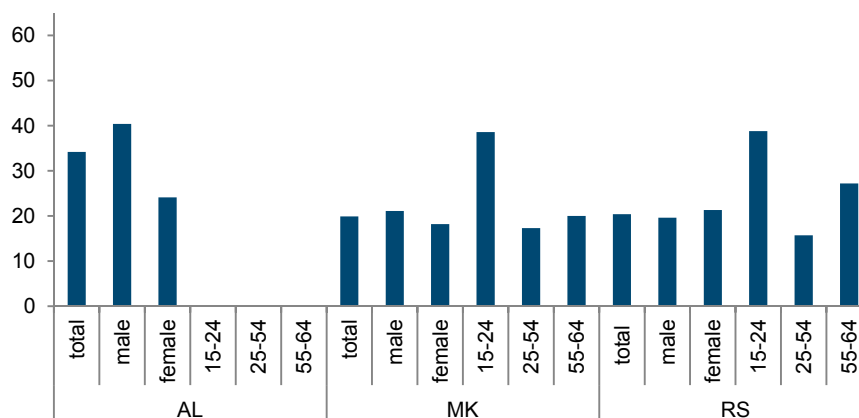
Source: SEE Jobs Gateway Database, based on data provided by national statistical offices and Eurostat.

Informal employment is also a key challenge in the Western Balkan labour markets. With a high proportion of long-term unemployment and youth unemployment, the informal economy functions as a social buffer for workers with few options (Hirose and Hettes, 2016). Young people and the less educated (or the medium educated in the case of Serbia) are those groups most affected by informal employment. Based on Labour Force Survey (LFS) data, Albania still has the highest share of informal-sector employment (37%), followed by Macedonia and Serbia (about 20% each). Estimates for the remaining countries put the share of workers in the informal sector at close to 30% in Bosnia and Herzegovina and about 23% in Kosovo and Montenegro (Gashi and Krstić, 2016).

There are clearly multiple reasons for the high share of informal workers in Western Balkan labour markets. These include high labour taxation and social security contributions (Koettl, 2012; World Bank, 2017) and strong levels of remittance inflows from abroad (Petreski et al., 2017). Apart from anything else, this has a negative impact on the amount that workers earn: the literature (UNDP, 2016; Krstić and Sanfey, 2011) suggests that informal-sector workers earn significantly less than those in the

formal sector who are 'concentrated in better paying industries and occupations and have more education and other favorable characteristics than informal sector workers' (Blunch, 2015).

Figure 20 / Informal employment as a percentage of total employment of the respective gender and age group



Source: SEE Jobs Gateway Database, based on data provided by national statistical offices and Eurostat.

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