

INTERNATIONAL LABOUR ORGANIZATION

Young people and their transition to decent work in the Western Balkans

**A background paper for the Informal Meeting of Ministers of
Labour and Social Affairs during the International Labour
Conference**

Geneva, 12 June 2008



INTERNATIONAL LABOUR OFFICE GENEVA

May 2008

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Young people and their transition to decent work in the Western Balkans

“...decent employment for young people cannot be achieved through fragmented and isolated interventions. It requires long-term, sustained and concerted action that builds upon an integrated strategy for growth and job creation”

[Subregional Tripartite Meeting of Experts on Decent Employment for Young People, Ljubljana, December 2007, *Conclusions*]

Introduction

Nearly two decades of socio-economic transformation have profoundly changed the Western Balkan subregion.¹ The current generation of young people in the subregion is facing new challenges and opportunities.² In comparison with their parents, young people today are confronted with a labour market that is organized along the principles of a market economy. The conflicts that devastated the region throughout the 1990s are now behind them. In parallel, globalization has changed the world economy. Trade liberalization and intensified competition, rapid technological change and a new organization of work have had an impact on the economies of the Western Balkans. Nevertheless, the challenge facing young people remains similar to that of their parents 20 years ago: how to participate in their communities and society at large in decent and productive jobs through which they can realize their full potential and achieve their aspirations.

The integration of young people into the labour markets in the Western Balkan subregion has become a pressing issue. In parts of the subregion, the youth unemployment rates, at well above 50 per cent, are the highest in the world. These alarmingly high rates are compounded by the increasing numbers of young men and women who are trapped in the informal economy or in precarious work. Over 40 per cent of young workers are in temporary jobs, while approximately 44 per cent are estimated to be engaged in informal employment with no employment contract or social security coverage. Furthermore, the number of young workers who have become discouraged in their search for a job, but who are available and willing to work, amounts to 5.6 per cent of the total youth population, which could add an estimated 10 per cent to the ILO youth unemployment rate for the subregion.

Interventions have been developed throughout the subregion to address the youth employment challenge. They have mostly consisted of programmes to curb unemployment in urban areas, usually targeted at highly-educated young people. However, fewer resources have been devoted to designing and implementing policies to

¹ The regional grouping “Western Balkans” includes: Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia (FYR Macedonia), Montenegro, Serbia. This paper also examines the situation of the youth labour market in Kosovo as a territory administered by the United Nations pursuant to United Nations Security Council Resolution No. 1244.

² In line with international statistics and indicators, “young people” or “young workers” are those aged between 15 and 24. Some countries in the subregion have already expanded the definition to include the 25-29 cohort. Adult workers are accordingly considered to be those aged between 25 and 64 years.

improve the employment prospects of all young persons or, in parallel, targeted interventions that address the labour market disadvantages accumulated by many young workers, especially those who are most at risk of social exclusion.

The issue of youth employment in the Western Balkans was discussed at the Subregional Tripartite Meeting of Experts on Decent Employment for Young People, organized jointly by the ILO and the Ministry of Labour, Family and Social Affairs of Slovenia (Ljubljana, December 2007). During the Meeting, experts from the Western Balkans and Slovenia shared national experience and good practice, as well as identifying priority areas for future action by governments and employers' and workers' organizations.³ The subject of youth employment is consonant with the priorities of the Slovenian Presidency of the European Union, which include the advancement of the European Union's strategy "Growth and Jobs", as well as bringing a new focus on the Western Balkans.⁴ The Presidency's Programme devotes particular attention to improving the employment prospects of young people. The topic was also discussed at the informal meeting of employment and social affairs ministers and at the Conference "Jobs for Youth - Prosperity for All", held in Brdo, Slovenia, in March and April this year.

In recent years the ILO has devoted increasing resources and attention to youth employment in the context of its promotion of decent work. The follow-up to the Resolution concerning youth employment adopted by the International Labour Conference in 2005 and the Conclusions of the Seventh European Regional Meeting (Budapest, 2005) has included the development of a technical assistance programme on youth employment in the Western Balkans. This programme combines research and technical cooperation. The research is designed to improve knowledge of youth labour markets, while the technical cooperation includes the provision of technical assistance and advisory services on youth employment policies and programmes as part of Decent Work Country Programmes. Technical cooperation projects on youth employment are currently being carried out in Albania and Serbia, as well as in Kosovo. The projects are funded by the Governments of Italy and Spain.

The main purpose of this paper is to shed light on the current situation of young people in the labour markets of the Western Balkans. However, the literature on this topic is limited. The analysis presented below is therefore based on the research that is being conducted by the ILO to increase knowledge and understanding of the quantitative and qualitative factors shaping the youth employment challenge in south eastern Europe, the Republic of Moldova and Ukraine.⁵

³ These areas of action are included in the Conclusions of the Meeting. See <http://www.ilo.org/public/english/region/eurpro/budapest/employ/ljubljana.htm>

⁴ The Programme of the Slovenian Presidency can be downloaded at: http://www.eu2008.si/includes/Downloads/misc/program/Programme_en.pdf

⁵ In 2007, the ILO analysed the youth labour markets in the Western Balkan subregion, as well as in Bulgaria, Republic of Moldova, Romania, Slovenia and Ukraine. A similar exercise was conducted in 2005 for Kosovo. If not otherwise indicated, the youth labour market indicators presented in this chapter are drawn from these studies. Data for 2001 are from Kolev and Saget, *Understanding youth labour market disadvantage: Evidence from south-east Europe*, International Labour Review, Vol. 144(2), 2005. The data on the overall labour market are from the labour market analysis conducted by the ILO for the Country Reviews of Employment Policy (CREPs) can be downloaded at <http://www.ilo.org/public/english/region/eurpro/budapest/employ/creps.htm>

This paper reviews the main indicators of the youth labour market, presents information on the school-to-work transition of young people and outlines some of the implications for policies affecting youth employment. It concludes by suggesting some approaches and areas on which future work and dialogue on youth employment in the subregion could focus.

1. The youth labour market

In view of the close relationship between aggregate labour demand and youth employment prospects, an overview is first provided of recent developments in the overall labour market in the Western Balkan countries illustrating both the common trends and national differences.

After a sharp decline at the beginning of the transition period, the economies of the Western Balkan subregion started to recover as of the mid-1990s, attaining an average annual growth rate of 5.7 per cent over the period 2004-06, which was more than double that of the EU-27 (2.4 per cent). Nevertheless, as shown in Figure 1 below, employment growth remained negative until 2004, before the achievement of a very modest increase in employment over the triennium 2004-06 (averaging 0.6 per cent). The overall employment rate fell almost every year, reaching 43.6 per cent in 2006, which was over 20 per cent lower than the EU-27 rate of 64.3 per cent.⁶ The data for the Western Balkans show that the subregion experienced the same path of jobless growth as the countries of Central and south-eastern Europe (CSEE) over the same period, at least with regard to jobs in the formal economy.⁷ During the period 2004-06, Croatia and the Former Yugoslav Republic of Macedonia achieved an overall employment growth rate that was higher than the overall average for the Western Balkans (1.1 and 1.6 per cent, respectively). Although the Serbian economy performed above the average for the subregion, with a growth rate of 6.8 per cent, its employment rate hardly moved (-0.2 per cent). The employment rates in Kosovo and Bosnia and Herzegovina are extremely low (29 and 35 per cent, respectively), but are close to the EU average in Albania (59.4 per cent). However, women's employment rates are a particular cause of concern as they are on average 20 per cent lower than those of men.

Figure 1: Trends in annual GDP and employment growth in the Western Balkans (2001 – 2006)



Source: ILO calculations based on UNECE database

⁶ See Cazes and Nesporova, “Combining flexibility and security for employment and decent work in the Western Balkans”, in *South-East Europe Review for Labour and Social Affairs*, Vol. 9(2), 2006, for analysis of the GDP and employment trends in the Western Balkans during the decade 1995-2004.

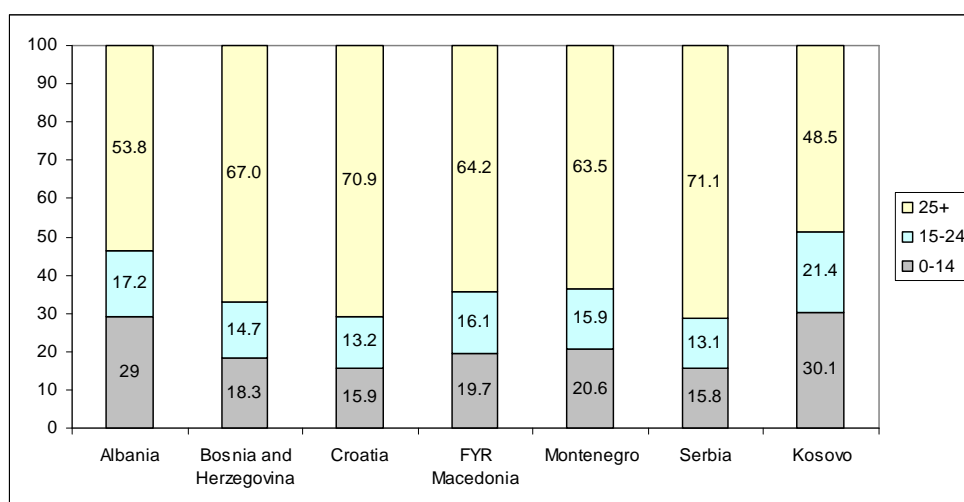
⁷ From 1991 to 2003, the employment intensity of growth in the countries of Central and Eastern Europe deteriorated from 0.24 to -0.19. Over the same period, youth employment elasticities fared even worse, declining from zero to -1.26 (youth employment elasticities provide a numerical measure of how youth employment growth varies with growth in economic output – see: Kapsos, *The employment intensity of growth: Trends and macroeconomic determinants*, ILO, Employment Strategy Papers No. 12, 2005).

1.1. Youth population

A national population with a significant share of young people can be both an asset and a challenge. In the long term, a relatively young population offers the potential of economic growth.⁸ In the short term, it may increase pressure on the labour market if insufficient jobs are available for the increasing numbers of young people leaving school.

The youth population peaked in the Western Balkan region before 1990 and the share of young people is now falling at an annual rate of just below 2 per cent. The percentage of the youth cohort is between 13 and 16 per cent in most of the subregion, although Albania and Kosovo are exceptions. The population of the latter is the youngest in the subregion, with over half the population being under 25 years of age, while in Albania the share is 46 per cent (see Figure 2 below). The massive international migration flows of the 1990s have drastically changed both the overall number and the age structure of the Albanian population, with particular reference to the youth cohort.⁹

Figure 2: Population by age group as percentage of total



Source: ILO: Country analyses of the youth labour market, ILO, Budapest (forthcoming)

1.2. Trends in education

On average, the levels of primary education in the region are quite high and compare favourably with those of OECD economies in general. In 2005, the proportion of children enrolled in primary education averaged 97.8 per cent, with a gender parity index (GPI) of 1.¹⁰ Around the same year, the average youth literacy rate was over 98 per cent.¹¹ However, the picture changes greatly when examining the enrolment rate of young

⁸ When young people are productively employed, they increase per capita income. As they grow older, accumulate assets and invest, they can generate higher national income. In transition economies, the contribution of demography to growth has been calculated at 0.81 per cent, with actual growth in terms of GDP per consumer of 0.61 per cent (see: Lee and Mason, "Back to basics: What is the demographic dividend?", in *Finance and Development*, Vol. 43(3), September, 2006).

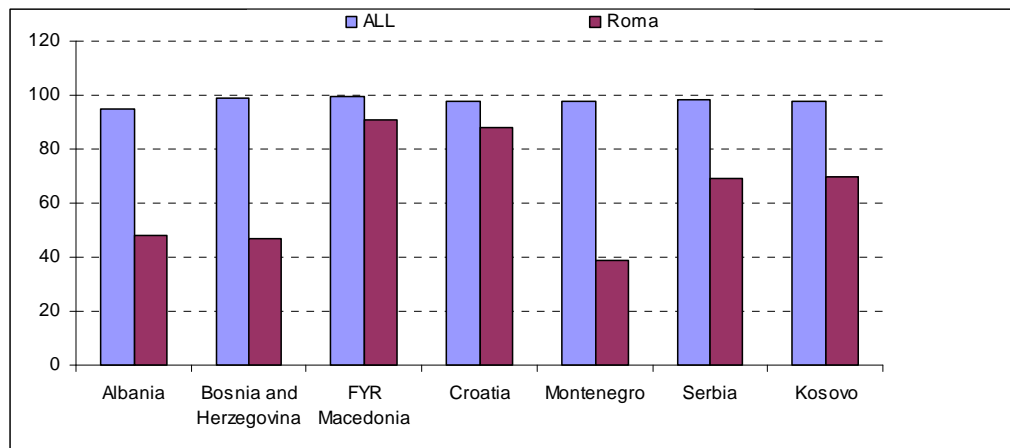
⁹ It is estimated that over 40 per cent of the working age population is currently living abroad. Approximately 60 per cent of Albanian migrants were between the ages of 18 and 29 when they emigrated.

¹⁰ The youth literacy rate is used at the international level as a proxy for assessing country progress towards the achievement of Millennium Development Goal 2.

¹¹ A gender parity index (GPI) of 1 indicates total parity between the rates for girls and boys.

Roma and children from internally displaced and refugee families. The rate of enrolment of Roma in primary education is 66 per cent lower than that of the youth population in general (see Figure 3 below). Although children from internally displaced and refugee families have enrolment rates that are equal to that of the population in general, they experience a higher drop-out rate in primary education and in the transition to secondary education. For example, in Montenegro nearly 20 per cent of children from internally displaced families do not complete primary education.

Figure 3: Primary education enrolment of Roma children (per cent)



Source: ILO calculations based on data from the UNDP and UN-MDGs databases

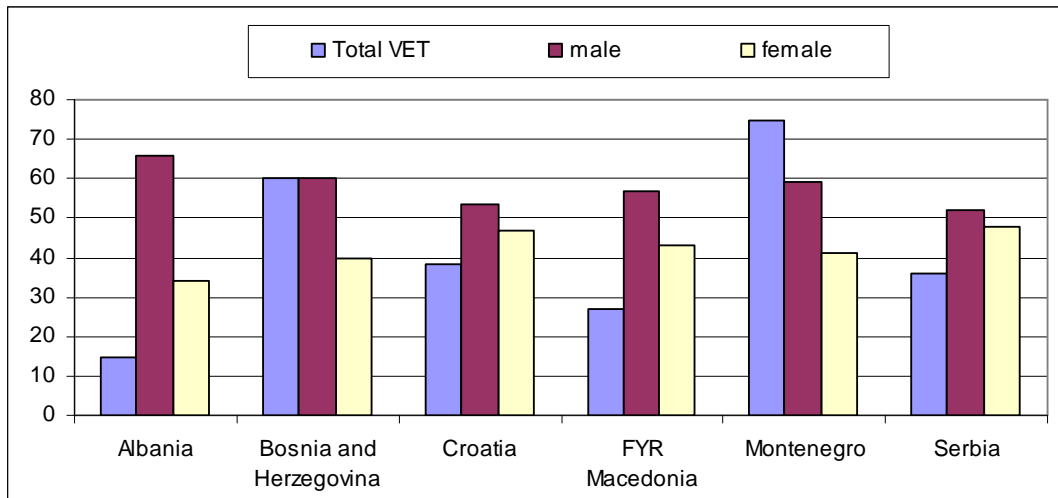
In terms of secondary school attendance, in 2005 over 72 per cent of children in the subregion continued their studies after completing compulsory education. However, this rate was lower than the average for Central European countries (84 per cent) in the same year. Gross enrolment rates in tertiary education were around 26 per cent. Both secondary and tertiary enrolment ratios have been increasing steadily since 1991 throughout the Western Balkan subregion.¹²

With regard to skills training, around 40 per cent of students in secondary education in the Western Balkans (58 per cent of boys and 42 per cent of girls) are enrolled in vocational education and training (VET). In Montenegro, the figure is higher with as many as 75 per cent of students in secondary education being enrolled in VET (see Figure 4 below). Conversely, only 14 per cent of students in secondary education attend VET in Albania, where the rate almost halved during the decade 1989-98.¹³ Although the preferred areas for training depend on the national context, the most popular areas for girls are economics, law and administration, followed by personal services, trade, hotels and textile. Most boys are enrolled in civil, electrical and mechanical engineering and many of them take subjects relating to transport, agriculture and forestry. These trends point to gender stereotyping in vocational education and training, which may in turn lead to gender segregation in employment and occupation.

¹² United Nations Children Fund (UNICEF), *The state of the world's children 2006*, New York, 2006; UNESCO Institute for Statistics, *Statistics in Brief*, 2006; and the TRANSMONEE database, which can be downloaded at <http://www.unicef-irc.org/databases/transmonee/>.

¹³ This decline was due to the closure of many vocational education and training schools in both rural and urban areas as students increasingly enrolled in general secondary schools. In 2005, Albania only had 38 vocational schools.

Figure 4: Share of secondary school students enrolled in vocational education and training by sex (per cent, ca. 2005)



Source: ILO extrapolation from UNESCO database

1.3 Youth labour force participation

In 2006, the share of young people in the Western Balkan labour force was 38.5 per cent. This rate is over 5 per cent lower than that of the EU-27, but higher than the EU countries of Central and south-eastern Europe (EU-CSEE). There was also a divergence of over 16 per cent between the rate in the Western Balkans and the worldwide rate of 54.7 per cent in 2005.¹⁴ Between 2001 and 2006, the average participation rate in the six Western Balkan countries remained almost unchanged (35.4 and 35.1 per cent, respectively), while it more than doubled in Kosovo (from 24.7 to 56.9 per cent).¹⁵

¹⁴ ILO, *Global employment trends for youth*, Geneva, 2006.

¹⁵ Although the youth cohort in Kosovo has been growing in recent years, it is safe to assume that the youth labour market indicators have not changed as much as reported by the results of the first labour force survey (2001). The changes may largely be attributable to adjustments in survey methodology, different periods of observation and an improvement in sampling and data collection.

Table 1: Key indicators of the youth labour market disaggregated by sex, ca. 2006 (per cent)

Country	Labour Force participation rate			Employment-to-population ratio			Unemployment rate			Inactivity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
Albania	36.6	41.5	32.1	31.9	33.5	28.6	12.8	14.4	11.0	63.4	58.5	67.9
Bosnia and Herzegovina	33.4	40.1	26.3	12.5	15.7	9.1	62.3	60.2	65.7	66.6	59.9	73.7
Croatia	35.9	39.9	31.6	25.5	29.1	21.8	28.9	27.2	31.1	64.1	60.1	68.4
FYR Macedonia	35.8	42.0	29.3	14.4	17.2	11.4	59.7	59.0	61.0	64.2	58.0	70.7
Montenegro	35.0	41.2	28.6	14.2	16.3	11.9	59.5	60.4	58.2	65.0	58.8	71.4
Serbia	35.8	40.8	30.6	18.7	22.5	14.8	47.7	44.9	51.7	64.2	59.2	69.4
Kosovo	56.9	62.8	51.5	28.7	28.0	29.6	49.5	52.8	45.7	43.1	37.2	48.5
Western Balkans	38.5	44.0	32.9	20.8	23.2	18.2	45.8	45.6	46.3	61.5	56.0	67.1
EU-CSEE*	33.3	37.4	29.0	27.2	31.0	23.3	18.1	<i>n.a</i>	<i>n.a</i>	66.7	62.6	71.0
EU 27	44.1	47.4	40.6	36.4	39.4	33.4	17.3	17.0	17.7	55.9	52.6	59.4

Key: * EU-Central and South Eastern Europe

Source: ILO: Country analyses of the youth labour market ILO, Budapest (forthcoming), based on the authors' calculations of labour force survey data (2005 living standard measurement survey for Albania). Data for EU countries are from EUROSTAT.

As shown in Table 1 above, the highest participation rates in 2006 were registered in Kosovo and the lowest in Bosnia and Herzegovina. In the same way as their adult counterparts, the labour market participation rate of young women is much lower than that of young men. Across the subregion, there is a gender disparity of 11 per cent between young women and young men, while for adults the gender gap is a striking 20 per cent.¹⁶

1.4 Youth employment

The overall youth employment-to-population ratio (or “employment rate”) in the Western Balkans was 20.8 per cent in 2006 (23.2 per cent for young men and 18.2 for young women). Despite robust economic growth, the youth employment rate in the subregion fell by over 2 per cent between 2001 and 2006. The very low youth employment rate shows that the economy is unable to create enough jobs in the formal economy. The rate for the subregion compares unfavourably with that of the EU, as well as with the worldwide figure for 2005 (47.3 per cent). Only in Croatia did the youth employment rate increase (by almost 2 per cent) over that period. The gain was quite substantial for young men, but was more modest for young women (24 and 7 per cent, respectively). The biggest fall (nearly 5 per cent) was in Albania. Data on youth employment disaggregated by national origin or by refugee and internally displaced status is largely unavailable in the subregion. However, a number of ad hoc surveys suggest that the employment rates of young Roma and young internally displaced persons

¹⁶ Low wages combined with limited services to help reconcile work and family responsibilities mean that it is not cost-effective for the household for women to enter the labour market. This is confirmed by the data on inactivity, which show that women are more likely to be out of the labour force due to family care duties.

(IDPs) are between 5 and 10 per cent lower than the average rates for youth employment overall.¹⁷ This characteristic holds true for most of the subregion, with the exception of Montenegro, where the difference is more modest.

Employment by sector

In the same way as in the adult labour market, the service sector is the largest provider of jobs for young people (54.1 per cent of employed youth, compared with 57.4 per cent for adults). Young workers are less numerous in manufacturing than their adult counterparts (21.5 per cent and 25.9 per cent, respectively), but are more likely to be engaged in agriculture (24.4 per cent and 21.6 per cent). Agriculture caters for the survival needs of a large share of young workers in Albania and the Former Yugoslav Republic of Macedonia (64.9 and 33.5 per cent, respectively). A recent ILO assessment has shown that many young persons in Albania engage in survival agriculture until they have the opportunity to migrate, either internally or internationally. The structure of youth employment elsewhere in the Western Balkans is similar to that of the EU-27, with the vast majority of young persons working in the service sector.

Status in employment

Almost 68 per cent of young workers in the Western Balkans are engaged in wage employment. The percentage of self-employed young workers is half the rate for adult workers (10.9 compared with 20 per cent), with young Bosnians being the most entrepreneurial in the region. The rate of young men in self-employment (13.2 per cent) is almost double that of young women (7.3 per cent). As in other regions of the world, young persons prefer to acquire their skills and work experience through salaried work before entering self-employment. The number of young persons engaged in family work is more than three times the rate for adults (21.6 compared with 6 per cent). This suggests that young persons are more prone to underemployment than adults. In this respect, Albania has the highest rate in the Western Balkans with over 57 per cent of young workers being engaged in family work. The private sector accounts for almost 84 per cent of young persons who are in wage employment, which is 20 per cent higher than the rate for adults in the subregion.

Type of contract

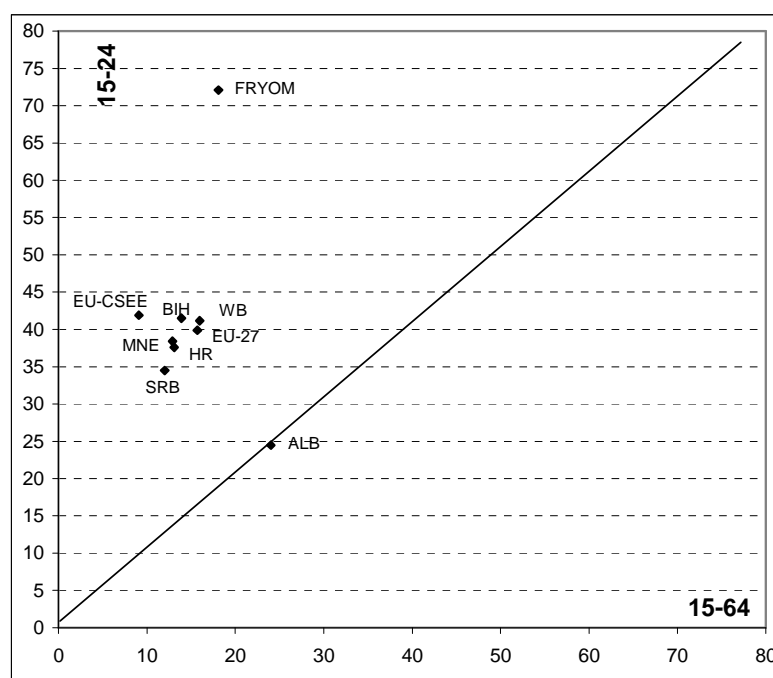
The percentages of young workers engaged in full- and part-time employment (84 and 16 per cent, respectively) are quite similar to those of adult workers (86 and 14 per cent, respectively). Moreover, in this respect there is no major difference between young men and women, contrary to the situation for adult workers (17.4 per cent of women are in part-time work, compared with 12.1 per cent of men). The percentage of young persons engaged in involuntary part-time work varies between one-third and one quarter of all young part-time workers. For example, about 33 per cent of young part-time workers in Croatia and 22 per cent in Serbia were in part-time work because they could

¹⁷ A regional survey conducted by UNDP in 2004 found that the employment prospects of young Roma and internally displaced persons (IDPs) in the 15-29 age group are bleaker than those of young persons in general living in proximity to communities of Roma and internally displaced persons. The UNDP dataset from these surveys is available online at <http://vulnerability.undp.sk>

not find full-time employment. It would be useful for these data to be collected more systematically as a basis for analysing time-related underemployment, for which data are not available for most of the Western Balkan subregion. The incidence of part-time employment among young Croatians is the lowest in the region (8.7 per cent).¹⁸

The past few years have seen the increasing use of fixed-term contracts for new recruits. In 2006, around 41 per cent of all young workers in the subregion were engaged under a fixed-term contract, which is in line with the figure for the EU-CSEE and EU-27 (41.9 and 41.5 per cent, respectively). In the same year, there were 2.6 young workers in temporary employment for every all-age worker in the Western Balkans. In Albania, this ratio was lower at just one, while it was close to four in the FYR of Macedonia (see Figure 5 below).

Figure 5: Ratio of temporary work for youth and all-age workers



Key: ALB: Albania, BiH: Bosnia and Herzegovina, FRYOM: FRY Macedonia, HR: Croatia, MNE: Montenegro, SRB: Serbia, WB: Western Balkans, EU-CSEE: EU-Central and South Eastern Europe.

Source: ILO calculations based on data from 2006 national labour force surveys for the Western Balkans (WB) and EUROSTAT for EU-27 and EU-CSEE.

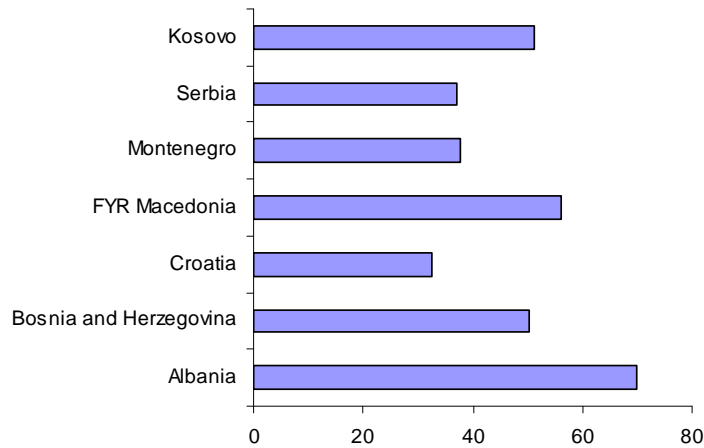
Informal employment

There are no uniform criteria that are used across the Western Balkans to measure informal employment. However, based on household surveys, it is estimated that about 44 per cent of young workers are engaged in informal employment. The high share of young informal workers confirms the poor quality of youth employment in the subregion, where many young workers do not enjoy basic rights at work: they do not have an employment contract, nor are they covered by health insurance or pension contributions. For example, it is estimated that 70 per cent of young workers in Albania are not covered

¹⁸ Eurostat online database.

by social security. In 2005, about 37 per cent of young workers in Montenegro did not have an employment contract.¹⁹ Figure 6 provides some numerical estimates of the magnitude of informal youth employment.

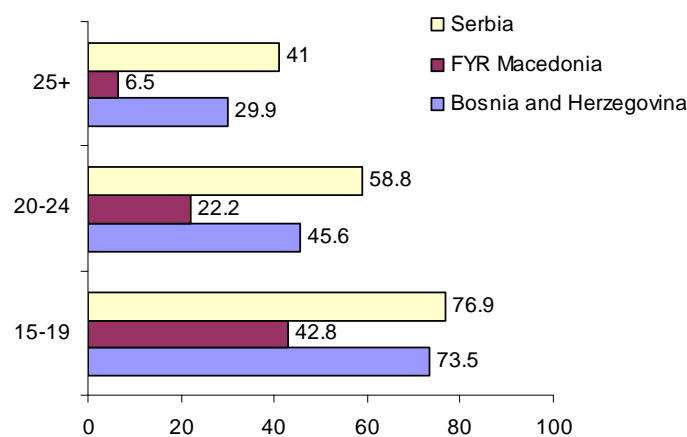
Figure 6: Estimates of the incidence of informal employment among young workers (per cent)



Source: ILO: Country analyses of the youth labour market, ILO, Budapest (forthcoming)

A key characteristic of the informal economy in the Western Balkans is therefore the over-representation of young people. Where numerical estimates are available, informality is seen to be higher amongst teenagers compared to young adults and among young workers (15-24) compared to workers aged 25 and over (see Figure 7 below). With regard to gender differences, the existing evidence suggests that the rate of informal employment is around 40 per cent for young men and 33 per cent for young women.²⁰

Figure 7: Incidence of informal employment by age group (per cent)



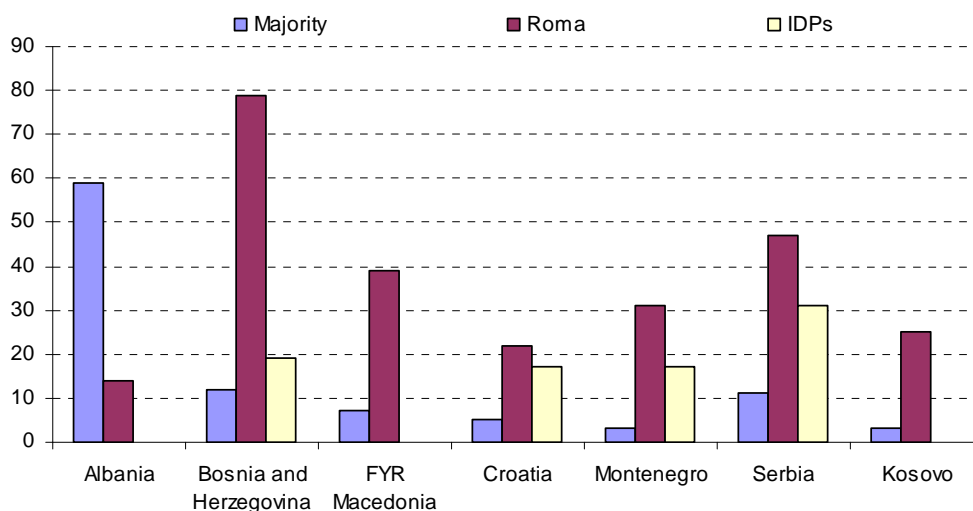
Source: Data are from labour force surveys (2006 for Bosnia and Herzegovina and 2005 for FYR Macedonia and Serbia)

¹⁹ European Training Foundation, *Labour market review of Montenegro*, 2006. Country data are from various labour force surveys (Bosnia and Herzegovina, FYR Macedonia, Croatia and Montenegro) and living standard measurement surveys (Albania and Serbia).

²⁰ This gender difference is due to the fact that young women generally participate less in the labour market (they tend to have a higher school attendance rate than young men) and, when they do participate, they are more likely to be unemployed than employed (in both the formal and the informal economy).

Another characteristic concerns the incidence of informal work by educational level: young workers engaged in informal work are by and large those who have only completed primary education or less (over 80 per cent of the young workers concerned in both Bosnia and Herzegovina and Serbia), while those with tertiary education are the least numerous (around 20 per cent in Serbia and 30 per cent in Bosnia and Herzegovina).²¹ In terms of the sectoral composition of informal employment, the highest proportion of informal workers are in agriculture and services. Unfortunately, data are scarce on the composition of the informal workforce by subsector. However, in Montenegro and Bosnia and Herzegovina, a large proportion of informal young workers are engaged in occupations relating to hotels and restaurants.²² The available data show that the incidence of informal employment among young Roma and internally displaced persons in the 15-29 age bracket is much higher than that of the youth population in general living in the proximity of communities of Roma and internally displaced persons.²³ This applies throughout the subregion, with the exception of Albania (see Figure 8 below).

Figure 8: Incidence of informal employment among young Roma and internally displaced persons (per cent)



Source: Data are from the UNDP vulnerability database <http://vulnerability.undp.sk>

Wages and hours of work

Data are scarce on conditions of work for most of the subregion. The information that can be drawn from household budget surveys relates to wages and hours of work. Other measures of the quality of employment and conditions of work are discussed in section 2 below.

²¹O'Higgins, *Young people and the informal economy in the Western Balkans*, background paper prepared for the Subregional Tripartite Meeting of Experts on Decent Employment for Young People, Ljubljana, December 2007, ILO (unpublished).

²²Ibid.

²³The UNDP dataset from these surveys is available online at <http://vulnerability.undp.sk>

Young workers in the subregion earn 20 per cent less than adults.²⁴ In Bosnia and Herzegovina, the difference is 30 per cent. The wage gap between young women and young men is about 20 per cent. There are similar differences between the wages of teenage workers (15-19) and of those of young adults (20-24). For instance, the wage gap in Croatia between young workers and adult workers is approximately 18 per cent, but this figure doubles when the average wages of the working population as a whole are compared with those of teenage workers. Education and training offer a wage premium. In Kosovo, for example, young workers who have completed secondary education on average earn over 20 per cent more than those with only primary education, but almost 18 per cent less than young workers who have completed higher education. The earnings of the self-employed, especially in skilled trades, are higher than the salaries paid in the same occupations. Finally, in terms of hours of work, young people in the subregion work 42 hours a week on average, which is comparable with the hours of work of their adult counterparts. However, there are still many young people who work between 42 and 49 hours a week, with almost 23 per cent of young workers engaging in excessively long hours (50 hours or more a week).

1.5 Youth unemployment

Youth unemployment remains a daunting challenge in the Western Balkans. Almost 46 per cent of young people in the subregion's labour force were unemployed between 2005 and 2006 (the rate was 45.6 per cent for young men and 46.3 per cent for young women). In comparison, the rate for the EU-27 in 2006 was 17.3 per cent, while the worldwide rate was 13.5 per cent in 2005.

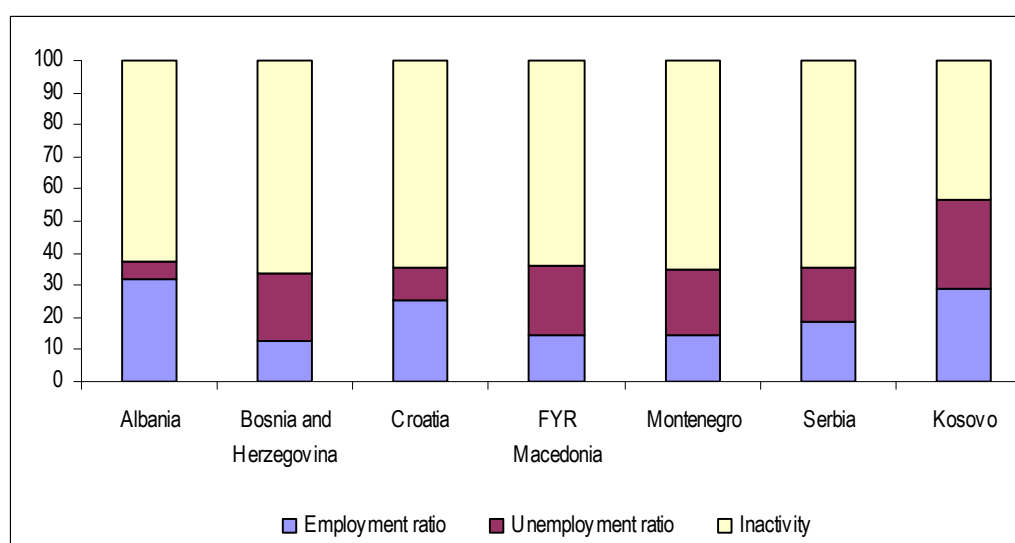
With rates of around 50 per cent, most of the Western Balkans countries and Kosovo have the highest rates of youth unemployment in the world, with teenagers being at a greater disadvantage than young adults (56 compared with 43 per cent, respectively). The disadvantage of young workers in relation to adults is such that there are 2.4 unemployed young persons for every unemployed adult. Over the past five years, youth unemployment in the subregion has increased by 5 per cent.²⁵ Croatia is the only country in the subregion that has succeeded in drastically reducing the youth unemployment rate over that period (a reduction of 12.2 per cent).

The youth unemployment ratio (the share of unemployed youth in the total youth population) is another indicator of the disadvantage of young workers in terms of unemployment. Together with the employment and inactivity rates, it gives a picture of the distribution of youth by activity status (see Figure 9). The average youth unemployment ratio for the region is 17.5 per cent. The highest ratio (28.2 per cent) is in Kosovo, followed by FYR Macedonia (21.5 per cent), while the ratios are lowest in Albania (5.5 per cent) and Croatia (10.3 per cent).

²⁴ Over the period 2001-2006, net wages in the formal economy increased throughout the Western Balkans. However, data for Serbia indicate that these increases were lower than productivity gains. See Arandarenko and Vukojevic, *Labor costs and labor taxes in the Western Balkans*, World Bank, February 2008.

²⁵ This figure excludes Kosovo.

Figure 9: Distribution of youth population by activity status, ca. 2006 (per cent)



Source: ILO: Country analyses of the youth labour market, ILO, Budapest (forthcoming)

The correlation between educational attainment and unemployment, in the sense that the higher the level of educational attainment, the lower the rate of youth unemployment, is generally valid throughout the subregion. Nevertheless, there is also the problem almost everywhere of the “educated” unemployed (for example, the number of unemployed youth with secondary education is equal to or greater than the number of unemployed youth who have only completed primary education). Although in most of the subregion the unemployment rate does not differ much between young people who have only primary education and those with secondary education, it is important to analyse this trend in conjunction with both employment and inactivity rates. For example, in Serbia young people who have completed secondary education have higher employment rates than their peers with a lower level of educational attainment (their employment rate is nearly three times higher); they also experience a lower rate of informal employment (25 per cent lower) and of inactivity (30 per cent lower).

1.6 Youth inactivity and discouragement

The high levels of inactivity are another important characteristic of labour markets in the Western Balkans, where 36.6 per cent of the working age population is out of the labour force. Around 2006, the rate of youth inactivity was 61.5 per cent. However, this figure is meaningless unless it is read in conjunction with the number of young persons who are not in the labour force because they are engaged in education. Inactive young persons, excluding students, amount to around 10 per cent of the total youth population in the subregion. Young women have a higher inactivity rate than young men (12.5 compared with 9.6 per cent).

As noted above, young persons with low levels of educational attainment account for most of those who are inactive or not in school. The rate of inactivity among young persons for reasons other than education is lowest in Croatia (3.2 per cent) and highest in Albania (12.8 per cent). Researchers have recently started to pay increased attention to

the indicator that measures the percentage of youth who are neither in employment nor in education or training (NEET). However, even though the non-employment rate offers the advantage of aggregating unemployment and inactivity that is not due to school attendance, it does not offer much information for policy purposes. The category of young persons which requires urgent attention consists of those who are involuntarily inactive. These discouraged young workers are on the fringe of the labour market and they would be likely to enter the labour force if they felt that the economic situation or their employment prospects could be improved. The situation of these young persons may give grounds for waiving the job-search requirement for the calculation of a relaxed rate of unemployment for inactive youth who are willing and available to work. Young worker discouragement in the subregion is running at an average of 5.6 per cent of the total youth population. This could add an estimated 10 per cent to the ILO youth unemployment rate in the subregion. In 2006, the share of discouraged young workers in the youth population was lowest in Croatia (around 1 per cent) and highest in Bosnia and Herzegovina (over 13 per cent).

2. The transition to decent work for young people

The focus on the transition from school to work has been an important innovation in analysis of the youth labour market. It has mostly been used in industrialized countries over the past three decades, and more recently has also been applied in middle- and low-income countries. However, the notion adopted up to now is still too focused on quantitative indicators, which do not take into account the key challenge of improving the quality of youth employment.

The framework of the transition from school to work serves to bring together several issues that help in gaining a better understanding of the functioning of the youth labour market and in shaping integrated youth employment policies, as highlighted by ILO constituents at the international and regional levels, and also at the recent Subregional Tripartite Meeting on Decent Employment for Young People, which covered the Western Balkans.²⁶

Traditional youth labour market indicators are often inadequate to reflect the multi-faceted difficulties that confront young people in their transition to decent work. Such indicators do not shed sufficient light on the numbers of young people who are working long hours under informal, intermittent and insecure work arrangements or in low productivity jobs, with meagre earnings and a low level of labour protection. Similarly, the youth unemployment rate does not take into account the new reality of discouragement, which has important socio-economic consequences, and therefore policy implications.

Transition indicators help to measure the degree of ease or difficulty experienced by young people in their search for decent work. The latter is defined as work that is productive, generates adequate income and guarantees rights at work and social protection. On the basis of this definition, a successful transition to decent work would comprise all young people employed in a “career” or permanent job that allows them to enjoy decent working conditions. The proposed framework distinguishes between three major stages of transition, based on young people who: have “not yet started” their transition; are “in transition”, or in other words are searching for decent work; or have “transited” to a decent job. Table 2 illustrates the composition of these indicators.

²⁶ See also the ILC Resolution concerning youth employment, Geneva, June 2005, and the Conclusions of the Seventh European Regional Meeting, Budapest, February 2005.

Table 2: Traditional and transition indicators

Traditional labour market indicators	Indicators of the transition from school to work	
Inactivity rates	Transition not Started	In school Inactive (unwilling and/or unavailable for work)
Unemployment rate Unemployment ratio	In transition	In-school, but seeking work Discouraged workers Unemployed Workers with decent work deficits Workers wishing to change jobs to improve working conditions
Employment rate Employment ratio	Transition Completed	Employed in decent work

Source: Corbanese and Rosas, *Young people's transition to decent work: Evidence from Kosovo*, ILO, Employment Policy Papers No. 4, 2007.

The data available for the Western Balkans do not allow an in-depth analysis of these composite indicators.²⁷ For the purposes of the present paper, the calculation of the share of youth in the “transition-not-started” stage includes all youth who are at school and those who are out of the labour force for reasons other than discouragement. The “in-transition” indicator comprises all youth who are unemployed, discouraged, engaged in the informal economy or in precarious work. Due to the lack of detailed data, young workers who have “transited” to decent work are measured by default.

In 2006, approximately 55 per cent of all young people in the subregion had not started their transition. Around 47 per cent were still in school, with shares ranging from fewer than one-third (Kosovo) to two-thirds (Croatia). These data indicate that a significant share of young people in the region (7.6 per cent) were neither in school nor in the labour force. The reasons for inactivity indicated by young workers were mostly linked to family responsibilities (cited by young women more than young men) and poor health or disability.

Young people in transition represented over one-third of the total youth population (34.4 per cent). Most young people in transition were either unemployed (over 20 per cent of the total) or engaged in the informal economy (12 per cent). The characteristics of “in-transition” youth differ from country to country. For instance, in Croatia there were fewer discouraged and unemployed young workers, while the share of youth with decent work deficits (over 8 per cent) was higher than elsewhere in the subregion, with the exception of Albania. The youth unemployment ratios (between 17 and 21 per cent) and the incidence of informal employment (between 6 and 8 per cent) were similar in Bosnia and Herzegovina, FYR Macedonia and Serbia. Conversely, Albania had a low share of unemployed youth, but much higher rates of discouragement (11.3 per cent) and informal employment (26.6 per cent). Another indicator that is useful in measuring the quality of the transition is the share of temporary workers in the total

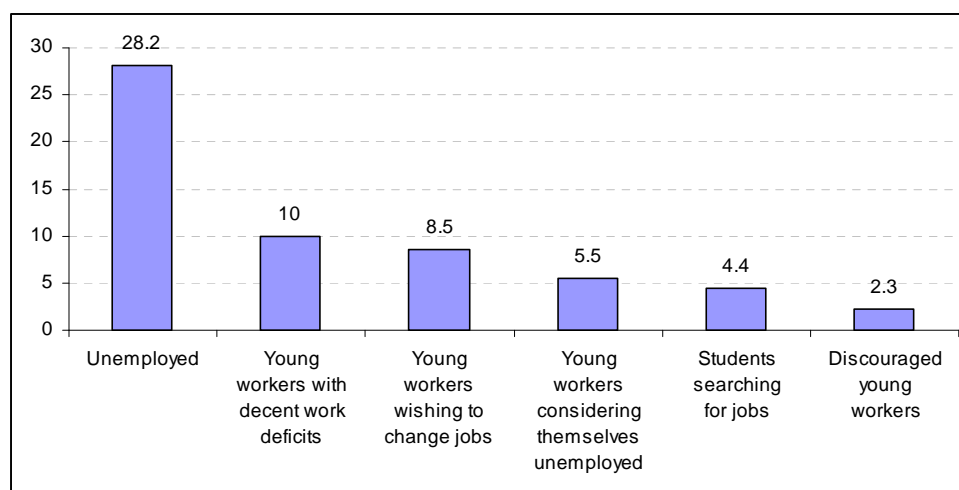
²⁷ The data are for Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia and Serbia.

youth population. This share was around 9 per cent in FYR Macedonia. However, it is only in Croatia that it is possible to measure the extent of involuntary temporary work, or in other words the number of young workers who are engaged in temporary work because they cannot find a permanent job. In 2006, young workers in this situation accounted for 4.3 per cent of the youth population in Croatia.

Young workers who had transited to decent work represented approximately 9 per cent of all youth in the subregion. Again, the data show pronounced differences. The highest share of youth who had transited to a career job was in Croatia and Serbia (17.3 and 11.8 per cent, respectively), while it was lowest in Albania and Kosovo (4.5 and 4.7 per cent).

Detailed data on the quantity and quality of youth employment and on the composite transition indicators are only available for Kosovo, where the ILO conducted an ad hoc survey in 2004. To facilitate understanding of the ease or difficulty of the transition to decent work, the composite “in-transition” indicator has been disaggregated into six subcategories (see Figure 10). The total share of young workers still “in-transition” was 59 per cent. Discouraged workers represented 2.3 per cent of the youth population, with the proportion of discouraged young women being three times that of young men. Over 4 per cent of all young people were seeking work, even though they were attending school. The young unemployed accounted for 28 per cent of the whole youth population. Furthermore, over 8 per cent of all young persons were planning to change their job due to poor working conditions, while 10 per cent of all young persons were in a job with decent work deficits. This subcategory was second only to the proportion of unemployed youth. The deficits included excessive hours of work (over 50 a week), the absence of an employment contract, no paid leave (either annual or sick leave) or pension contributions, and precarious work.

Figure 10 Youth in transition (Kosovo, 2004)



Source: Corbanese and Rosas, *op.cit.*

3. Implications for policies affecting youth employment

This paper highlights the complexity of the youth employment challenge in the region, in both quantitative and qualitative terms. In so doing, it points to three main policy areas that are of particular importance to the youth labour market, namely economic and social policy, education and training policy and labour market policy. This section discusses briefly the major implications for these three policy areas highlighted by the experts attending the Tripartite Meeting in December 2007.

3.1 *Integrated strategies for growth and job creation*

Given that youth employment is dependent on the overall employment situation, policies to improve the employment prospects of young people are more effective if they are part of broader policies aimed at increasing aggregate demand. The policy framework generally pursued in the Western Balkan subregion tends to consider employment as being a derivative of sound macro-economic policy, rather than an objective in itself. The stringent monetary and fiscal policies adopted over the past decade have succeeded in stabilizing the balance of payments and in reducing inflation and the budget deficit. However, progress has remained less than satisfactory in terms of the growth of formal employment, the improvement of living standards and the reduction of inequalities. Most of the subregion continues to be trapped in a path of jobless growth. Expansionary policies are needed to generate higher rates of domestic investment, productivity and employment.

The poor employment record of recent years points to the need for integrated, coherent and multi-dimensional strategies for growth and jobs that address employment as part of integrated economic and social policies, set out youth-specific employment objectives and include both efficiency and equity targets. The attainment of job quality objectives should be central to these strategies. This would make it possible to redress the decent work deficits faced by a vast number of young workers, especially those engaged in the informal economy.

The strategies could channel substantial resources into priority sectors with high youth employment elasticity, which could have a substantial impact on employment generation. This is particularly the case where the strategies include employment-intensive investment combined with human resources development and training. For example, agricultural policy could focus on improving competitiveness and shifting subsistence farmers into better-paid off-farm employment. The development of employment-intensive non-agricultural sectors, such as tourism and food processing, could contribute to absorbing rural labour, thereby potentially increasing living standards. Another focus area could revolve around the promotion of a business environment geared to the creation of jobs through enterprise development. This would require an improvement in the legal framework applicable to enterprises, as well as measures to promote access to a broader range of financial and non-financial services and to reduce drastically the number of enterprises operating in the informal economy. Finally, such integrated strategies should be accompanied by a set of social policies aimed at reducing poverty, redressing social exclusion and promoting a healthy and productive youth labour force. Specific aims of these social policies should include the promotion of gender

equality and the integration of the most disadvantaged youth, such as Roma, internally displaced persons and refugees. With a view to ensuring that the youth employment objectives established are achieved in practice, national action plans on youth employment could be developed which identify clear outcomes to be achieved within a given timeframe.

The adoption of such an integrated approach requires concerted and coordinated action spanning several ministries and ensuring the achievement of long-term development objectives and targets. It also requires effective coordination between central and local institutions, as well as between public and private agencies. As the representatives of the main labour market actors, employers' and workers' organizations should work in tandem with governments for the formulation and implementation of employment strategies in general, and national action plans on youth employment in particular.

3.2 *Fostering employability and productivity through education and training policy*

Globalization, trade liberalization and technological change mean that countries are having to adapt more quickly to remain competitive. Knowledge and skills are key elements of employment strategies in view of their impact in determining the employability and competitiveness of the labour force, and in influencing the investment climate of an economy.

Education and training systems that equip young people with skills and work experience can be effective in easing their transition to decent work. These systems should build the foundations for employability and deliver quality education and training that is aligned with labour market requirements. Their focus should be on the development of flexible and employment-oriented vocational education and training systems centered around broad and competency-based training programmes that are linked with work experience. The latter is an essential ingredient in overcoming the reluctance to hire inexperienced young workers.

The introduction of national qualifications frameworks can also be instrumental in promoting occupational mobility and recognizing the skills acquired through prior learning. Modern curricula should combine both the specific occupational skills that are in demand in the labour market and general employability skills, in the sense of skills that help young people to communicate effectively, work in teams, solve problems and, more generally, cope with rapid changes in technology and the organization of work. Career guidance is also effective in aligning the expectations of students with emerging occupations and labour market opportunities.

Lifelong learning and workplace training contribute to improving productivity and promoting the quality of employment, especially for low-skilled youth, workers in the informal economy and those in precarious forms of work.

3.3 Labour market policies to smooth the transition of young persons to decent work

The role of labour market policies is to improve youth employment opportunities by promoting the efficiency and equity of the labour market. Employment protection legislation (EPL), labour costs and active labour market policies are often identified as being important in promoting youth employment.

As indicated earlier, the liberalization of labour law during the period between the end of the 1990s and the beginning of the 2000s had a major influence on the type of employment contracts available to young workers. However, the impact that the liberalization of employment protection legislation was expected to have on the employment prospects of young people has not materialized. Youth employment outcomes have actually worsened over recent years.²⁸

As indicated in Table 3 below, despite the similar EPL indices in Albania, Montenegro and Serbia, the youth unemployment rates in those countries vary from a low of 12.8 per cent to nearly 60 per cent. Similarly, although the EPL index in Croatia is higher than the subregional average, its youth unemployment rate is the second lowest in the Western Balkans.

Table 3: EPL indices, youth unemployment and temporary employment

Country	Year	Component Indices			EPL Summar Index	Youth unemployment rate (2006)
		Regular Contract	Temporary Contracts	Collective Dismissals		
Albania	2008	1.8	1.9	3.4	2.1	12.8
Bosnia and Herzegovina	2007	2.0	2.9	3.3	2.6	62.3
Croatia	2003	2.7	2.8	2.5	2.7	28.9
FYR Macedonia	2008	2.1	3.8	3.8	3.1	59.7
Montenegro	2008	2.6	1.1	3.8	2.2	59.5
Serbia	2008	2.0	1.9	3.6	2.2	47.7

Note: The EPL index measures the degree of strictness of employment protection legislation. The index ranges from 0 (very liberal) to 6 (very restrictive).

Source: ILO database

The liberalization of employment protection legislation over recent years has not been accompanied by an overall review of labour market policies. The system of income protection during unemployment and effective assistance in employment is a policy area that calls for urgent review. Both the low level and limited coverage of unemployment benefit mean that it is inadequate to promote the efficient allocation of resources in the labour market, which has the effect of increasing the poverty risk and encouraging work in the informal economy. Improving the enforcement of labour legislation is another

²⁸ See Cazes and Nesporova, *Labour markets in transition: Balancing flexibility and security in Central and Eastern Europe*, ILO, 2003. This research found a statistically insignificant impact of the strictness of employment protection legislation (EPL) on youth employment in Central and South Eastern European countries and emphasized that the degree of strictness of EPL influences the type rather than the number of persons who are unemployed.

issue that warrants serious consideration in order to reduce the magnitude of the informal economy, in which young workers are disproportionately represented. This would require a combination of supportive strategies to promote the rights of young people at work and to convince marginal enterprises that it is in their interests to comply with labour law. At the same time, these strategies could include firm measures to repress activities involving the abuse of young people at work and harming their development, or which are intolerable because of the use of child labour.

It is often argued that youth unemployment and informal employment arise largely as a response to high labour costs. Recent studies have focused on both minimum wages and payroll taxes as a means of curbing youth unemployment and reducing informality among young workers. The evidence from several countries suggests that any negative effects of minimum wages on the employment prospects of young people are negligible. In Bosnia and Herzegovina, minimum wage levels differ between the two major entities: they are higher in the Federation of Bosnia and Herzegovina than in the Republika Srpska. Although it might be expected in some quarters that youth employment prospects would be more favourable in the latter, in reality the share of young workers in the informal economy is higher in the Republika Srpska than in the Federation. This would tend to confirm that the option of reducing the minimum wage as a means of increasing the prospects of decent work for young people is unlikely to be effective.

Another approach views the reduction of non-wage labour costs as a tool for reducing unemployment and informality. Analysis of Central and Eastern European countries has found that youth unemployment tends to rise with higher payroll taxes.²⁹ A recent World Bank study has reviewed labour costs and payroll taxes in the Western Balkans. It found that they are higher than those of EU countries and are not progressive, with a relatively heavy burden therefore falling on low-wage workers.³⁰ A gradual reduction of high payroll taxes could therefore be an area to be explored in the Western Balkan subregion, especially where youth unemployment and informality are extremely high. A general reduction of payroll taxes could be a major incentive to improving employment outcomes, especially for young people. Another measure could be a temporary reduction of payroll taxes for enterprises hiring young people, especially those who are in the greatest difficulty in the labour market. Evaluations of these measures conducted in EU and OECD countries have found that they have a beneficial impact on youth employment.³¹ However, evaluations point to the importance of both the duration and the level of any reduction of payroll taxes, as well as their potential distortion effects, in terms of deadweight loss and displacement, if they are not targeted at the most disadvantaged workers or at the geographical areas where youth unemployment is particularly acute.

Active labour market policies and programmes (ALMPs) have increasingly been used by many countries to improve the labour market integration of young people. Their functions are to mediate between labour supply and demand, mitigate education and labour market failures and promote efficiency, equity, growth and social justice. In line with this international trend, active labour market policies have been introduced recently

²⁹ Cazes and Nesporova, 2003, op. cit.

³⁰ Ardarenko and Vukojevic, 2008, op. cit.

³¹ ILO, *Starting right: Decent work for young people*, Geneva, 2004; World Bank, *World Development Report 2007: Development and the next generation*, Washington DC, 2006.

in the Western Balkan subregion, mainly as remedial measures in response to perceived labour market problems.

The design and implementation of ALMPs requires coherence and the sequencing of the various employment and labour market services. For example, counselling and job search assistance can be more effective and less costly than other measures in helping young persons to find a job. Training programmes are more effective in improving employability when they encompass on-the-job learning and work experience. Employment subsidies work best when they are soundly targeted and have a strong learning and training component. Moreover, self-employment measures involving the provision of credit for business start-ups may be successful if they are supplemented by entrepreneurship training and other non-financial services. The evaluations carried out in a number of countries have demonstrated that these policies and programmes can be successful in easing the transition of young people to decent work when they are: part of a comprehensive package of services; targeted at the needs of individuals; respond to labour market requirements; and the social partners are involved in their design, monitoring and evaluation. The most effective practices involve a combination of various forms of employment assistance which include elements of job search, case management, labour market training and job placement in private sector enterprises.

There has been little assessment of the impact of these policies on improving the employment and earnings of young people in most of the Western Balkan subregion. Yet it is essential for ALMPs to be monitored constantly and evaluated rigorously in order to avoid distortion effects, determine what works and check whether they pass the efficiency test. Overall expenditure on ALMPs as a percentage of GDP in the subregion is currently well below the level that is needed. In view of these funding constraints, policies need to be chosen selectively and targeted carefully. The effectiveness of ALMPs also depends in part on the efficiency of their administration and, consequently, the structure and organization of public employment services. All the public employment services in the subregion have been under reform. However, more needs to be done to make employment services more attractive to both employers and young people. The fact that the intervention of public employment services is conditional on the registration of jobseekers means that they do not address worker discouragement and inactivity, which mostly affect young persons who are disadvantaged and socially excluded. In this respect, the outreach of public employment services should be increased through partnerships with other government institutions, the private sector and non-governmental organizations.

Even though bipartite and tripartite social dialogue institutions exist in the Western Balkans, their operation is hampered by a number of factors. The social partners are striving to expand the areas of tripartite social dialogue to include economic and social issues other than those that are currently covered by collective bargaining. However, in general their involvement in shaping the youth employment agenda is very limited and rarely goes beyond mere consultation. The strengthening of social dialogue and the involvement of the social partners in the design, monitoring and evaluation of youth employment policies and programmes could enable countries to improve the governance of the labour market and mobilize the social partners around the objective of boosting youth employment. Employers' organizations can play an important role in fostering learning and training in enterprises. They can also promote youth entrepreneurship and offer a range of support services to young members. Trade unions

are important in ensuring that issues such as job creation, the improvement of working conditions and the promotion of young people's rights at work are given priority on the policy agenda, and they can promote action for the organization and representation of young people.

Concluding remarks

Despite the efforts made throughout the Western Balkans to address the youth employment challenge, the employment prospects of young people have not improved over recent years. There are several explanations for the limited impact of the initiatives taken so far. First, none of them have been focused on policies aimed specifically at promoting youth employment. There has instead been a reliance on sound macro-economic policies to increase output and create new jobs. Second, most youth employment initiatives have taken the form of specific programmes, which have often been narrow in scope and limited in time, to address either job creation or the employability of young people. Third, little attention has been paid to the working conditions of young workers, many of whom are only able to obtain a foothold in the labour market through informal or temporary employment. Fourth, the effectiveness of the measures taken to facilitate the transition of young people to decent work has often been affected by a lack of coherence and coordination, leading to conflicting policy objectives. Finally, the design and implementation of youth employment measures is seldom informed by thorough analysis based on reliable labour market statistics that are adequately disaggregated in relation to the youth cohort.

This paper is intended to serve as a background to the discussion in the Informal Ministerial Meeting. It does not seek to identify specific solutions to the youth employment challenge in the Western Balkans. Such specific measures need to be identified in accordance with national circumstances and through dialogue with the major actors on the labour market.

A starting point for dialogue on this issue could be to conduct a review of and assess the impact of past and current macro-economic policies on youth employment, as well as the impact and effectiveness of targeted policy measures. This review should also assess the level to which employment policies in general, and youth employment policies in particular, are integrated and coordinated with overall economic and social policies. The findings of such a review would help to identify policy instruments that are capable of modifying or enhancing youth employment creation at the national and local levels.

The findings and lessons learnt would then form the basis for the development of policy measures, strategies, targets and dedicated action plans on youth employment. In this context, it is important that both employment strategies and youth employment action plans set realistic objectives that reflect national and local circumstances. Finally, with a view to ensuring that the plans are given effect and are implemented in accordance with pre-established targets in terms of both efficiency and equity, the overall implementation process needs to be underpinned by tight monitoring and evaluation.