



STUDY ON
**YOUTH
EMPLOYMENT**
IN THE
**WESTERN
BALKANS**

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

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Responsibility for the content, views, interpretations and conditions expressed herein rests solely with the authors and can in no way be taken to reflect the views of the Regional Cooperation Council (RCC), its participants, partners, donors or of the European Union.

List of Abbreviations

ALMPs	Active Labour Market Policies
CSW	Centre for Social Work
DCM	Decision of the Council of Ministers (Albania)
EU	European Union
NAES	Albanian National Agency for Employment and Skills
NEET	Not in Education, Employment or Training
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Service
PISA	OECD's Programme for International Student Assessment
SME	Small and Medium Enterprise
STEM	Science, technology, engineering, and mathematics
VET	Vocational Education and Training
WB6	Western Balkan 6 economies
YEP	Youth Employment Project (Swiss Development Agency)

LABOUR MARKET DATA-METHODOLOGY NOTE

All labour market data in the RCC ESAP Youth Employment Study, Comparative Chapter are for the 15-24 age bracket for youth and the 15-64 age bracket for the general population, unless specifically indicated that the data presented are for a different age group. The source of data is indicated in notes to individual figures; where the source is indicated as the RCC ESAP Observatory, the data are from the WB economies statistics agencies (LFS data), the PES in WB economies and EUROSTAT, unless specifically indicated otherwise under the figure and/or at the RCC ESAP Observatory.

Executive Summary

Young people in six Western Balkan economies (WB6) have an unfavourable position on the region's labour markets. In 2020, the youth employment rate for the 15-24 age group was below 27% in all WB economies, while the youth unemployment rate for the 15-24 age group was above 26% (compared to just 16.8% in the EU-27, for the 15-24 age group) reaching almost 50% in Kosovo* (based on average of Q1-Q3). The proportion of young people neither in employment nor in education or training (NEET) for the age group 15-24 averages 23.7% in the Western Balkans ranging from 15.9% in Serbia to 37.4% in Kosovo* (Q3), compared to just 11.1% in the EU27 for the 15-24 age group¹. Long-term unemployment affects almost two-thirds of unemployed youth in North Macedonia, Bosnia and Herzegovina, and Kosovo*, and two thirds of unemployed young women in Montenegro. This suggests that new policies are needed to assist young people to find a suitable position in work, education or training in a timely manner, for example within four months as proposed in the Youth Guarantee.

The youth labour force participation rate (activity rate) was also lower than in the European Union Member States (EU-27) and there is a large gender gap in labour force participation, partly reflecting a shortage of child-care facilities for young mothers who wish to join the labour market. The gender gap is also reflected in female youth employment rates which are everywhere below the male youth employment rates. Where youth unemployment rates are highest (Bosnia and Herzegovina, Kosovo*,

North Macedonia, Serbia) the female youth unemployment rate exceeds the male rate. In contrast, in Albania and Montenegro the female youth unemployment rate is below the male rate, as in the EU-27.

Youth face a precarious position on the labour markets. Young people in all economies in the region have a higher share of temporary contracts than in the EU-27, especially so in Kosovo* and Montenegro where more than three quarters of employed youth hold this type of contract, while in Serbia more than one half do so. Precarious employment of this type can adversely affect individual well-being and the productivity of the economies.

The level of education affects young people's position on the labour market. The activity rate of young people with only a low level of education (primary school or less) is below 10% in all economies except Albania. Activity rates increase sharply with the level of education, emphasising the importance of reducing the extent of early school leaving, and providing adequate training and educational opportunities for unskilled young people who have left the labour market. All economies also exhibit extremely low employment rates for youth with a low level of education (with the exception of Albania), with the average employment rate for this group being less than half that in the EU-27.

¹ All data in the Youth Study is for the 15-24 age bracket for youth and the 15-64 age bracket for general population, unless specifically indicated that the data presented is for another age group. The source of data is indicated on graphs 1, 3, 4 and 16.

FEATURES OF THE YOUTH LABOUR MARKET IN THE WESTERN BALKANS IN 2020

All data are for 15-24 age group, sources for data are on respective figures.



YOUTH ACTIVITY RATE

The youth labour force participation rate (activity rate) in the Western Balkans was 30.1%, lower than the 37.8% average in the European Union Member States (EU-27), with the lowest activity rate in Kosovo* at 21.4%. There is a large gender gap in youth labour force participation, with the participation rate for young men averaging 36.5% against the rate for young women of 23.3%. The activity rate of young people with only a low level of education (primary school or less) is below 10% in all economies except Albania.

EMPLOYMENT RATE

The youth employment rate was below 27% in all WB economies, and just 10.9% in Kosovo*, compared to 31.4% in the EU-27. The gender gap is reflected in female youth employment rates which are everywhere below the male youth employment rates. Youth employment rates vary strongly with the level of education, averaging just 7.2% for young people with a low level of education compared to 41.4% for those with a high level of education.

YOUTH UNEMPLOYMENT

The youth unemployment rate was above 26% in all WB economies (compared to just 16.8 in the EU-27) reaching almost 50% in Kosovo*. The youth unemployment rate has increased as a result of the COVID-19 pandemic, especially in the 4th quarter of 2020, reaching as high as 46.5% in Montenegro with sharp increases also in North Macedonia (to 39.2%) and Serbia (to 32.4%). Long-term unemployment affects almost two-thirds of unemployed youth in Bosnia and Herzegovina and North Macedonia, and two thirds of unemployed young women in Montenegro.

NEETs

The proportion of young people neither in employment nor in education or training (NEET) averages 23.7% in the Western Balkans ranging from 15.9% in Serbia to 37.4% in Kosovo*, compared to just 11.1% in the EU27.

Effects of the COVID-19 pandemic

The WB6 region, just as the rest of Europe and the world, was badly hit by the COVID-19 pandemic due to lockdowns and restrictions on travel and mobility. Job retention schemes have been put in place in all economies to a varying extent and wage subsidies have been used as a key measure to limit the potential reduction in employment. The mitigation measures had some effect in reversing the initial hit of the COVID-19 pandemic and employment rates recovered in the third quarter of 2020 in all economies except Montenegro, which was badly affected by the collapse of the important tourism industry causing the youth unemployment rate to rise from 24% in 2019 to 36% in 2020. Despite the mitigation measures, there was a 30% increase in youth registered unemployment between February and December 2020 in the region as a whole. Registered youth unemployment also increased as a share of registered total unemployment. The COVID-19 crisis has brought new job creation to a halt, affecting the job prospects of young people, especially those who do not already have a secure job in the public sector or in a large private company. The prevalence of temporary job contracts among young people in some economies is a further source of insecurity.

Challenges facing youth employment policy

The main challenges facing youth employment policy in the region are in the coordination of stakeholders in different levels of government and different policy fields (employment, education, housing health services); weaknesses in the quality of the education systems and shortcomings in the teaching of skills demanded by the labour market; inefficiencies in the job search process leading to skills mismatches and lengthy transitions from school and university to work; the prevalence of temporary work contracts in some economies; the scarcity of available jobs for young people; a shortage of child-care facilities to support women returners to work; and the high level of informality. Additionally, there are numerous barriers to youth entrepreneurship, which if more effectively supported could provide a route to higher competitiveness of the economies.

Existing youth employment policies

A wide range of employment promotion policies have been adopted in the WB6 economies, although few of them have been targeted at youth, and none specifically target early school leavers. Vocational schools often fail to provide students with appropriate skills for the labour market, and some economies are seeking to rebuild the relationships between vocational schools and the business sector by introducing dual education systems (Montenegro, Serbia). Many graduates from tertiary education

experience a difficult transition to work due to their insufficient work experience. Governments have responded by introducing subsidised internship programmes in each economy with the exception of Bosnia and Herzegovina. However, for some graduates, it is thought that internships have become a revolving door of unpaid labour for those possessing skills but lacking experience. All economies except Kosovo* have programmes in place to support traineeships. However, apprenticeships with a contractual relationship between employer and apprentice have not yet been introduced in any of the WB6 economies. Several economies provide informal training for young people who are registered with the Public Employment Service (PES). These trainings are provided in the form of short courses in a variety of subjects, from training in job search skills to teaching specific skills that are in demand on the labour market such as Information Technology (IT) skills; they usually do not involve any element of work-based learning.

Employment support is delivered through job subsidies, support for self-employment and the direct creation of public works programmes and projects. In several WB6 economies, wage subsidies have been used to support the creation of jobs for young people (Albania, Bosnia and Herzegovina, Kosovo*, Serbia). The subsidies involved typically cover the social security contributions of employers and the wage costs up to the level of the minimum wage. Several economies have set up special programmes to assist young people into self-employment (Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia). This form of employment involves the status of sole proprietor and is usually an option chosen by young people with either a low or medium level of education. The direct creation of jobs for young people through public works is only used as a youth employment policy in Serbia. Youth

entrepreneurship is a growing element of youth employment policies. However, the institutional framework for youth entrepreneurship is far from ideal. Young people struggle to overcome administrative and bureaucratic hurdles and lack access to business loans on the ground of their insufficient experience. Some limited support is available through government projects and NGOs. Table 3 in the report sets out the variety of different youth employment policies available in each economy.

NEETs and NEET policies

Youth unemployment combined with limited access to education and training can have a scarring effect, increasing the risk of future unemployment, reducing future earnings and increasing the risk of poverty. Young people neither in employment nor in education or training (NEET) run the risk of falling out of the labour market entirely, severely limiting their ability to lift themselves out of poverty or contribute effectively to the economy. In 2020, the NEET rate was highest in Kosovo* at 37.4% and lowest in Serbia at 15.9%, while all economies had a higher NEET rate than in the EU-27 (at 11.1%). The NEET rate fell sharply in North Macedonia following the introduction of a Youth Guarantee in 2018 but began to rise again in 2020. The total number of NEETs in the WB6 region aged 15-24 is estimated to be around 530,000, of which the number of unregistered NEETs is estimated to be 352,000. Inclusion of even one half of these unregistered NEETs as clients of the PES in the region would increase the PES workload by about two thirds. This would require a corresponding increase in the staff complement of the PES.

Greater financial allocations for Active Labour Market Policies (ALMPs) are required to support youth employment and self-employment, and to intensify programmes for vocational training of NEETs. Governments should adopt measures to integrate non-registered NEETs in order to reduce the high level of youth unemployment and inactivity. Schools and private businesses should collaborate to provide training and apprenticeships, as well as voluntary work in specific fields. More attention should be given to young people from disadvantaged families and ethnic minorities, since those groups are more likely to become unemployed. In addition, raising awareness about available opportunities may enable young NEETs to begin to engage in education or training.

Targeted programmes for different NEET groups should be developed such as for those aged 15-19, 19-24, and 25-29. For the 15-19 age group, one-to-one counselling and remedial training programmes should provide participants with basic employability competences, job search skills and address other issues, which may be preventing them from accessing the labour market such as housing difficulties, transport difficulties and other aspects of material and social well-being. This may involve collaboration and coordination between the Centres for Social Work and the PES. Consideration should be given to establishing one-stop shops for young people to resolve their multidimensional difficulties in the areas of employment, education, housing and health issues. Subsidies should be provided to SMEs that hire young unemployed people in this age group. For the 19-24 age group who have graduated from Vocational Education and Training (VET) school, short-term booster training courses should be provided in skills that are required by the labour market in partnership with employers and vocational training centres. For the 25-29 age group, careers advice and job-search

counselling services should be provided by PES and as well as business start-up advice and mentoring, and start-up grants and business loans for those with a viable business plan. In general, parental benefits should be provided for young women who are caregivers in the home and who may require childcare services or other care services to assist them in leaving the home in pursuit of work. This should be done through flexible programmes where such women receive government subsidies and flexible working hours to achieve a satisfying home-work balance as they transition to the labour market.

Reaching out to unregistered NEETs is a difficult process and lessons should be learned from experience in the EU. Dedicated youth outreach workers can be trained and deployed to identify and inform marginalised youth, building relationships with them over time. Mobile PES units can be deployed, especially in remote rural areas. Surveys of marginalised youth can provide more detailed and granular information about the characteristics of different NEET groups and their intentions to engage with the labour market. Youth organisations can provide information to unregistered NEETs through attractive interactive web pages, social networks and electronic information systems.

Capacities to implement youth employment policies

In three of the WB6 economies (Kosovo*, North Macedonia, Serbia), total PES caseloads per staff member exceed the average caseload in the EU by a large margin and are above the caseloads in the peer economies of Croatia and Slovenia. This suggests the need for

an expansion of PES staff, especially if the introduction of a Youth Guarantee were to lead to a larger number of NEETs coming forward to register with the service. The share of young, registered jobseekers involved in ALMPs has decreased over the last decade in several economies (Albania, Bosnia and Herzegovina, Montenegro, Serbia). The notable exception is North Macedonia which introduced a Youth Guarantee in 2018. If this were to be replicated in other economies, it would involve a sea-change in the ability of economies to meet the youth unemployment and NEET challenge.

Introducing and enhancing Youth Guarantees

The European Commission has proposed supporting the development of youth activation programmes in the economies of the region through support for Youth Guarantee schemes, long the lines of those already implemented in the EU. While resources at the level of WB6 economies would need to be allocated, the Instrument for Pre-accession Assistance (IPA) III

will contribute to this endeavour, as indicated by the 2020 Economic and Investment Plan (EIP) for the Western Balkans. The European Commission has suggested that economies should implement the Youth Guarantees in four stages, all of which could potentially benefit from EU support. These would be structured through the preparation of an implementation plan, preparatory work, such as building capacities and adapting the legal framework, a pilot phase, and full implementation. Effective action requires coordination and partnership between different levels of government and different policy fields (employment, education, housing, health). Networks of practice should be developed between all relevant actors (government agencies, public agencies, youth organisations, business associations, education institutions, housing associations, health provider associations).

Detailed individual WB6 road maps related to youth employment and Youth Guarantee programmes, modelled on the EU Youth Guarantee, are set out the Appendices to this Study. While these individual roadmaps are important analytical inputs, they cannot replace or prejudice the individual economies' Youth Guarantee Implementation Plans.

YOUTH EMPLOYMENT POLICY RECOMMENDATIONS BY LEAD EDITOR AND AUTHORS

Upgrade Active Labour Market Policies (ALMPs)

- Strengthening and better targeting of ALMPs
- Provide careers advice and job-search counselling services through independent provider organisations
- Provide business start-up advice and mentoring, start-up grants and loans targeted at higher education graduates in partnership with financial institutions and European agencies and institutions
- Provide subsidies to SMEs that hire young trainees or apprentices
- Improved childcare services and parental benefits for young mothers returning to work

Upgrade PES capacities

- Design targeted programmes for different NEET age groups
- Ensure adequate staff capacity and appoint dedicated youth outreach workers
- Deploy mobile PES units to reach out to NEETs
- Provide one-to-one counselling and remedial training programmes for younger NEETs
- Develop integrated, individualised, case management for unemployed youth
- Carry out specialised surveys of marginalised youth to map the NEET population

Upgrade training and retraining programmes

- Intensify programmes for vocational training of NEETs. Support education and training institutions to deliver practical courses and workshops
- Support education and training institutions to deliver “no-questions asked” practical courses and workshops
- Offer short-term booster training courses for graduates from VET schools in partnership with employers and vocational training centres
- Encourage schools and private businesses to collaborate to provide training and apprenticeships
- Provide focused measures for young people from disadvantaged families and ethnic minorities
- Raise awareness among youth through social media about available opportunities for NEETs to engage in education or training

Improve co-ordination of national stakeholders

- Develop effective coordination and partnership across policy fields including employment, education, youth, gender equality and social affairs
- Encourage and support partnership working between CSWs and PES and the potential for establishing one-stop shops for young people
- Support collaboration between PES and Youth Organisations to provide information to unregistered NEETs
- Foster the exchange of information across all levels of government and policy areas (employment, education, housing and health)
- Build networks of practice between relevant actors (government agencies, public agencies, youth organisations, business associations, education institutions, housing associations, health provider associations)

1 INTRODUCTION

Youth employment is an important policy priority for all governments in the Western Balkans. Along with general economic development, all economies have experienced a positive trend in youth employment creation in recent years. However, youth unemployment remains stubbornly high, while activity and employment rates are far below the levels seen in the EU, with a strong gender bias. Young people with all levels of education experience a difficult transition to their first job and many young people are in a situation of precarious employment. Youth with a low level of education are at a particular disadvantage. Most public employment services in the Western Balkans deliver some activation measures targeting unemployed youth. These measures include wage subsidies to employers to take on young jobseekers, support for self-employment and entrepreneurial start-ups, various types of training and in-work training programmes including internships for graduates from higher education. However, these programmes are for the most part limited in scope and are underfunded.

The COVID-19 pandemic has brought the recent growth of these economies to an abrupt halt, and several have experienced severe economic shock, hopefully only short lived. The impact of the crisis has been felt most severely by low skilled young workers working in customer facing industries such as hospitality and tourism. The worsening labour market prospects for young people in the region make it crucial to mitigate the worst effects of the crisis by providing greater and more targeted

assistance to them to enter the labour market, find jobs, undertake work-based training or an apprenticeship, and have the opportunity to set up their own business venture.

Under the EU's Economic and Investment Plan for the Western Balkans, the EU is proposing introduction and design of a Youth Guarantee in each of the region's economies to assist disadvantaged and discouraged young people into work. In 2020, with the unprecedented crisis brought about by the COVID-19 pandemic affecting young people disproportionately, the EU reinforced its Youth Guarantee (Reinforced Youth Guarantee) and stepped up the comprehensive job support available to young people across the EU, to reach out to a broader target group of 15 to 29 year-olds. The reinforced Youth Guarantee is a commitment by all EU Member States to ensure that all young people under the age of 30 receive a good quality offer of employment, continued education apprenticeship, traineeship within a period of four months of becoming unemployed or leaving education.² Launched by the European Commission in 2013, the Youth Guarantee is a political commitment undertaken by all EU Member States to give all young people under the age of 25 (this age limit was raised to 29 years in 2020) a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of either leaving formal education or becoming unemployed.

This study presents a comparative analysis of the region's youth labour markets. The Section 2 analyses the key indicators of the youth labour market that are available from Eurostat, the

Observatory on employment in the Western Balkans of the Regional Cooperation Council's (RCC) Employment and Social Affairs Platform (ESAP 2) project, and Statistical Offices in the Western Balkan economies. Section 3 analyses and summarises the main youth employment measures adopted in each economy in comparative perspective and identifies the main challenges facing youth labour markets in each economy. Section 4 maps the NEET landscape using statistical data and proposes the design of appropriate policies to integrate non-registered NEETs including tailored outreach mechanisms to identify and assist the most vulnerable NEET groups. Section 5 analyses the capacities of the public employment services (PES) in each economy to implement

new youth employment measures. Section 6 discusses the key issues around introducing a form of Youth Guarantee in line with the EU ambition to assist in the further development of the region's youth labour markets and wider economic performance. Section 7 presents brief conclusions.

The Appendices to the study analyse the youth labour markets and the policy responses in each of the Western Balkan economies. They also set out a possible road map for the further development of youth employment policies and the introduction of a Youth Guarantee building on progress already made in each individual economy's experience with youth labour market policies and their implementation by the regions' public employment services.

² <https://ec.europa.eu/social/main.jsp?catId=1079>

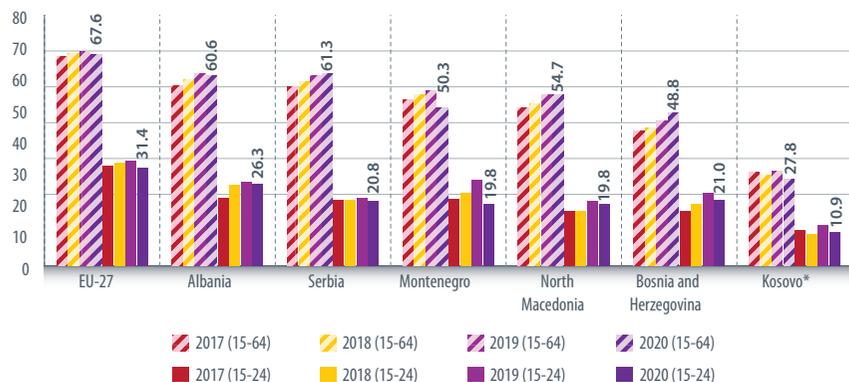
2 YOUTH LABOUR MARKETS IN THE WESTERN BALKANS

Figure 1 presents comparative data on the youth employment rate over the period 2017-2020, compared to the same indicator in the EU-27. In the last part of the decade, up until the onset of the COVID-19 pandemic, all economies experienced fairly strong economic growth. This was reflected in improving employment rates, both overall and for youth in the Western Balkans and in the EU. The improvement in youth employment was however slow in Serbia and uneven in Kosovo*.

Conditions for youth on the labour markets of the Western Balkans are exceptionally difficult; in none of the Western Balkan economies did the youth employment rate exceed 27% in 2020, although it should be noted that the youth employment rate in the EU-27 was also low at

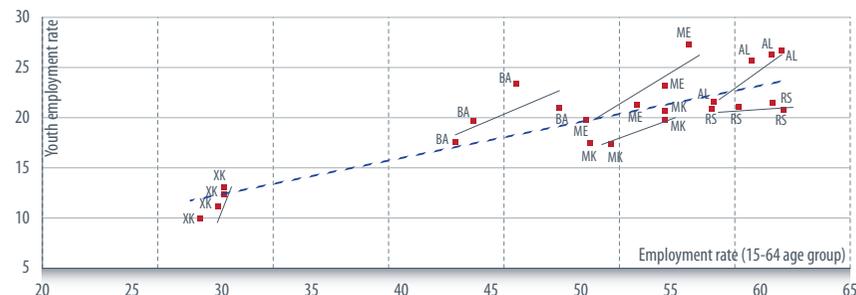
31.4%. Youth therefore have a more difficult labour market experience than older people everywhere, including in the EU. The range of youth employment rates in the region is from 10.9% in Kosovo* to 26.3% in Albania. The ratio of the overall employment rate to the youth employment rate is everywhere at least two to one; in Serbia, the ratio is as high as three to one. While some of this can be attributed to the fact that a large proportion of young people are at school or university, the low employment rate also reflects a high number of young people in the region who are inactive or unemployed. We return to this issue below when we examine the proportion of young people who are neither in employment, nor in education or training (NEET).

Figure 1: Employment rate (15-64) and Youth employment rate (15-24), 2017-2020 (%)



Source: [ESAP Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project. Note data for 2020 for Kosovo* is the average for the first three quarters of the year. Data labels shown are for 2020.

Figure 2: Youth employment rate vs. 15-64 age group employment rate, 2017-2020 (%)



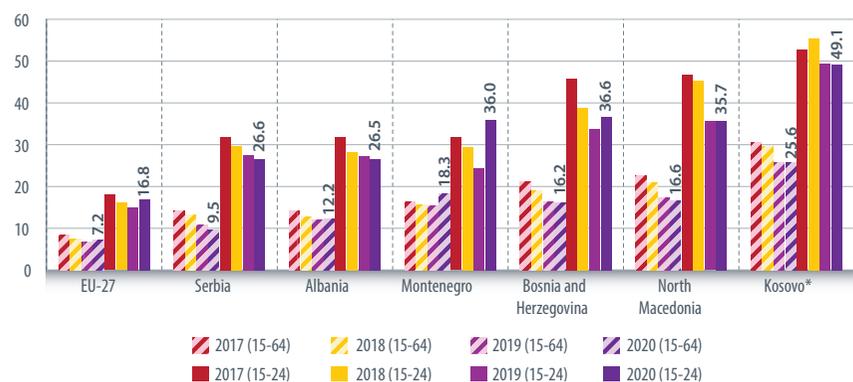
Source: [ESAP Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project.

There is a strong relationship between the overall employment rate and the youth employment rate (see Figure 2). The regression line in this Figure explains about three quarters of the variation in youth employment as a function of overall employment, indicating that part of the solution to youth unemployment is overall growth of the economies. This is indicated by the upward sloping dotted regression line in the Figure 2, which represents the long-run relationship between overall employment and youth employment. The economies are positioned at different points in this regression line, indicating that long-run structural factors have a large role to play in explaining differences in the youth labour markets in each economy. This suggests a need for transformative youth employment policies in these economies.

At the same time, some economies exhibit powerful short-run relationships between the two variables. For these economies (Albania, Bosnia and Herzegovina, Kosovo*, Montenegro), overall economic growth super-charges short-run increases in youth employment.³ Youth employment is very sensitive to changes in economic conditions, with youth the first to be laid off in a downturn. However, this link is weaker in North Macedonia and Serbia, so that as economic conditions improve few new jobs are created for young unemployed people. This suggests a need for specific short-run youth employment policies to increase youth participation in overall job creation measures, a factor which has perhaps motivated the adoption of a Youth Guarantee in North Macedonia.

³ The elasticity of the youth employment rate (for the 15-24 age group) with respect to the overall employment rate for 15-64 age group varies between economies. It is highest in Kosovo* at 6.9, implying that a 1% increase (decrease) in overall employment rate is associated with a 7% increase (decrease) in youth employment rate. The elasticities are 5.8 in Albania, 4.5 in Bosnia and Herzegovina, 3.5 in Montenegro, 2.9 in North Macedonia and 0.1% in Serbia where there is effectively no linkage. The high elasticities suggest that youth jobs are highly unstable and precarious, and young people are especially vulnerable to the downturn associated with the COVID-19 pandemic. Serbia is an exception in this regard. For details of the econometric model on which these calculations are based, see Annex 0.

Figure 3: Unemployment rates (15-64) & (15-24) EU27 & WB6, 2017-2020



Source: [ESAP Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project. Note data for 2020 for Kosovo* is the average for the first three quarters of the year. Data labels shown are for 2020.

Although it fell between 2017 and 2019, youth unemployment was still exceptionally high throughout the Western Balkans, and everywhere far above that in the EU-27 (see Figure 3). It has begun to rise again in Bosnia and Herzegovina and Montenegro in response to the economic effects of the COVID-19 pandemic. The highest youth unemployment rates are found in Kosovo*, North Macedonia and Bosnia and Herzegovina, each being in excess of 30% in 2020 despite declining in recent years; in Kosovo* the youth unemployment rate peaked at 55.4% in 2018, while the lowest youth unemployment rate was 24.3% in Montenegro in 2019. Just as with the youth employment rate, large gaps exist between overall unemployment rate and the youth unemployment rate. For example, in Serbia the youth unemployment rate is about 2.8 times that of the overall unemployment rate, while in Kosovo* it is 1.4 times. Elsewhere, the unemployment rate gap is around 2.3, similar to the EU-27.

The picture that emerges is one in which the key labour market indicators demonstrate a

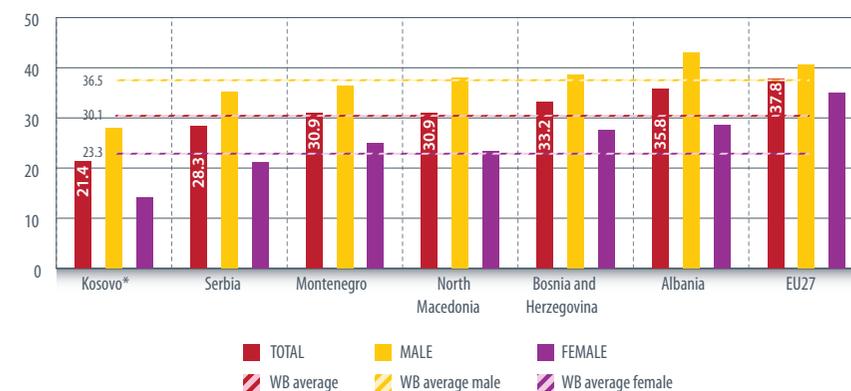
dire and distressing situation for young people in the Western Balkans, when compared to the EU-27 benchmark. Kosovo*, North Macedonia and Bosnia and Herzegovina have had the most difficult youth labour market experience in recent years in terms of youth unemployment. For Kosovo* every labour market indicator is flashing red, with consistently poor outcomes in terms of employment rates, inactivity rates, unemployment rates and long-term unemployment rates. The NEET rate in Kosovo* is also highly unfavourable and indicates the highest level of detachment of young people from the labour market in the region (see below section 4). For all economies in the region, the full gamut of available measures and instruments should be urgently deployed to address this alarming situation, as detailed in the individual economy case studies in the Appendices below.

2.1 Youth labour market indicators by gender

Figure 4 shows the labour force participation rates (activity rates) for youth aged 15-24 in 2020. The youth activity rate is lowest in Kosovo*, at just 21.4%, with substantially lower rates for young women, at just 14.2%. Serbia also has a youth activity rate below the WB average, for both males and females. On the other hand, youth activity rates in Albania and Montenegro are close to the EU-27 level of 37.8%. In Albania, the male youth activity rate even exceeds the EU-27 rate. In each economy, the male youth activity rate exceeds the female youth activity rate by a substantial margin in each economy. The average gender gap in the Western Balkans is 13.2 percentage points, compared to just 5.6

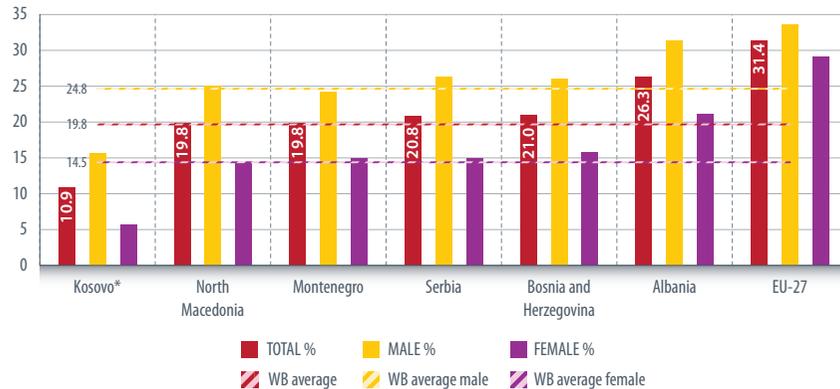
percentage points in the EU-27. The gender gap is widest in North Macedonia and Albania, at 14.7 and 14.5 percentage points respectively. It is not much less in Serbia (14.0) and Kosovo* (13.8). Young women's inactivity in Serbia is likely due to inadequate support to women in balancing work and family responsibilities, employers' discriminatory treatment of young women, wage gap, hiring practices that discourage formal part-time work, an option more commonly used by women with family responsibilities in other countries (Dokmanović, 2016; Anić & Krstić, 2019). In Kosovo*, this may reflect the younger female population than elsewhere and the greater proportion of young women who need to care for their children at home in a society with a young demographic profile and a relative absence of publicly provided, or affordable private, childcare facilities (Gashi et al. 2019).

Figure 4: Labour force participation rate (activity rate) 15-24 age group, 2020 (%)



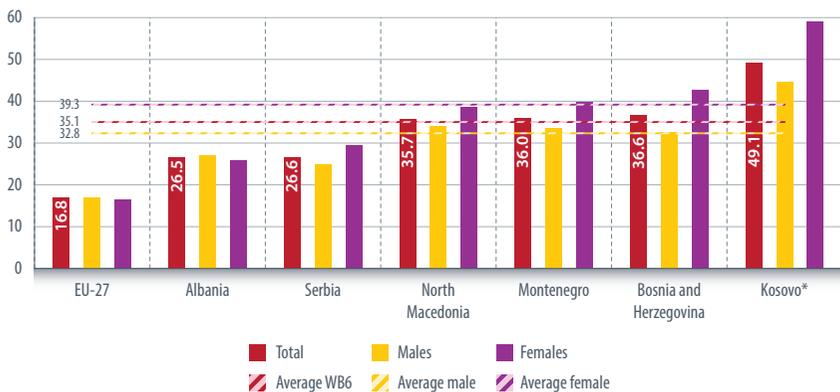
Sources: Eurostat (EU-27, North Macedonia, Serbia), INSTAT (Albania), BHAS (Bosnia and Herzegovina), MONSTAT (Montenegro), ASK (Kosovo* - unweighted average of 15-19 & 20-24 age groups, and average for Q1-Q3).

Figure 5: Youth employment rate 15-24 age group, 2020 (%)



Source: Eurostat (EU-27, North Macedonia, Serbia), INSTAT (Albania), BHAS (Bosnia and Herzegovina), MONSTAT (Montenegro), ASK (Kosovo* average Q1-Q3).

Figure 6: Unemployment rates 15-24 age group by gender, 2020



Sources: Eurostat (EU-27, North Macedonia, Serbia), INSTAT (Albania), BHAS (Bosnia and Herzegovina), MONSTAT (Montenegro), ASK (Kosovo* average Q1-Q3).

Youth employment rates are above the regional average of 19.8% in Bosnia and Herzegovina, Albania and Serbia (see Figure 5). Female youth employment rates are everywhere below the male youth employment rates, reflecting the gender gap in youth activity rates. The average

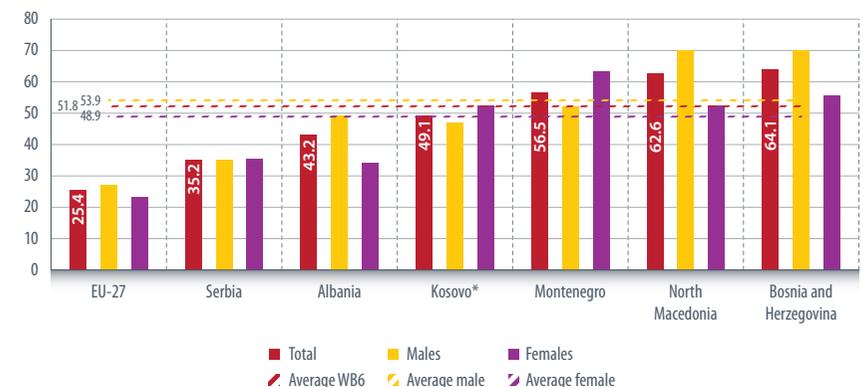
gender gap in youth employment rates in the region is 10.3 percentage points (p.p.), more than twice the gap in the EU-27 (4.5 p.p.). The highest gender gaps are in Serbia* (11.4 p.p.) and North Macedonia (10.8 p.p.).

The average regional youth unemployment rate is 35.1%, almost exactly double the youth unemployment rate in the EU-27 (see Figure 6). Youth unemployment rates above the regional average are found in Kosovo*, Bosnia and Herzegovina, Montenegro and North Macedonia, with an exceptionally difficult situation in Kosovo* at almost three times the average in the EU-27.⁴ In these three economies, and in Serbia, the female youth unemployment rate is above the male rate. However, in Albania where the overall unemployment rate is lowest the male youth unemployment rates exceed the female rate, as is the case in the EU-27. This suggests that high rates of youth unemployment are especially disadvantageous for the prospects of young women on the labour market.

Turning to indicators expressed as a share of a total, long-term youth unemployment (being

unemployed for more than 12 months) affects more than half of young unemployed people in the Western Balkans and two-thirds of unemployed youth in Bosnia and Herzegovina and North Macedonia (see Figure 7). In these two economies, and in Albania, young men are most affected by long-term unemployment; elsewhere young women are more affected by this predicament. Somewhat surprisingly, long-term unemployment is a special difficulty for young unemployed women in Montenegro. The high levels of long-term youth unemployment provide an indicator of the ineffectiveness of the public employment services in assisting young people to find a job in these economies. It should instigate a rethink of the design of these services offered to assist young people to find a suitable position either in work, education or training in a timely manner, for example within four months as proposed in

Figure 7: Long-term youth unemployment as a share of total unemployment, 2019 (%)



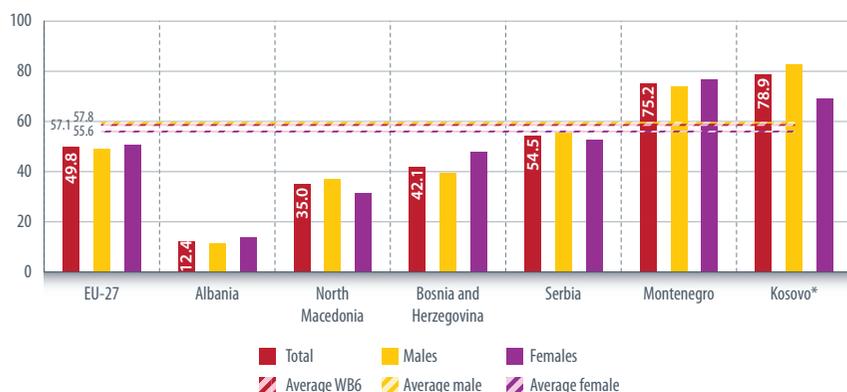
Sources: Eurostat (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania), ASK (Kosovo* - average of 15-19 & 20-24 age groups), WiiW Jobs Gateway in South Eastern Europe (Bosnia and Herzegovina 2019 Q2). Note: Insufficient data is available to compare long-term youth unemployment in 2020.

⁴ Recent research into the causes of high youth unemployment in the EU have shown that in addition to slow economic growth, low geographical mobility due to an inefficient housing market and difficulties for young people to live outside the parental home, as well as the presence of corruption and a high level of emigrant remittances all tend to raise youth unemployment rates (Tomić, 2018).

the Youth Guarantee. As shown below, North Macedonia has already adopted a form of Youth Guarantee, and this has led to an almost 8.9 p.p. reduction in the share of long-term youth unemployment between 2017 and 2019 (during the same period the share of long-term youth unemployment in the EU-27 fell by 4.7 p.p.). The high rates of long-term youth unemployment in Montenegro indicates that even economies

with overall better labour market indicators (pre-Covid-19) could benefit from the Youth Guarantee approach to ensure that long-term unemployment does not blight the prospects of young people due to the deterioration of human capital (the “scarring” effect) that long-term unemployment is known to cause (Selenko and Pils, 2016; Petreski et al., 2017).

Figure 8: Temporary employment as a share of all employment, 15-24 age group by sex, 2019 (%)



Sources: Eurostat online data (EU-27, North Macedonia, Serbia), MONSTAT (Montenegro), INSTAT (Albania), WIIW Jobs Gateway in South-eastern Europe (Bosnia and Herzegovina, Kosovo* - 2019 Q2). Note: Insufficient data is available to compare temporary youth unemployment in 2020.

Figure 8 shows that young people in all economies in the region have a far higher share of temporary contracts than in the EU-27, especially so in Kosovo* and Montenegro where more than three quarters of young employed people hold this type of contract, while in Serbia more than one half do so. Even in North Macedonia, where this type of contract is relatively infrequent, the share of young employed people with temporary contracts is three times that in the EU-27. Temporary employment can have adverse effects on an individual's well-being due to the anxiety caused by the uncertainty of job insecurity

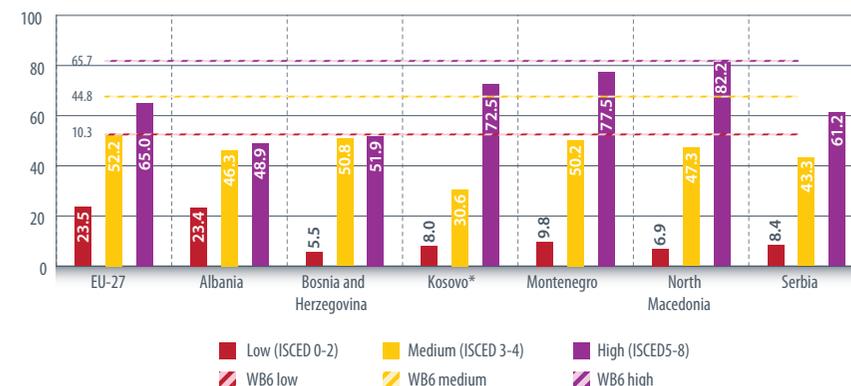
(Dawson, 2014). It can also have a negative effect on productivity, especially in high-skill sectors (Lisi and Malo, 2017). Young people also have a disproportionate share of part-time contracts and are often working in jobs below their skill level, a situation that has been characterised as “underemployment” and which brings down the potential earnings of youth (Petreski et al. 2019). For all these reasons, the public employment services in these three economies should take special care to introduce measures that would support a greater proportion of young people into permanent, more secure, job positions.

2.2 Youth labour market indicators by level of education

One of the critical factors in determining individual's position on the labour market is the level of education and the corresponding skill set that a jobseeker offers to prospective employers. Extremely low levels of labour force participation among young people with only a

low level of education (primary school or less) is noticeable in all economies except Albania, with activity rates typically below 10% (see Figure 9). These young people have left school early at the end of their compulsory education (they have only achieved ISCED level 2). However, activity rates increase sharply with the level of education, which suggests the importance of reducing the extent of early school leaving and providing adequate training and educational opportunities, especially for unskilled young people who have left the labour market.

Figure 9: Youth activity rate 15-24 age group, by level of education, 2019 (%)

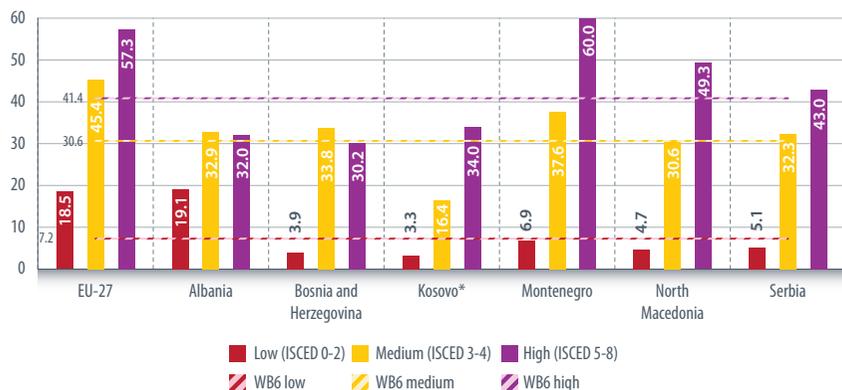


Sources: Eurostat (EU-27, Montenegro, North Macedonia), INSTAT (Albania), WIIW Jobs Gateway in South-eastern Europe (Bosnia and Herzegovina, Kosovo* - 2019 Q2). Note: ISCED is the International Standard Classification of Education (ISCED 0-2 is primary and lower secondary education or less, ISCED 3-4 is upper secondary education and post-secondary non-tertiary education; ISCED 5-8 represents all tertiary education levels). Insufficient data is available to compare youth activity rates by level of education in 2020.

Young workers with a low level of education are particularly exposed to adverse labour market outcomes (Pilav-Velić et al., 2019). All economies except Albania exhibit extremely low employment rates for low-educated youth, with the average employment rate being less than half that in the EU-27, with as few as 3.3% of these young people holding a job in Kosovo* (see Figure 10). In contrast, in Albania, the employment rate of low-educated youth is

slightly higher than the same educational group in the EU-27. Young people in the Western Balkan economies with a medium education level experience greater difficulty in finding work in all regional economies compared to the EU-27, with a gap of almost 15 p.p. Youth employment rates for this group range from 30.2% (Bosnia and Herzegovina) to 37.6% (Montenegro). The lowest employment rate for young people with a medium level of education

Figure 10: Youth employment rate 15-24 age group, by level of education, 2019 (%)



Sources: Eurostat (EU-27, Montenegro, North Macedonia), INSTAT (Albania), WiIw Jobs Gateway in South-eastern Europe (Bosnia and Herzegovina, Kosovo*- 2019 Q2). Note: ISCED is the International Standard Classification of Education (ISCED 0-2 is primary and lower secondary education or less, ISCED 3-4 is upper secondary education and post-secondary non-tertiary education; ISCED 5-8 represents all tertiary education levels). Insufficient data is available to compare youth employment rates by level of education in 2020.

is in Kosovo* at just 16.4%. Among the high skilled group, the employment rate gap with the EU-27 is 11.9 p.p. The lowest employment rates for this group are found in Albania (32.0%) and Bosnia and Herzegovina (30.0%), while the highest employment rate for this group is in Montenegro, at 60.0% even above the EU-27.

The above analysis shows the diversity of the performance of youth labour markets in the Western Balkan economies. The analysis provides important clues as to the appropriate steps that need to be taken to ameliorate the position of youth on the contrasting labour markets in the region. The studies of individual economies set out in the Appendices go into more detail concerning the specific characteristics of each economy's youth labour markets, youth labour market policies and the actions that public employment services should take to address the specific issues that characterise each economy. They also present a detailed road map to guide policy makers in making decisions about the

appropriate course of action to take to integrate disadvantaged youth into the labour markets.

2.3 COVID-19 and the youth labour market

The Western Balkan region, just as the rest of Europe and the world was badly hit by the COVID-19 pandemic due to lockdowns and restrictions on travel and mobility. Young people have also suffered from school and university closures, from reductions in working hours, and disruption to in-work training programmes. Job retention schemes have been put in place in all economies, to a varying extent. However, these have not covered the most vulnerable, those on temporary contracts or in the informal economy, nor have they prevented layoffs or a reduction in working hours. Wage subsidies have been used as a key measure to limit the potential reduction in employment.

Table 1: COVID-19 measures affecting youth employment

Summary of measures by economy

Albania	In September 2020, the government launched an employment support programme to provide a subsidy to employers up to the level of the minimum wage, and social and health insurance for those who lost their jobs due to the COVID-19 pandemic. ³
Bosnia and Herzegovina	Measures differed across the Entities. General support was provided for the business sector but there were no specific measures to protect youth employment. ⁴ A salary subsidy schemes covered half of registered employees in by June 2020. ⁵
Kosovo*	A Fiscal Emergency Package was adopted in March and April 2020 providing for a monthly payment of €130 for people registered as unemployed for the first time at the Employment Agency. ⁶ A wage subsidy of €130 per worker per month for the first two months of employment was given to companies that hire new workers for one year or more. ⁷ A wage subsidy of €170 per month covered other private sector employees. ⁸
Montenegro	Wage subsidies have been provided in sectors closed due to the pandemic and for employees unable to work due to childcare reasons, or people who are self-isolated or quarantined. Wage subsidies have been provided for newly employed workers in SMEs for six months for registered unemployed people. Wage subsidies and other measures for the tourism industry are valued at €1.2 billion. In January 2021 wage subsidies were provided for an expanded list of eligible sectors, along with support for new employment and additional measures for tourism and other sectors.
North Macedonia	Mitigation measures have included subsidies on private sector wages of 100% of the gross minimum wage for firms closed during lockdown and for firms in the tourism sector; the measures also provided 50% of the cost of social security contributions for firms that maintain employment. Subsidies of 50% of the gross minimum wage were provided to employees in quarantine or isolation. Financial support for the self-employed was granted at MKD 14,500 for April and May. ⁹
Serbia	The first set of measures in March 2020, deferred the payment of taxes and contributions on salaries. ¹⁰ In May 2020, wage subsidies covered the minimum wage for employees in SMEs, and 50% of the minimum wage in large companies. This measure was applied to 232,000 companies employing over one million people. In July the job subsidy for SMEs was reduced to 60% of the minimum wage and payment of taxes and contributions was postponed. ¹²

Source: See economy reports in Appendices

³ Procedures, criteria and rules for the implementation of the Programme for Promotion of Employment for the Unemployed due to Covid-19" DCM no. 608 dated 29.7.2020

⁴ See RCC Employment Observatory public policy tracker: <https://www.esap.online/observatory/measures/2/socio-economic-measures-for-the-coronavirus-crisis-in-bosnia-and-herzegovina>

⁵ World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

⁶ See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/3/socio-economic-measures-for-the-coronavirus-crisis-in-kosovo>

⁷ See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/3/socio-economic-measures-for-the-coronavirus-crisis-in-kosovo>

⁸ World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

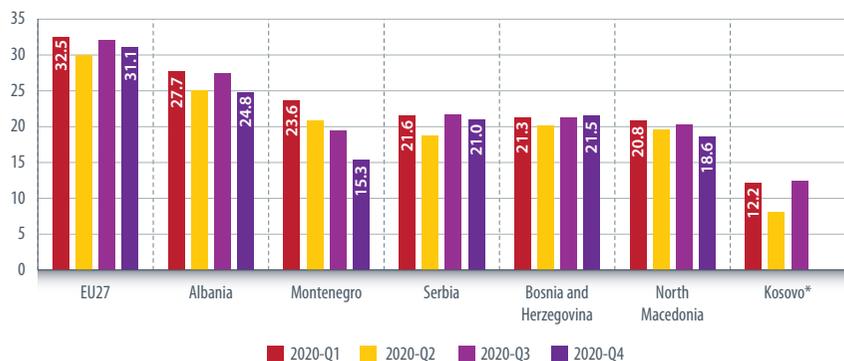
⁹ See: <https://www.esap.online/observatory/measures/5/socio-economic-measures-for-the-coronavirus-crisis-in-the-republic-of-north-macedonia> and World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

¹⁰ See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/6/socio-economic-measures-for-the-coronavirus-crisis-in-serbia>

¹¹ The fourth set of measures involved distributing one hundred euros in local currency to all adults in Serbia who applied for it.

The mitigation measures had some effect on the labour market in reversing the initial hit of the COVID-19 pandemic in the third quarter of 2020. As can be seen in Figure 11, the youth employment rate recovered in the third quarter as the pandemic abated during the summer months in all economies except Montenegro, which was extremely badly hit throughout the year due to the collapse of the tourism industry. There, the youth employment rate fell dramatically from 23.6% in the first quarter to 15.3% in the fourth quarter. In the fourth quarter a new wave of the pandemic caused businesses to close down again, and the youth employment rate fell further in Albania and North Macedonia. Only Bosnia and Herzegovina and Serbia managed to maintain youth employment levels in the fourth quarter on a more or less even keel.

Figure 11: Quarterly youth employment rate during the covid-19 pandemic (2020 Q1-Q4)

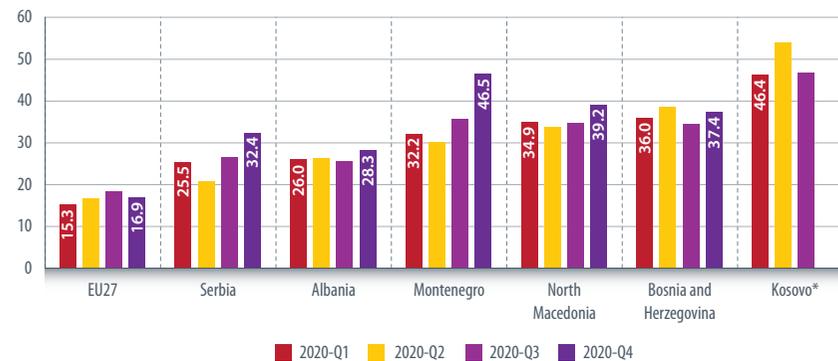


Source: Eurostat (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania), Agency of Statistics (Kosovo*) and Agency for Statistics (Bosnia and Herzegovina)

14 See: <http://socijalnoukljucivanje.gov.rs/en/impact-of-the-covid-19-crisis-on-employment-focus-on-vulnerable-categories-published/>

In Serbia, a recent survey has revealed the severe impact of the crisis on the economy, with 30% of companies being unable to do any business at all, while 45% operated under reduced capacities.¹⁴ Despite this youth employment rate in Serbia was relatively stable due to the mitigation measures (see Figure 11), with absolute numbers of employed youth decreasing in the second quarter but recovering in the third quarter before falling again in the fourth quarter. Over the year as a whole, the employment rate fell by just 0.6 percentage points. Bosnia and Herzegovina was the only economy that ended the year with the youth employment rate slightly up on the first quarter.

Figure 12: Quarterly youth unemployment during the COVID-19 pandemic, 2020

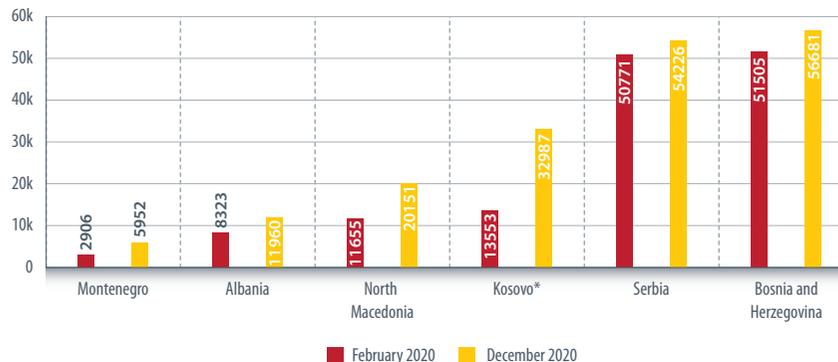


Sources: Eurostat (EU27, ME, MK, RS), MONSTAT (ME Q4); INSTAT (AL); ASK (XK); BHAS (BA)

Data from the labour force surveys shows the heavy burden of the pandemic on youth unemployment which increased over the year throughout the region from 30.9% in the first quarter (on average in all economies except Kosovo*) to reach 36.8% in the fourth quarter. A second wave of the pandemic took off from November onwards. Unlike in the first wave, the mitigation measures were less successful, and many young people lost their jobs and entered involuntary unemployment. The situation was especially critical in Montenegro where the

youth unemployment rate increased to 46.5% in the fourth quarter, an unheard-of level for that economy, approaching the levels that were also experienced in Kosovo* (see Figure 12). Despite the relative balance of the employment rate in Serbia, youth unemployment increased sharply from 20.7% in the second quarter to 32.4% in the fourth quarter. In contrast to the EU27 where the fourth quarter youth unemployment rates fell, in every Western Balkan economy for which data is available, the fourth quarter saw a rise in youth unemployment.

Figure 13: Registered Youth unemployment, February 2020 and December 2020

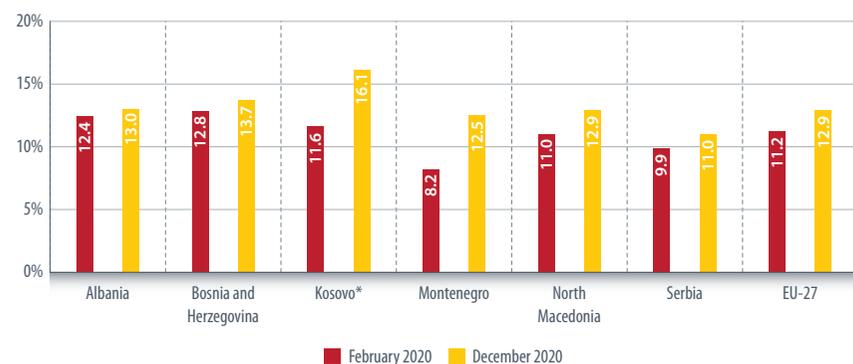


Source: [Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project

Despite all the mitigation measures, registered unemployment increased markedly over the year, as can be seen in Figure 13. In the region as a whole, despite the mitigation measures there was a 31% increase in youth registered unemployment between February and December 2020 from 138,700 to 182,000. The increase was unevenly spread, with the greatest increase taking place in Kosovo* where registered unemployment increased by one and a half times, while it doubled in Montenegro and increased by three quarters in North Macedonia.

The increases in Bosnia and Herzegovina and Serbia were contained at ten percent or less. To some extent this may have been related to the mitigation measures themselves, since to benefit from jobseeker support, unemployed youth who had previously not bothered to register with the respective PES now had an incentive to do so. Therefore, it is difficult to be sure whether or not these data reflect a real increase in unemployment as result of the COVID-19 pandemic.

Figure 14: Registered youth unemployment / total unemployment, February 2020 and December 2020



Source: Calculations by Lead Editor, based on data from the [Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project

In each economy, registered youth unemployment increased as a share of total unemployment in 2020 (see Figure 14) with especially large increases in the share in Kosovo* and North Macedonia. For the Western Balkans

as a whole, youth unemployment increased as a share of total registered unemployment by 1.7 percentage points over the 11-month period.

2.4 Challenges facing the youth labour market

Young people in the Western Balkans face many challenges in finding good quality jobs that match their skills and aptitudes. Based on the authors' reviews of literature, reports and qualitative anecdotal evidence, including interviews, it is asserted that the education system fails to provide many young people with appropriate skills for the labour market, and career advisory services are underdeveloped. Furthermore, it is also asserted by authors that the public employment services are ineffective in assisting young people into work and in consequence, a large proportion relies on family

or political connections to obtain a job or work in the informal sector. There has been a shortage of jobs available, although economic growth since the middle of the last decade has addressed this issue to some extent with hundreds of thousands of new jobs being created. Despite that youth unemployment remains elevated. The COVID-19 crisis has brought new job creation to a halt affecting the job prospects of young people who do not already have a secure job in the public sector or in a large private company. The prevalence of temporary job contracts among young people especially in some economies is a further source of insecurity. The economy reports have identified specific challenges facing young people on the labour market in each economy and these are detailed in Table 2.

Table 2: Challenges of the youth labour market identified in economy reports

Factors related to the education system
Weaknesses in education systems
Inadequate work experience during school or university
High level of skill mismatch
Factors related to the job search process
Inadequate support for the education-to-work transition
Inadequate career advice and counselling services
Scarcity of information on job vacancies
Perceptions of unfair / informal recruitment practices
Youth preference for secure public security jobs
Internship's revolving door
Factors related to the labour market
An inadequate number of jobs, especially in the private sector
The high level of informality on the labour market
A prevalence of precarious employment
Long-term unemployment and the associated deuteriation of skills
Policy related factors
Insufficiently targeted youth employment policies
An absence of support for, and barriers to youth entrepreneurship
Inadequate consultation with young people

Source: Appendices 1-6

As Table 2 shows there are four main areas of concern regarding youth employment in the Western Balkans. These are the quality of education systems and inadequacies in teaching of the skills demanded by the labour market, inefficiencies in the job search process leading to skills mismatches and lengthy transitions from school and university to work, the special features of the labour markets in the region including the prevalence of temporary work contracts in some economies, the lack of available jobs for young people, a lack of child-care facilities to support women returners to work, and the high level of informality in the economies. Additionally, there are numerous barriers to youth entrepreneurship, which could be a window to higher competitiveness of the economies.

2.4.1 Education systems

Primary education in the Western Balkans performs relatively poorly in international tests of student attainment. One indicator of relative performance is the Programme for International Student Assessment (PISA) test of 15-year-olds in Reading, Mathematics and Science organised by the Organisation for Economic Co-operation and Development (OECD) in 37 OECD countries and reported in 2018 also for 42 partner countries. The results show that the WB6 are generally lagging behind in young people's educational performance scores. In Reading, the region's average score is 83% of the OECD average. The test results show that large proportions of pupils are unable to achieve level 2 in Reading on the PISA test.¹⁵ This includes over one half of all pupils in Albania, Bosnia and Herzegovina and North Macedonia, and over three quarters of pupils in Kosovo*. Many pupils drop out of the education system

after compulsory primary education leading to the phenomenon of "early school leaving". In Kosovo* for example, about one tenth of young people leave school early, failing to progress beyond compulsory education level to upper secondary education.

Entry into upper secondary education is selective in all the economies, except Albania where selection was abolished in 2009. Upper secondary schools in the economies of the former Yugoslavia continue to select students on the basis of ability as measured in performance tests at primary school, which often leads to the allocation of the brightest students to gymnasias and the best vocational schools. Vocational schools are mostly organised into two types; four-year vocational schools (sometimes called technical schools) provide a route to higher education, while less gifted students attend 3-year VET schools which do not allow for progression to higher levels of education but lead straight to the labour market. Overall, the economies of former Yugoslavia have a far higher proportion of students attending vocational school than Albania. By 2019, only 18.2% of upper secondary school students attended VET school in Albania, while attendance at secondary VET school was far higher in Bosnia and Herzegovina (77.2%), Montenegro (68.2%), North Macedonia (59.9%) and Serbia (73.8%).

At upper secondary level (beyond compulsory education), VET schools no longer have the strong ties to the business sector that were once in place, due to the long period of transition and restructuring to which their economies have been subjected. As a result, curricula are out of date and the general level of equipment and teaching materials is inadequate to provide a high level of secondary educational attainment. Similar factors weigh on the systems of higher education with public universities for the

most part detached from the business sector, although there are some exceptions (Bartlett et al., 2016). Many students in higher education study humanities and social sciences which are not in high demand on the labour market, and relatively few study science, engineering, mathematics and technology (STEM) subjects which are in higher demand.

2.4.2 Job search process

Many young people have a difficult transition from school or university to a first job, which in both cases can take many months or even years (Oruc and Bartlett, 2017). Graduates from VET schools experience a difficult transition to work. Their skills often lack relevance to the labour market and there is insufficient career guidance and counselling (Bartlett et al., 2014). When students graduate from higher education, they also often find difficulty in obtaining their first job as they lack work experience and there is a dearth of appropriate career guidance and counselling. Many rely on personal contacts to find their first job. Due to the insufficient work experience, many VET graduates are unable to find a job corresponding to their level of education leading to a high level of vertical skill mismatch. This leads to an "experience trap" (Pastore, 2018).¹⁶ Firms search for experienced workers, overlooking inexperienced youth, which in turn prevents young people from gaining the work experience that firms require. Youth cannot use their skills because they are neither in the education system nor employed or in training (NEET) and their human capital depreciates and their productivity declines, which further decreases their likelihood to become employed and accumulate skills.

¹⁶ See Chapter 5.

¹⁷ See Chapter 3.

¹⁸ See Chapter 4.

University students also have a difficult transition to work, with an oversupply of graduates in the fields of humanities, law and the social sciences and an undersupply in science, technology, education and mathematics (STEM) subjects with the exception of engineering in Serbia. A high proportion of students cannot find a job related to their field of study leading to a high level of horizontal skill mismatch. In all the economies of the region there is an undersupply of graduates with Information and Communication Technologies (ICT) skills and an emerging shortage in this field of study (Bartlett, 2021).

Students also experience insufficient information on job vacancies and hold perceptions of unfair recruitment practices in which personal connections count more than merit in finding a suitable job. In Kosovo* for example, young people lack information on career prospects from their educational institutions due to insufficient cooperation between educational institutions and the private business sector.¹⁷ Furthermore, in Montenegro it is thought that graduates have a preference for secure employment in the public sector which may make them reluctant to search for and accept a less secure private sector job.¹⁸

2.4.3 Precarious employment

Once students graduate from upper secondary education or higher education, they face a pervasive scarcity of jobs in the private sector in the region. Although this has improved over the last few years, youth unemployment remains persistently high and the COVID-19 crisis has brought the recent increase in job vacancies to a halt. Young people have suffered

¹⁵ This threshold defines pupils who are unable to identify the main idea, or reflect on the overall purpose, in a text of moderate length.

more than most as they are first in line to be laid off as they are often in precarious jobs either with a temporary contract or in the informal sector. They also suffer heavily from long-term unemployment and the consequent deterioration of their skills.

In Bosnia and Herzegovina there are limited opportunities for young inactive women to take on part-time jobs and limited provision of child-care facilities which could decrease the female labour force participation rate, especially for young women with low and medium levels of education.

A further challenge is the high level of informality, particularly in Albania. Young people working in the informal sector do not enjoy rights to health insurance and social security, either because they are self-employed, employed as family members, work at home, work seasonally or in part-time or temporary jobs, or work in agriculture.

2.4.4 Barriers to youth entrepreneurship

There are also major obstacles facing young people who would like to set up their own business, and insufficient support for such youth entrepreneurs. In Kosovo* for example, the scope of support and advisory services is limited and there is a shortage of incubation space and support for growth-oriented start-ups. In Serbia, government subsidies are too small to motivate young people to launch their own business, while there are also substantial barriers to accessing business finance from private banks and financial institutions. Rovčanin (2019) argues that the key obstacles and limitations for youth opening a business in the Western Balkans are securing start-up capital, complex administrative procedures, inadequate access to professional support and mentorship, limited

duration of programmes run by the government and non-governmental organizations (NGOs), insufficient entrepreneurship training, and a dearth of business contacts among young people.

2.4.5 Policy-related factors

Young people find that they lack support from policymakers due to the absence of targeted youth employment policies. Employment policies often fail to adequately target the most vulnerable youth such as those suffering long-term unemployment, young women with children, low-skilled youth and unemployed Roma/ Egyptian youth (Albania, Bosnia and Herzegovina). In Albania, policies fail to reach out to the remote areas, even though the highest level of youth unemployment is in the northern, northern-east and southern regions. Those employment policies that are targeted at youth are often underfunded and short-lived. They are often implemented on a pilot basis and funds are not available to scale them up to long-term policies covering all young people in need.

Youth entrepreneurship policies are also inadequate. Gribben (2018) argues that the policy interest in youth entrepreneurship is typically scattered across many ministries and executive agencies, and that connecting policy threads across different government departments will be essential to bring order, coherence and cooperation to youth entrepreneurship.

There is also a widespread absence of consultation with young people. In North Macedonia, for example, young people are often consulted and asked to share their ideas and visions, but institutions are not obliged to incorporate their ideas when making policies, and rarely do so.¹⁹

3 EXISTING YOUTH EMPLOYMENT POLICIES

A wide range of employment promotion policies have been adopted in the Western Balkan economies, although few of them have been specifically targeted at youth. Young people have a difficult entrance to the labour market and gaining their first job. The transition to work takes a long time for many young people. For this reason, long-term unemployment is a particular concern in some economies. The transition can be considered from the point of view of those leaving the educational system after compulsory primary school, those leaving after secondary school and those leaving after higher education.

3.1 Transition from education to work

3.1.1 Transition from primary school

Relatively few active labour market programmes specifically target leavers from primary school. This minority of young people including those who have dropped out of education before completing primary education are considered as “early leavers” who have a low level of education and policy is oriented to persuading them to continue their education. Otherwise, there is little support for this group of young people in their transition to work. Several

economies provide informal short courses training provided by the public employment services (e.g. under Serbia’s Youth Employment Package) (see section 3.2.3 below for more details).

3.1.2 Transition from secondary school

Due to the low share of pupils attending VET schools, the Albanian government has put a special effort in its educational policies of raising the profile of vocational studies. However, the other economies where vocational upper secondary education is the norm, experience many obstacles to providing students with appropriate skills for the labour market. These economies are now seeking to rebuild the relationships between upper secondary education and the business sector, introducing variants of the German dual education system (Montenegro, Serbia). Some economies have introduced reforms to their VET school systems through which they have upgraded and improved their curricula, although the process has had limited application and many students still have a difficult transition to the world of work (Albania, Kosovo*, Montenegro).

¹⁹ See Chapter 5.

3.1.3 Transition from higher education

Few students gain work experience while at university, a critical factor in underpinning graduate employability. For this reason, governments have responded by introducing subsidised internship programmes in each economy with the exception of Bosnia and Herzegovina. An additional response has been through the establishment of private universities, which have (on the whole) better links with the business sector and from which graduates are more likely to find a job than those who attend public universities.

3.2 Work based learning

3.2.1 Internships

Internships provide a period of work-based learning for higher education graduates. They can be provided on a paid or unpaid basis. Following are some economy practises related to internships:

- ▷ In Albania graduate interns receive a payment equivalent to 100% of unemployment benefit for up to six months.
- ▷ In Montenegro the Programme of Professional Training of Persons with Acquired High Education provides new graduates with an internship in a sector of their choice for nine months and a wage subsidy of 50% of the average gross monthly salary.

20 Source for Republic Srpska: http://www.zzzrs.net/dokumenti/izvjestaj_2020.pdf Source for Federation BiH: <http://www.fzzz.ba/ckFinderFiles/files/Program%20sufinansiranja%20zapo%C5%A1ljavanja%202021.pdf>

- ▷ In North Macedonia interns have a period of paid work-experience in companies for six months, with monthly pay of MKD 5,000 (€80) for the first three months, and minimum wage (MKD 14,500 - equivalent to €235) for the second three-month period.
- ▷ In Serbia the Internship Programme for Youth with Higher Education targets unemployed graduates without work experience. Employers provide training and receive a tax subsidy from the government up to 12 months. There are some other general programs to which young people have priority in provision.
- ▷ In Bosnia and Herzegovina, in Republic Srpska secondary school graduates are entitled to a 100% gross wage when in internship, while in Federation of Bosnia and Herzegovina, they are entitled to an internship amount in the amount depending on the period they have been registered at the PES evidence. For those who are less than 6 months at the PES evidence, the amount is equal to BAM 390 (€199) for six months, while for those who are more than 6 months registered at the PES evidence, the amount is equal to 420 BAM (€214)²⁰.

3.2.2 Traineeships

Whereas an internship is generally considered to be for graduates from high education, a traineeship is usually reserved for young people who are unemployed, have at most upper secondary education and have had no previous work experience. A traineeship can be a gateway to an apprenticeship. All the Western Balkan

economies except Kosovo* have programmes in place to support traineeships. For example:

- ▷ In Albania, traineeships registered jobseekers between the ages of 16-30 years of age receive on-the-job vocational training with social security and health insurance costs subsidised for a period up to 12 months under DCM 17.
- ▷ In North Macedonia, the Youth Guarantee offers unemployed young people training for specific skills in demand on the labour market through short courses and traineeships.
- ▷ In Serbia, a work-based traineeship programme for unemployed youth with secondary education provides subsidies for enrolled employers who take on unemployed youth on a temporary contract for a maximum of six months (Internship Programme for Unemployed Persons with Secondary Education). The employer must intend to employ at least half of those who have been trained.

3.2.3 Apprenticeships

Apprenticeships are usually part of formal education and training programmes and lead to a nationally recognised qualification.²¹ Apprenticeships combine company-based training (periods of practical work experience at a workplace) with school-based education (periods of theoretical/ practical education in a school or training centre). Most often there is a contractual relationship between the employer and the apprentice, with the apprentice being paid for his/her work. Apprenticeships differ from other types of in-company learning,

such as internships/traineeships, which are often outside formal education and training programmes, and not linked to recognised qualifications. None of the Western Balkan economies has yet set up an apprenticeship programme.

3.2.4 Informal training

Several economies provide informal training for young people who are registered with the public employment service. These trainings are provided in the form of short courses in a variety of different subjects from training in job search skills, to short training courses to teach skills that are in demand on the labour market such as IT skills. They do not usually involve any element of work-based learning.

3.3 Employment support

Employment support is delivered through job subsidies, support for self-employment and the direct creation of public works programmes and projects.

3.3.1 Wage subsidies

Economic theory suggests that wage subsidies are an effective and efficient way of generating jobs for low-income wage earners. In several WB6 economies, wage subsidies have been used to generate jobs for young people (Albania, Bosnia and Herzegovina, Kosovo*, Serbia).²² The subsidies involved typically cover the social

21 See: https://ec.europa.eu/commission/presscorner/detail/en/MEMO_15_5241

22 Recent research has shown that wage subsidies are an effective method to reduce youth unemployment in the EU (see Speckesser and Pils, 2019).

3.5 Summary of youth employment policies

Table 3: Summary of youth-focused employment policies, strategies and measures

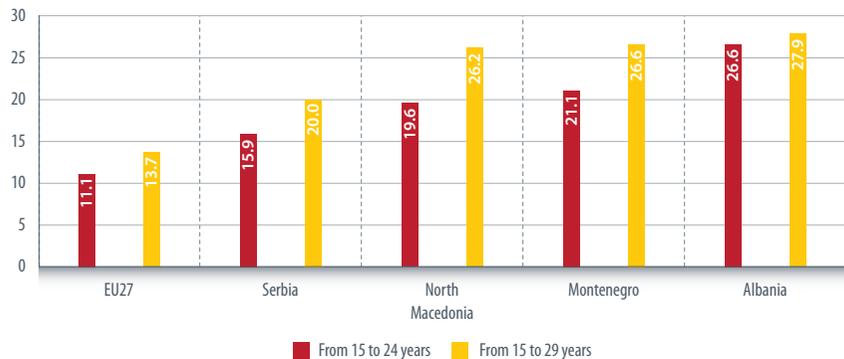
Policy area	Albania	Bosnia and Herzegovina (Federation of Bosnia and Herzegovina)	Bosnia and Herzegovina (Republika Srpska)	Kosovo*	Montenegro	North Macedonia	Serbia
Joined-up policy-making and implementation involving multi-agency work	The National Youth Action Plan for Youth (2015-2020)			Youth Strategy 2019-2023	The Strategy on Youth 2017-2021	National Employment Strategy 2016-2020; Youth Guarantee; Youth Employment Action Plan 2016-2020	National Employment Strategy for 2021-2026 and National Employment Action Plan for 2021-2023; National Strategy on Youth 2015-2025
VET reform involving improving the quality of education in vocational secondary schools	National Employment and Skills Strategy (NESS) 2019-2022		National Development Strategy 2016-2021; Kosovo* Skills Vision 2020		Dual education model for VET schools	System of dual education	Dual education model for VET schools and higher education
Paid or unpaid internships and work experience placements	DCM873 / National Programme of Internships		Employment Strategy of Republika Srpska 2016-2020; Youth Policy 2016-2020	National Development Strategy 2016-2021; Professional Practice Strategy 2013-2020	Programme of Professional Training of Persons with Acquired High Education	Law on Internship; the Youth Guarantee provides internships for youths under 29 years of age.	National Employment Action Plan & Youth Service Package; Internship Programmes for Youth with Higher Education
Work-based traineeships for unemployed youth	DCM 48, DCM 64, DCM 199	Employment Strategy in the Federation of Bosnia and Herzegovina 2018-2021; Bosnian-Podrinje Canton	Employment Strategy of the Republika Srpska 2016-2020		Youth Strategy 2017-2021	Training for a known employer; training for specific skills needed on the labour market.	National Employment Action Plan & Youth Service Package

Apprenticeships							
Informal training provided by PES short courses							Youth Service Package; Internship Programmes for unemployed persons with Secondary Education
Career guidance and counselling				YEP		YEP	Education Strategic Plan (2017-2021); Youth Strategy 2019-2023
Wage subsidies, social insurance relief, and tax incentives for employers who take on young people	DCM 48, DCM 64, DCM 199			"First Work Experience"		YEP, Employment Strategy of the Republika Srpska 2016-2020	Youth Allowance; reimbursement of income tax for first two years of employment. Youth Guarantee subsidises employment
Self-employment programmes				Sarajevo Canton, YEP		YEP, Employment Strategy of the Republika Srpska 2016-2020	Programme of self-employment grants
Public works programmes							Operational Programme 2020-2024 Programme for self-employment. Youth Guarantee supports self-employment
Youth entrepreneurship programmes	National Action Plan for Youth			YEP, "Entrepreneurship for Youth"		YEP, Employment Strategy of the Republika Srpska 2016-2020	Kosovo* Skills Vision 2020; Youth Strategy 2019-2023
							Ministry of Economy Business Stimulating Programme
							The Youth Guarantee provides individualise counselling, job search assistance and entry into any ALMP measure
							National Employment Action Plan & Youth Service Package; National Youth Strategy

Kosovo* have NEET rates more than double the EU-27 average, and above the average in the Western Balkans. The NEET rate is highest in Kosovo*, where the male NEET rate is as high

as 38.1%, more than three times the level in the EU-27. It is evident that the NEET phenomenon requires urgent attention in these two latter economies.

Figure 17: NEET rate, age groups 15-24 and 15-29, 2020



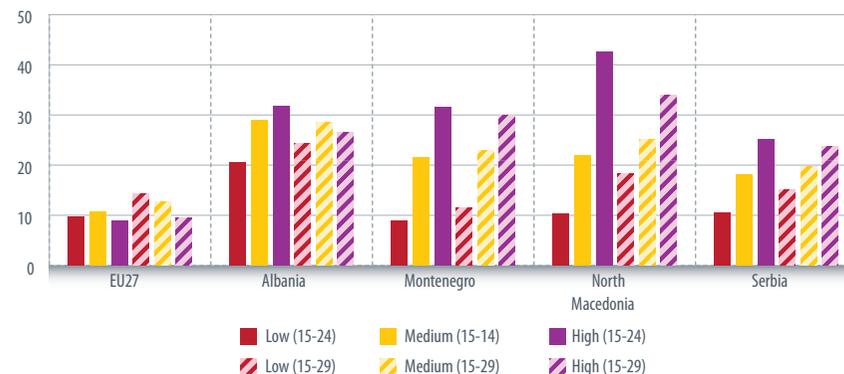
Source: Eurostat (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania) (data for Bosnia and Herzegovina and Kosovo* not available for 2020).

Under the EU Youth Employment Support²⁵, the EU launched the Reinforced Youth Guarantee in 2020, making its existing Youth Guarantee more inclusive by extending coverage to the 15-29 age group. The extension of the age bracket has already been adopted in some Western Balkan economies such as Serbia which defines the youth group for policy purposes as those aged between 15 and 30. Figure 17 presents the NEET rate for four economies in the region for which data is available, benchmarked against the average for the EU-27. The wider age range increases the NEET rate by several percentage points for each economy with the exception of Albania. In the EU-27 the NEET rate for the wider age range is 2.6 percentage points greater than for the narrower age group. The difference is even wider in the Western Balkans

with an average increase of 4.4 percentage points. In both cases, due to the higher starting level of the Western Balkans, a widening of the coverage of the Youth Guarantee to 15-29 age group would expand the coverage by about one fifth (ranging from 5% expansion in Albania to a 34% expansion in North Macedonia).

25 EU Youth Employment Support

Figure 18: NEET rate age group 15-24 and 15-29 by education level, 2020



Source: Eurostat online data (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania). Note: comparable data is not yet available for 2020 for all economies.

NEET rates vary markedly by education level and age group (see Figure 18). In the EU-27, the highest NEET rate for the 15-24 age group is among those with a medium level of education (upper secondary school). In contrast, in the Western Balkans, the NEET rates increase with the level of education among this age group, being especially elevated among those with a high level of education. This reflects the difficult transition to work of recent graduates from tertiary education (Bartlett et al., 2016). The NEET rate among this group is highest in North Macedonia, which perhaps accounts for the early adoption of the Youth Guarantee in that economy. Albania stands out as having a particularly high NEET rate among those with only a low level of education, almost double the rate in the EU-27 and regional peers.

In the EU-27, NEET rates among the 15-29 age group are higher than those in the 15-24 age group. This justifies the policy decision to widen the age group to take into account those aged in their late twenties who are stuck in a limbo of inactivity or unemployment. In the Western Balkans, a similar relation between the age groups can be observed for the low and medium

skilled NEETs. For example, in North Macedonia the NEET rate among the low-educated 15-24 age group is 10.4%, whereas for the 15-29 age group it is 18.3%. However, the Western Balkan economies do not follow the EU-27 in relation to high-educated NEETs, for whom the NEET rate is lower for the older age group. In fact, the reduction in the NEET rate between these age groups for those with a high education level is quite dramatic, for example in North Macedonia falling from 42.7% for those aged 15-24 to 23.7% for those aged 15-29. In Montenegro, the NEET rate for high educated youth aged 15-29 is just 3.2%, perhaps reflecting the success of the internship programme adopted by that economy.

It is important to know the number of NEETs to identify the size of the problem. Data is available for each of the Western Balkan economies from the national statistical offices and International Labour Organisation (ILO). The total number of NEETs aged 15-24 is estimated to be around 534,000.²⁶ The composition of the NEET group by economy is shown in Figure 19.

26 For each economy the estimates for 2019 are as follows: AL, 114,500; BA 83,000; XK 111,000; MK 46,700; ME 14,100; RS 164,700.

KEY MEASURES TO INTEGRATE NON-REGISTERED NEETS

- Different NEET groups necessitate differentiated solutions. Selection of specific measures can be carried out by matching the young person's profile (and the barriers faced) to the features of the diverse programmes and the requirements of the labour market.
- Use integrated, individualised, case management, for example through partnership working between CSWs and PES
- Establish one-stop shops for young people to resolve their multidimensional difficulties in the areas of employment, education, housing and health issues.
- Encourage schools and private businesses to collaborate to provide training and apprenticeships
- Raise awareness among youth through social media about available opportunities
- Provide focused measures for young people from disadvantaged families and ethnic minorities
- Support education and training institutions to deliver practical courses and workshops including in providing effective digital skills
- Provide one-to-one counselling and remedial training programmes for younger NEETs
- Offer short-term booster training courses for graduates from VET schools in partnership with employers and vocational training centres
- Provide careers advice and job-search counselling services through independent provider organisations
- Provide business start-up advice and mentoring, and start-up grants and loans targeted at higher education graduates in partnership with financial institutions and European agencies and institutions

It is recognised that there are a variety of reasons for a young person falling into the NEET category. The European Training Foundation has classified NEETs into four sub-groups: unemployed, family carers, discouraged job-seekers and other inactive young people due to illness or disability (ETF, 2015). NEETs can also be classified into age groups. Targeted programmes for different NEET groups should be developed such as for those aged 15-18, 19-24, and 25-29. For the 15-18 age group, one-to-one counselling and remedial training programmes should provide participants with basic employability competences, job search skills and address other issues which may be preventing them from accessing the labour market such as housing difficulties, transport difficulties and other aspects of material and social well-being. This could involve collaboration and coordination

between the Centres for Social Work (CSW) and the Public Employment Services (PES) and the development of integrated case management approaches (Scoppetta et al., 2018). Consideration should be given to establishing one-stop shops for young people to resolve their multidimensional difficulties in the areas of employment, education, housing and health issues. For the 19-24 age group who have graduated from VET school, short-term booster training courses should be provided in skills that are required by the labour market in partnership with employers and vocational training centres. For the 25-29 age group, careers advice and job-search counselling services should be provided by PES and as well as business start-up advice and mentoring, and start-up grants and loans for those with a viable business plan.

Parental benefits should be provided for young women who are caregivers in the home and who may require childcare services or other care services to assist them in leaving the home in pursuit of work. This should be done through flexible programmes where such women receive government subsidies and flexible working hours to achieve a satisfying home-work balance as they transition to the labour market.

Finally, it is important to highlight that there are different types of NEETs, and thus deeper understanding of the reasons for being NEETs is necessary, also, different NEET groups necessitate differentiated solutions. Moreover, not all NEETs are vulnerable, and may not need specific intense measures. For example, in some contexts, some NEETs are only temporarily unemployed (for example in some contexts, highly educated young people while changing jobs) and may not have an inherent disadvantage, for these subgroups a light(er) measure (for example, short counselling) might suffice. The selection of one or more specific measures can be carried out through matching the young person's profile (and the barriers faced) to the features of the diverse programmes and the requirements of the labour market.

4.2 Tailored outreach mechanisms to identify and assist the most vulnerable NEET groups

Lessons should be drawn from international experience especially that in the EU (Santos-Brien, 2018). For unregistered NEETs, dedicated youth outreach workers can be trained

and deployed to identify and inform the marginalised youth, building up relationships with them over time. Mobile PES units can be deployed, especially in remote rural areas. A survey of marginalised youth should be carried out by a polling company to provide more detailed and granular information about the characteristics of different NEET groups and their social and economic situation, problem areas and intentions to engage with the labour market. In the EU about 5% of young people who are NEETs have no intention of accessing the labour market, while others are inactive but would like to find work but do not know how to do so. It would be important to better understand the marginalised NEET groups so that support can be offered where appropriate and likely to achieve success. For marginal ethnic groups such as Roma, a mediator service can be especially important to engage with displaced and marginalised young people. Ex-prisoners and ex-offenders should be followed up by the probation service and offered enhanced support and training to re-engage with the labour market. Young women who have children but wish to re-engage with the labour market are another group that should be offered enhanced support by the public employment service, in coordination with women's associations and NGOs and local community groups. Youth organisations have an especially significant role to play in providing information to unregistered NEETs, since they have already established channels of modern communication suitable to young people's communication habits (for example, attractive interactive web pages, social networks and electronic information systems).

5 PES CAPACITIES TO IMPLEMENT EMPLOYMENT POLICIES

In order to implement a Youth Guarantee in the WB6 economies, the capacities of the PES institutions and staff will need to be increased. Some progress in capacity building has been made in recent years, but more remains to be carried out. Some examples, not exhaustive:

- ▷ In Albania, NAES has developed protocols and tools based on a three-tiered service model and has adopted an IT system that profiles jobseekers. However, there are gaps in staff training, in preparing, and in adopting and monitoring the progress of individual employment plans.
- ▷ In Bosnia and Herzegovina, the institutional capacities of the PES in Federation of BiH are to some extent absorbed by the administration of registered job-seekers' health and social insurance payments, since their activities also include processing jobseekers' documentation rather than focusing solely on providing services to jobseekers.
- ▷ In Kosovo*, young people are a major target group for EARK, but more could be done for this age group by designing its services through a youth lens.
- ▷ In Montenegro, each jobseeker receives an individual employment plan, but many vacancies in the private sector are offered through informal channels such as newspapers and websites.

- ▷ The PES in North Macedonia has qualified staff and adequate tools and procedures. However, extending coverage to deliver an enhanced Youth Guarantee will require additional human and financial resources and a change in the service delivery system.

In three of the Western Balkan economies (Kosovo*, North Macedonia, Serbia), total caseloads per staff member exceed the average caseload of 140 in EU PES and are also above the caseloads in the regional peer countries of Croatia (169) and Slovenia (137). The average caseload for the region as a whole is 338 jobseekers per staff member. This suggests the need for a major expansion of PES staff, especially if the introduction of a Youth Guarantee were to lead to a much larger number of young people coming forward to register with the service. Two of the economies (Albania, Montenegro) have staff caseloads that are similar to the EU and regional peers, and in the case of Employment Agency of Montenegro the average caseload is actually more favourable. Policymakers in the three economies with high caseloads should endeavour to recruit sufficient staff to bring their PES caseloads down to below 200.

Table 4: Public employment services capacity, 2019

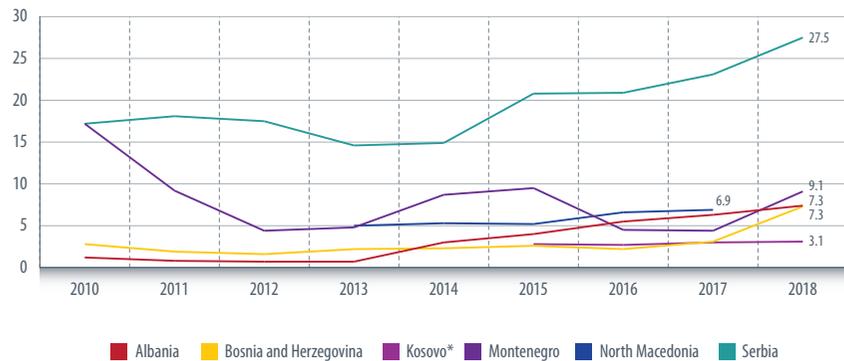
	Name of PES	PES Staff	Total registered unemployed	Caseload	Registered unemployed youth	Share of registered youth in total no. registered
Albania	National Agency for Employment and Skills	422	92,326	168	11,960	13.0%
Bosnia and Herzegovina	Federal Employment Institute and ten cantonal PES; Employment Bureau in RS	n/a	413,627	n/a	56,681	13.7%
Kosovo*	Employment Agency	113	205,017	626	32,987	16.1%
Montenegro	Employment Agency	332	47,509	113	5,952	12.5%
North Macedonia	Employment Service Agency	414	156,432	457	20,151	12.9%
Serbia	National Employment Service	1,653	491,347	306	54,226	11.0%
WB6		2,934	1,406,258	338	181,957	12.9%

Source: Data gathered by experts from PES Offices

Many people who register with the PES in the Western Balkans are passive users of the service, who register mainly in order to claim benefits. Consequently, relatively few are beneficiaries of active labour market policies (ALMPs). In most economies, less than one tenth of people registered with the PES take part in ALMPs (see Figure 20). The exception is Serbia, where the proportion involved in these measures has been

steadily increasing to reach over one quarter of all registrants by 2018. In order to increase the relevance and attractiveness of PES to young people in need, the design and implementation of so-called "low-threshold interventions" that make minimal demands on users, a more informal environment at the PES and reduction of bureaucratic hurdles could raise the relevance of PES for (low-qualified) youth (Broschinski,

Figure 20: Share of participants in ALMPs within number of registered unemployed (%)



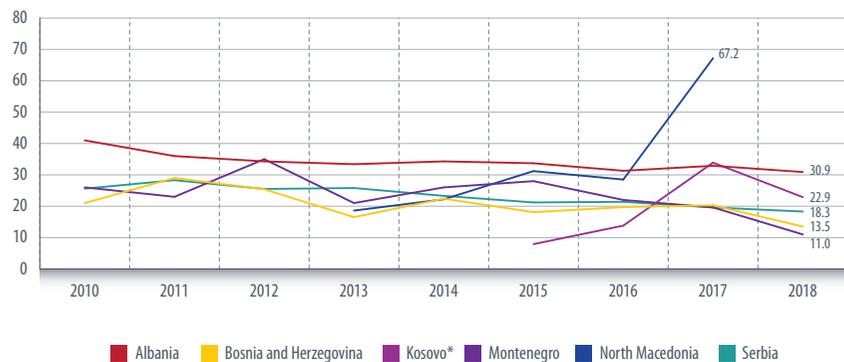
Source: Lead Editor calculations based on data gathered from PES Offices

2021). The provision of unemployment benefits for young people without work experience could also provide incentives for young people to seek PES support.

The share of young people involved in ALMPs has been decreasing over the last decade in several economies, including Albania, Bosnia and Herzegovina, Montenegro and Serbia (see Figure 21). The notable exception is North Macedonia which introduced a Youth Guarantee

in 2018, in apparent anticipation of which the share of youth involved in ALMPs shot up in 2017 to reach over two thirds of all participants in such measures. If this were to be replicated in other economies, it would involve a sea-change in the ability of economies to meet the youth unemployment and NEET challenge. At the very least, the economies where the share of youth involved in ALMPs is declining should seek to reverse that trend.

Figure 21 - Share of youth (15-24) in total participants of ALMPs (%)



Source: Lead Editor calculations based on data gathered from PES Offices

6 DESIGNING YOUTH GUARANTEES IN THE WESTERN BALKAN ECONOMIES

In order to assist the economies of the region to overcome these and other difficulties that they face, the EU has launched an ambitious Economic and Investment Plan for the Western Balkans (European Commission 2020a). One of the ten flagship initiatives of this plan is the launch of a Youth Guarantee to create jobs and opportunities for young people. The Youth Guarantee is an activation scheme designed to **ensure that all young people receive a good quality offer of employment, continued education, apprenticeship or traineeship within a period of four months of becoming unemployed or leaving formal education.** A recent Communication of the European Commission states that:

“Improving labour market participation, especially of young people and women, disadvantaged groups and minorities, in particular Roma, will be a priority and can strongly contribute to economic growth. Addressing the needs of the young population is a particular priority, not least given the high number of young people not engaged in employment, education or training (NEETs). Interventions based on the example of EU Youth Guarantee are ever more necessary in times of crisis to provide

young people with an offer of employment, further education, an apprenticeship or a traineeship...” (European Commission 2020b: 15)

In order to support reaching the goals of this Economic and Investment Plan and to ensure the sustainability of investment in the region, the Commission is preparing a dedicated Agenda for the Western Balkans on Innovation, Research, Education, Culture, Youth and Sport (“Innovation Agenda for the Western Balkans”) (European Commission 2020b). In addition to IPA III funding, the EU aims to provide guarantees to help reduce the cost of financing for public and private investments and to reduce the risk for investors. It is intended that support through the new Western Balkans Guarantee Facility will mobilise up to €20 billion of investments in the next decade. The Western Balkans Investment Framework (WBIF), including its private sector platform the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), together with the Western Balkans Guarantee Facility, will gather regional partners, bilateral donors and International Financial Institutions to ensure swift deployment of the investment plan. In addition to the Youth Guarantee Flagship, the Commission has also

proposed a Flagship initiative on Investing in the Competitiveness of the Private Sector (European Commission, 2020b). This will increase the guarantee capacity supporting investments to strengthen the competitiveness of SMEs and enhance employment creation particularly catering to young people, through the Western Balkans Guarantee Facility.

In 2020 the EU set out an “Enhanced Youth Guarantee”, which aims to create youth employment opportunities, promote youth entrepreneurship, and harness the opportunities arising from the digital and green transitions (European Commission 2020c, the Council of the European Union 2020). Specifically, it aims to encourage firms to hire unemployed youth, and to provide training to facilitate the matching of unemployed and inactive youth to vacancies (Council of the European Union, 2020). The reinforced youth guarantee expands the age range for youth measures under the guarantee up to 29 years. It also makes the Youth Guarantee more inclusive by reaching out to young people with disabilities, in rural areas or from ethnic minorities. It also recognises that NEETs require an individualised approach: for some NEETs a lighter approach may be sufficient, whereas other, more vulnerable, NEETs may need more intensive, lengthy and comprehensive interventions. The enhanced Youth Guarantee recognises the need for effective coordination and partnerships across policy fields, including employment, education, youth, gender equality, housing, health, and social affairs. Networks of practice should be developed and supported between relevant actors (government agencies, public agencies, youth organisations, business associations, education institutions, housing associations, health provider associations). Integrated services such as one-stop shops or other models may offer easier access to services and benefits, and provide tailor-made, flexible

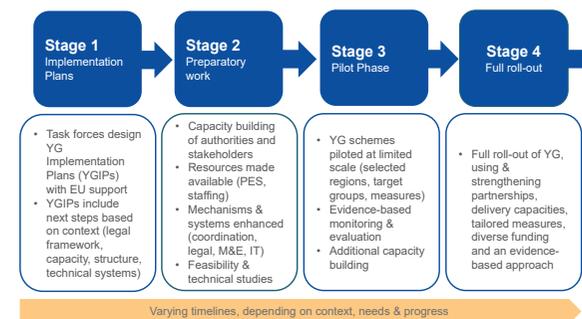
30 See also Duell, N. (2018)

and more responsive solutions for young people facing multidimensional barriers to the labour market (Council of the European Union 2020).³⁰

The European Commission has proposed that the Youth Guarantee be implemented by the WB economies in line with the EU Youth Guarantee. Based on the Economic and Investment Plan, support for the scheme could be incorporated in the IPA III initiatives across the region. [The Economic and Investment Plan \(EIP\) for the Western Balkans](#), published by the European Commission (EC) in October 2020, proposes the implementation of Youth Guarantee schemes in the Western Balkans in four chronological, implementation stages, which could all potentially benefit from EU support. The chronological stages are described on page 55. For the **chronological, implementation stages**, following four stages with a zero stage are envisaged:

- ▷ **Stage 1: Youth Guarantee Implementation Plans**
- ▷ **Stage 2: Preparatory work**– capacity building of stakeholders and authorities, resources made available, mechanism and systems enhanced, feasibility and technical studies
- ▷ **Stage 3: Pilot phase**– to test the measures that have been planned on the new intake of NEETs who have been identified through the outreach programme in a selected number of local authority areas
- ▷ **Stage 4: Rollout to full implementation** – based on the evaluation of the pilot phase, modifications to be made to the Youth Guarantee plan, and commence with its full implementation

Flagship 10 of the EIP for the Western Balkans



Source for the diagram: European Commission, materials on EIP and Youth Guarantee

Stage 0 is the phase of **creating awareness and political buy in**. WB economies are informed about the conditions for the deployment of the instrument, commit to it and create a national task force.

Stage 1 would involve the preparation of an **implementation plan** (Youth Guarantee Implementation Plan) to identify the appropriate measures, their timelines, their budget, the changes needed to the legal framework, the definition of a central coordinating body and the roles of relevant public authorities (line ministries, employment services, centres for social work, and education and training institutions) and stakeholders (employers and trade unions, chambers of commerce, youth organisations and NGOs).

Stage 2 would involve **preparatory work in building** capacity of public authorities and stakeholders, staffing and infrastructure development. It would also involve changes to the legal framework and the preparation of monitoring and evaluation frameworks.

As has already taken place in North Macedonia, **Stage 3** would be a **pilot phase** which would implement the proposed Youth Guarantees in a limited number of localities or regions and would provide evidence for policy formulation to carry out the next steps.

Stage 4 would require the **progressive deployment of the proposed Youth Guarantee**, which would be implemented in more regions and nationwide, also ensuring regular monitoring and evaluation of the programme outcomes.

It is important to distinguish between the above-stated chronological implementation stages of the Youth Guarantee and the thematic-policy phases of the Youth Guarantee.

For the *thematic-policy phases according to the Council recommendation*, following four phases are envisaged:

- ▷ mapping,
- ▷ outreach,
- ▷ preparation and
- ▷ offer (of an opportunity in employment, education or training).

Below provides the chronological, implementation stages related to the introduction or enhancement of the Youth Guarantees in the Western Balkan economies. This is followed by the outline of the Youth Guarantee phases related to the thematic-policy design of the Youth Guarantee, based on EU models, and as recommended by the authors of this RCC ESAP Study. More detailed individual road maps for each economy, related to youth employment and Youth Guarantee programmes, are set out the Appendices to this Study. **While these individual roadmaps are important analytical inputs, they cannot replace or prejudice the individual economies' Youth Guarantee Implementation Plans.**

Youth Guarantee- Chronological Stages according to the Economic and Investment Plan

Stage 0: Awareness raising, Political Commitment and Creation of a Task Force

The first step in designing and implementing a viable youth guarantee scheme in each WB economy is the mobilisation of political will and creation of a task force. Political leaders will need to promote the policy concept among their stakeholders and supporters, as well as more generally in the media and among the

wider public. A Task Force should be established to develop the concepts and operational guidelines for the scheme. The Task Force should be chaired by a senior youth guarantee "policy champion" who would be a high-level member of the government. The members of the Task Force would include ministers/ assistant ministers from relevant ministries in charge of policies regarding employment, education, training, social affairs, youth, housing and health systems. A representative of the Ministry of Finance should also belong to the task force to ensure that adequate funding is available. The policy champion should engage with relevant institutions outside government including business associations and chambers, associations of education and training institutions, and international donors. The Task Force should take evidence from academic experts from universities and think tanks as well as from NGOs operating in the field of youth employment and youth policy.

Stage 1: Implementation Plans

During this Phase, Youth Guarantee Implementation Plans will be developed. To ensure the success of the YG scheme, it will be paramount to ensure the coordinated engagement of stakeholders, including employment centers / social work centers, employers and employers' organizations, trade unions, local authorities and sector bodies, NGOs and youth organizations, education and training institutions, and social services.

Stage 2: Preparatory Work

In this phase, capacity building of stakeholders and authorities needs to take place as well as resources made available, mechanisms and systems enhanced, feasibility and technical studies completed. The capacity of the PES to provide the services to be offered by the Youth Guarantee will require a period of capacity

building and preparation of new activation measure, involving training of PES staff to deal with the particular problems of young unemployed jobseekers and NEETs. The PES should aim to be in a position to provide labour market information on vacancies, to deliver improved career counselling and guidance services, and to deploy tools for independent career management. Prevention measures to tackle early leaving from education and training by disadvantaged youth should be designed and implemented. For more advantaged young people, such as graduates from school or university, measures of job referral procedures and career counselling and mentoring are already available and should be strengthened. For less advantaged young people such as NEETs with low and medium levels of education, more intensive measures of active employment policy should be provided.

Stage 3: Pilot Phase

An initial pilot programme will test the measures that have been planned on the new intake of NEETs who have been identified through the outreach programme in a selected number of local authority areas (cities/towns/municipalities). The participants in the pilot Youth Guarantee will be given individual career management plans by dedicated and trained officers of the PES. These plans will contain information about opportunities for employment, education or training, with specific offers for each individual participant. The effectiveness of the pilot phase will be assessed through carefully designed evaluation studies to identify which measures work best for NEETs and which do not. This will inform an adaptation of the Youth Guarantee in preparation for its full roll-out and implementation

Stage 4: Full Rollout

On the basis of the findings from the evaluation study of the pilot phase of the Youth Guarantee, the package of measures will be adjusted to take into account those measures that have provide to be most effective and relevant to the needs of different NEET groups. These will be entered into a modified Youth Guarantee which will be rolled out to cover the entire economy.

Youth Guarantee- Policy Phases according the Council recommendation of 30 October 2020

Phase 1: Mapping

Policies to address youth employment have a cross-cutting nature. The Youth Guarantee should be designed and implemented jointly through partnerships involving governmental institutions at central, regional and local level, the private sector business sector, education and training institutions, NGOs and youth associations. Public administration institutions should collaborate with NGOs and businesses to maximise effective identification of needs of the labour market. NGOs in particular know how to address youth problems and they should take part in the decision-making processes concerning youth employment policies. Businesses should also be involved in the design of youth employment policies as they can define labour market demands and are in a position to hire unemployed youth and NEETs. Education and training institutions should be supported to provide appropriate and innovative training opportunities for disadvantaged young people. Integrated services including one-stop shops or other innovative models should be designed to provide responsive solutions for young people with multidimensional barriers to the labour

market (including closer partnerships and collaboration between Centres for Social Work and Public Employment Services).

Phase 2: Outreach

Outreach programmes should be developed for the hard-to reach NEETs. These may be young people with low skills who have only completed primary compulsory education, or members of other marginalised groups. An Outreach Strategy should be developed to identify the best way to involve partnerships between the social services, employment services, community groups and youth NGOs to reach out to marginalised NEET groups.

Phase 3: Preparation – new activation measures; prevention measures to tackle early leaving from education and training by disadvantaged; strengthening of the existing, and more intensive measures of active employment policy for less advantaged young people such as NEETs with low and medium levels of education.

Phase 4: Offer - labour market integration through making quality offers to young people. Finally, it is important to highlight that the *thematic-policy phases* are present throughout the different chronological-implementation stages, these are complementary approaches. All four phases of policy intervention (mapping, outreach, preparation, offer) will, to different degrees, be part of all 4 chronological-implementation stages (YG implementation plan, preparatory, pilot, roll-out). For example, the preparatory stage (of the four chronological stages) might include mapping activities, but also capacities building for improving outreach, preparation and offer delivery. Another example, outreach (policy phase) will need to be planned in the YG implementation plans, prepared through capacity building, piloted and fully rolled out.

7 CONCLUSION

This Study has analysed the performance of the youth labour markets in the Western Balkans in a comparative perspective, taking an outcome-based approach. It has identified the key differences and similarities in labour market outcomes and benchmarked the performance of the region against the EU experience. It has shown the extremely high level of youth inactivity, unemployment and underemployment throughout the region in comparison with the performance of EU labour markets. Of particular concern are the low levels of labour force participation in Kosovo* and Serbia, low youth employment rates in Kosovo* and North Macedonia, high youth unemployment rates in Kosovo*, North

Macedonia and Bosnia and Herzegovina, the high levels of long-term unemployment in Kosovo*, North Macedonia and Bosnia and Herzegovina, the excessive use of temporary contracts in Kosovo* and Montenegro, and the high NEET rates in Albania and Kosovo*. Large gender disparities are also a feature of the regional youth labour markets. Existing activation policies go some way to tackle the difficulties facing youth labour markets of the region, but they are scattered and underfunded. A more coherent approach is needed, that could be provided by adopting a customised version of the Youth Guarantee in each of the regional economies, as set out in the Appendices to this report.

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Annex 0: Sensitivity of youth unemployment to economic conditions

In this Annex we set out the results of a simple regression model which identifies the sensitivity of youth employment to the overall economic conditions as represented by the overall employment rate. The model is estimated over the period 2017-2020 using OLS regression. It relates the natural logarithm of youth employment to the natural logarithm of overall employment, a set of dummy variables to control for WB economy heterogeneity, and a set of interaction terms defined as the product of the log of overall employment rate and the economy dummies. The results of the regression model are given in Table A0.1. The average marginal effects are shown in Table A0.2, representing the elasticities of the youth employment rate vis a vis the overall

employment rate. These are well specified with significance levels below 1% in most case, and below 5% for Albania.

The elasticities are high in most economies, indicating that youth labour markets are highly sensitive to overall economic conditions – youth are the first to lose their jobs in a downturn. The most sensitive labour market is in Kosovo* with an elasticity of 6.9, indicating that a 1% drop in the overall employment rate is associated with an almost 7% drop in the youth employment rate. The elasticities for the other economies are as follows: Albania 5.8; Bosnia and Herzegovina 4.5; Montenegro 3.5; North Macedonia 2.9. The elasticity for Serbia is effectively zero, indicating that youth employment is unrelated to overall employment. In this case, youth employment is likely to be unresponsive to an upturn in economic conditions, and special measures would need to be taken to ensure that the job benefits of an eventual economic recovery are shared by young people in that economy.

Table A0.1: Robust regression \ln (youth employment rate) on \ln (employment rate 15-64 age group) for Western Balkan economies 2017-2020

	Coefficient	t	P> t
\ln (employment rate)	3.37	3.73	0.004
Bosnia and Herzegovina * \ln (employment rate)	0.29	0.24	0.817
Montenegro * \ln (employment rate)	-0.86	-0.81	0.436
North Macedonia * \ln (employment rate)	-1.34	-1.22	0.251
Serbia * \ln (employment rate)	-3.26	-2.66	0.024
Kosovo * \ln (employment rate)	9.53	1.74	0.113
Bosnia and Herzegovina	-0.31	-0.07	0.949
Montenegro	3.68	0.86	0.411
North Macedonia	5.45	1.22	0.250
Serbia	13.16	2.63	0.025
Kosovo	-30.82	-1.64	0.131
Constant	-10.55	-2.86	0.017
Number of observations	22		
F (11, 10)	53.54		
Prob > F	0.0000		

Source: Source: ESAP Observatory on employment in the Western Balkans, RCC's ESAP 2 project. Calculations performed using STATA.

Table A0.2: Average marginal effects

	Elasticities	z-statistic	P> z	[95% Conf. Interval]
Albania	5.80	1.99	0.047	0.09 - 11.51
Bosnia and Herzegovina	4.50	4.20	0.000	2.40 - 6.60
Montenegro	3.46	0.89	0.000	1.71 - 5.22
North Macedonia	2.88	.99	0.004	0.93 - 4.83
Serbia	0.14	1.08	0.897	-2.00 - 2.25
Kosovo*	6.86	1.48	0.000	3.95 - 9.77

Chapter 1: Youth employment in Albania

Chapter 2: Youth employment in Bosnia and Herzegovina

Chapter 3: Youth employment In Kosovo*

Chapter 4: Youth employment in Montenegro

Chapter 5: Youth employment in North Macedonia

Chapter 6: Youth employment in Serbia

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