



EP4U STUDENT CONTEST WINNING PAPER

Improving Youth Employment Opportunities in the Western Balkans in the Post-Pandemic World

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Abstract

After more than two years of going through a tremendous crisis at all levels, it seems that in 2022, thanks to the global distribution of the COVID-19 vaccine, the end of health crisis appears to be on the way. However, the real battle has just begun. The focus of this brief will be on unemployment, particularly youth employment and the relevant supporting social policies in the Western Balkans, and it argues that improvement is mainly needed in three spheres: education, digitalization, and government support.

Introduction

The Western Balkans region is one of the smallest and least developed regions in Europe, but the economic and labour market prospects of the Western Balkans before the pandemic were promising. In 2019, unemployment reached an all-time low in Balkan countries¹. However, the COVID-19 pandemic has put an unexpected twist on Western Balkan economies and the region's labour markets were severely affected. These markets reacted to the challenges of the pandemic mainly by reducing wages and introducing remote working, rather than laying off workers, which had the effect of ensuring a controlled rise in unemployment (except in Montenegro) and thus a positive impact on social tensions. All the same, two trends

¹ Vienna Institute for International Economic Studies. (2020). *Western Balkans Labour Market*

Trends 2020. <https://wiiw.ac.at/western-balkans-labor-market-trends-2020-dlp-5300.pdf>

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were evident: one was the widespread high unemployment rates among women and young people, while the other was labour shortages and wage pressures in sectors like health and ICT, as well as for skilled construction workers in Albania, Bosnia and Herzegovina and Kosovo, in manufacturing and transport in Serbia and North Macedonia, and in tourism in Montenegro².

Nevertheless, the negative consequences were most severe for low-educated and low-skilled workers, and particularly young workers, as they experienced a decrease in both wages and hours, notably because they were more widely employed in pandemic vulnerable sectors like retail, hospitality and tourism, often with only temporary contracts or, indeed, working in the informal “grey” economy³. Youth unemployment has been relatively high in the Western Balkans for more than a decade³, but young people were still particularly vulnerable to the pandemic (in terms of both finding and retaining their jobs). Average Youth unemployment in the Western Balkans was three times higher (5, 1%) than in the EU-27 (1, 6%), in 2020, according to the findings of the Regional Cooperation Council⁴.

This brief suggests ways to enhance youth employment opportunities in the Western Balkans, where the employment context is different from that found in EU countries, due to the lack of a

structural transformation. The brief argues that there is a need for:

- 1) *The further development of soft skills*, which are needed as a precondition for fostering employment, is not currently a priority in the regions’ basic education systems,
- 2) *Fast digital transformation and entrance into self-employment, true cash transfers and youth access to finance* (which means no displacement effect) and
- 3) *Government support* that expands employment in existing firms and encourage new companies to enter the market. These solutions could help the Western Balkans to go back to pre-Covid levels of employment, and even surpass them.

Education and Unemployment

When trying to solve such a complex problem as youth unemployment, the main goal must be solving this problem for the long term, and in order to solve unemployment in the long run we must start from its’ roots – education. Unfortunately, COVID-19 had a negative impact on education, and according to various studies, an additional 101 million children around the world in Grades 1 to 8 fell below minimum reading proficiency levels in 2020.

The best representation of the current state of education in the Western Balkans can be

² Regional Cooperation Council. (2021a). *Labour Markets in the Western Balkans*.
<https://www.rcc.int/pubs/120/labour-markets-in-the-western-balkans-2019-and-2020>

³ Regional Cooperation Council. (2021b). *Study on Youth Employment in the Western Balkans*
<https://www.rcc.int/docs/573/study-on-youth-employment-in-the-western-balkans>

⁴ Ibid.

found in the latest findings from PISA, published under the responsibility of the Secretary-General of the OECD. Despite the fact that student outcomes in the Western Balkans have improved over the last two decades, outcomes in the region remain below the international benchmark⁵. The results have shown that the region is lagging behind in providing a foundation of cognitive and noncognitive transferable skills that are not currently developed in basic education system. Researchers in developed countries have found them strongly linked to employment outcomes, including Heckman and Kautz, (2013)⁶, while Campos et al. (2015)⁷ and Fadhil et al., (2021)⁸ came to the same conclusion on the basis of their research among less developed countries. Employers in the Western Balkans are looking for these skills, but they remain in short supply. The education systems in the Western Balkans should be more focused on preparing young people for the upcoming demands of the labour market in the 21st century, and especially in developing their soft skills, because employability and job competency are highly dependent on competence in

areas like communication skills, critical thinking, problem solving, teamwork, learnability, motivation, attitude, and integrity.

New Youth Job Opportunities Through Digitalization

In the modern age, digitalization includes the use of up-to-date technologies that have marked their place as the backbone of our society, most notably computers, smart phones and the Internet. Digitalization contributes to the spread of nonstandard, informal (digital) employment, in particular "work on demand" or "work on Internet platforms"⁹. Improving digitalization could lead to rising youth self-employment, which guarantees rising numbers in youth employment that does not come at the expense of other, more traditional forms of work. The young population strongly agrees with this standpoint, which was confirmed through discussions with the President of the Student Council of the Faculty of Economics and the President of the Student Parliament of the University of Montenegro, who both argued that digital skills are currently one of the key factors of

⁵ OECD. (2020). *Education in the Western Balkans: Findings from PISA*, PISA, OECD Publishing, Paris, <https://doi.org/10.1787/764847ff-en>

⁶ Heckman, J., Kautz, T. (2013). *Fostering and Measuring Skills: Interventions That Improve Character and Cognition*. NBER Working Paper Series, 19656. <http://www.nber.org/papers/w19656>

⁷ Campos, F., Goldstein, M., McGorman, L., Munoz B., Pimhidzai, O. (2015). *Breaking the Metal Ceiling: Female Entrepreneurs Who Succeed in Male-Dominated Sectors*. Policy Research Working Paper; No. 7503. World Bank, <https://openknowledge.worldbank.org/handle/10986/23469>

⁸ Fadhil, S. S., Ismail, R., Alnoor, A. (2021). *The influence of soft skills on employability: A case study on technology industry sector in Malaysia*. *Interdisciplinary Journal of Information, Knowledge, and Management*, 16, 255-283. <https://doi.org/10.28945/4807>

⁹ Popelo, O., Kychko, I., Tulchynska, S., Zhygalkevych, Z., Treitiak, O. (2021). *The Impact of Digitalization on the Forms Change of Employment and the Labor Market in the Context of the Information Economy Development*, *IJCSNS International Journal of Computer Science and Network Security*. <https://doi.org/10.22937/IJCSNS.2021.21.5.23>

success for young people, and that faster digitalization is necessary.¹⁰

Forming an (regional) digital official platform to help unemployed workers to find and apply for jobs or traineeships could serve as additional tool to help reduce youth employment. *Digital Skills and Jobs Platform*, founded by the Connecting Europe Facility (CEF), along with *Eurodesk*, *Euroguidance Network* and others, could serve as a great example for the policy makers in the Western Balkans. The importance of online platforms in finding jobs can be seen through the rising number of so-called platform workers in EU¹¹, as is shown in research done by Pesole et al. (2021)¹². Introducing an official platform for finding digital jobs might also be an innovative solution that could help solve the problem of high youth unemployment. The digital technologies industry is constantly on the rise but the Western Balkans region has not caught up with this trend yet, something that requires knowledge, resources and time. However, all the regional governments recognize this as a priority and are focused on creating

knowledge and competencies for the labour market in the digital age¹³.

The Importance of Existing and Potential New Youth Entrepreneurs

With the intention of solving youth unemployment, the primary goal of policy makers should be to find ways to create new jobs. Joseph Schumpeter (1942)¹⁴ stated that large firms have innovation advantages relative to small ones. Helping existing firms and encouraging innovation will inevitably lead to greater profit margins and greater production rates. From this, a need for new workers will arise, and young workers could be the ones to fill this newly formed gap between supply and demand in the labour market.

However, as Lerner (2020)¹⁵ noted, through history economists have generally overlooked the creative power of new small firms and young entrepreneurs, where accessibility of financial support and easy market entries are essential, as was emphasized by Obaji and Olugu, (2014). The government should use **direct subsidies** and **tax incentives** to provide these financial funds to small firms, and

¹⁰Based on interviews with the President of the Student Parliament of the University of Montenegro, Saša Roćen, and the President of the Student Council of the Faculty of Economics, Danilo Banović, which were conducted by the author of this paper on 17th January 2021.

¹¹Individuals providing services intermediated to a greater or lesser extent of control via a digital labour platform, regardless of their legal employment status.

¹² Pesole, A., Urzì Brancati, M.C, Fernández-Macías, E., Biagi, F., González Vázquez, (2021). *Platform Workers in Europe*, I., Joint Research Centre (JRC), the European Commission <https://publications.jrc.ec.europa.eu/r>

[epository/bitstream/JRC112157/jrc112157_pubsy_platform_workers_in_europe_science_for_policy.pdf](https://publications.jrc.ec.europa.eu/r/epository/bitstream/JRC112157/jrc112157_pubsy_platform_workers_in_europe_science_for_policy.pdf)

¹³ Ministry of Economic Development. (2022). *Employment Action Plan Draft for 2022*, Montenegro.

<https://www.gov.me/dokumenta/9a7cd33a-9204-49e6-98bc-5a064f9b81b0>

¹⁴ Schumpeter, J. (1942) *Capitalism, Socialism, and Democracy*, New York, Harper & Brothers.

¹⁵ Lerner, J. (2020). *Government Incentives for Entrepreneurship, Innovation and Public Policy*, NBER Conference, 2020. <https://www.nber.org/system/files/chapters/c14426/c14426.pdf>

particularly **start-ups**, in order to improve the overall business conditions and encourage new market entry and diversity. This financial relief should encourage businesses to increase wages, increasing the opportunity cost of not working, and thus stimulating increases in employment rates. However, acquiring these funds could be a challenging task for the region. At the same time young people in the Western Balkans need help developing their skills, and help from the EU's best could be very valuable for them, so different kind of traineeship programmes need to be implemented, a good example being the Youth Guarantee scheme¹⁶.

Conclusion

In conclusion, young employees from the Western Balkans need proper knowledge and skills to adapt to new working conditions, adequate finances and fair labour market conditions. The new reality of the post pandemic world is coming to the Western Balkan, too. Enhancing the economies and employment opportunities in the region appears to be a complicated task. The global pandemic, more than ever before, has exposed the relationship between developed and underdeveloped countries, and revealed the interdependence of the two. Traditionally, the European Union has treasured its' principle of solidarity¹⁷, and this too has to remain treasured through these hard times of crisis.

¹⁶Based on an interview with the Acting Director of the Directorate for Labour and Employment at the Ministry of Economic Development of Montenegro, Jevrosima Pejović, and the Independent Advisor to the Ministry of Economic Development of Montenegro, Aleksandra Mugoša, which was conducted by the author of this paper on 18th January 2021.

The development of the Western Balkans is a process, where the EU's assistance could be seen essential in their investment in human capital, the transfer of European values, improving *digital* knowledge and skills, and financial support for different employment or training programmes. Improving employment opportunities should also have a significant impact on further strengthening the system of meritocracy, which has historically been at very low levels in the Western Balkans¹⁸, and which cannot be done without the joined action of both the EU and the region.

This process and its implementation should rely on *new and strict* mechanism of monitoring and conditionality, in order to ensure that the financial funds are used adequately, and in order to produce very clear and significant results. The significance of these mechanisms was particularly highlighted in all the interviews with representatives of students and public officials conducted for this paper.

¹⁷ Mingozi, C. (2020). *Fostering Solidarity through a reform EU Asylum Policy*, TEPSA Student contest brief. <https://www.tepsa.eu/tepsa-student-paper-fostering-solidarity-through-a-reformed-eu-asylum-policy-chiara-mingozi/>

¹⁸ The Friedrich-Ebert-Stiftung. (2019). <http://library.fes.de/pdf-files/id-moe/15267.pdf>

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