



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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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)

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 was below 27% in all economies, while the youth unemployment rate was above 26% (compared to just 17% in the EU-27) reaching almost 50% in Kosovo*. 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.

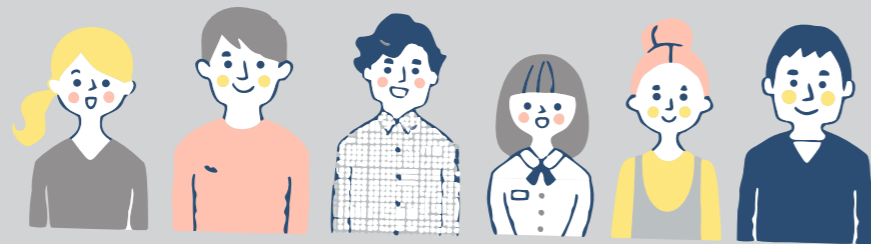
The youth labour force participation rate (activity rate) was also lower than in the European Union Member States (EU-27) and there is a large gender gap in labour force participation, partly reflecting a shortage of child-care facilities for young mothers who wish to join the labour market. The gender 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.

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



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 17% 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 which would

be an additional cost of Youth Guarantee programme in the region.

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, along the lines of those already implemented in

the EU. Funding for the plan will be incorporated in the Instrument for Pre-accession Assistance (IPA) III. The European Commission has suggested that economies should implement the Youth Guarantees in four phases, all of which could potentially benefit from EU support. These would be structured through the preparation of an implementation plan, building commitment and adapting the legal framework, a pilot phase, and a full implementation phase. 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

Upgrade Active Labour Market Policies (ALMPs)

- Offer greater financial allocations for 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 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

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

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.

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 a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of either leaving formal education or becoming unemployed. 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.¹ Under the EU's Economic and Investment Plan for the Western Balkans, the EU proposes to assist the introduction and design of a Youth Guarantee in each of the region's economies to assist disadvantaged and discouraged young people into work.

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.



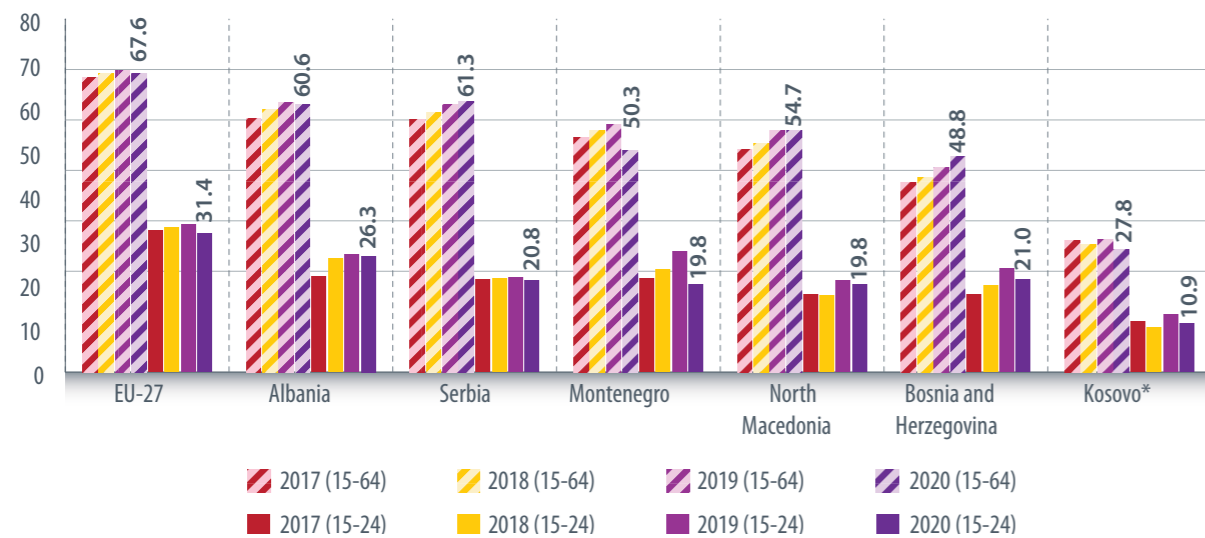
¹ <https://ec.europa.eu/social/main.jsp?catId=1079>

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

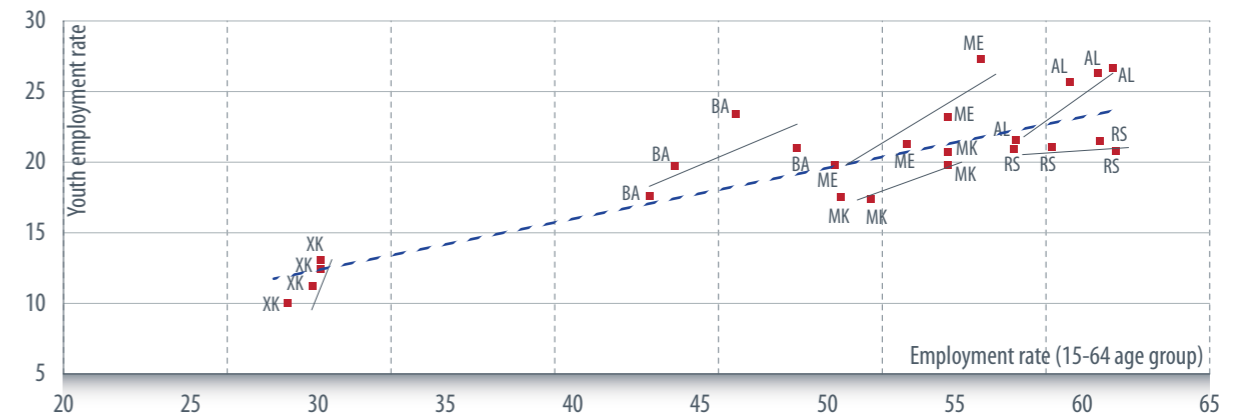
31.4%. Youth therefore have a more difficult labour market experience than older people everywhere, including in the EU. The range of youth employment rates in the region is from 10.9% in Kosovo* to 26.3% in Albania. The ratio of the overall employment rate to the youth employment rate is everywhere 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 (%)



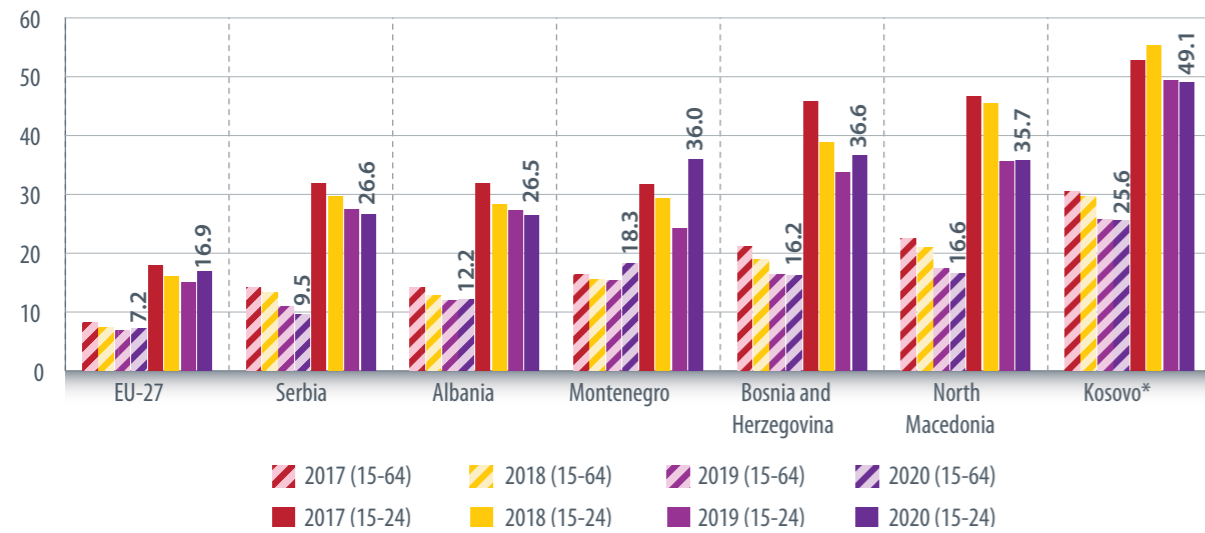
Source: [ESAP Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project.

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.² 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.

² 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 rate 15-64 and 15-24 age groups, 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

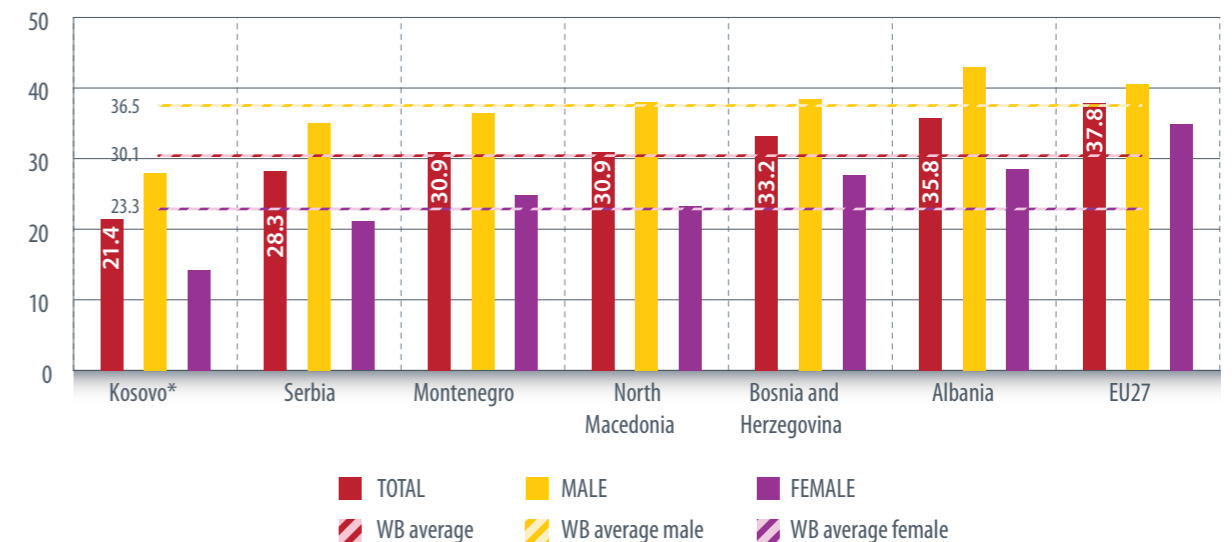
dire and distressing situation for young people in the Western Balkans, when compared to the EU-27 benchmark. Kosovo*, North Macedonia and Bosnia and Herzegovina have had the most difficult youth labour market experience in recent years in terms of youth unemployment. For Kosovo* every labour market 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

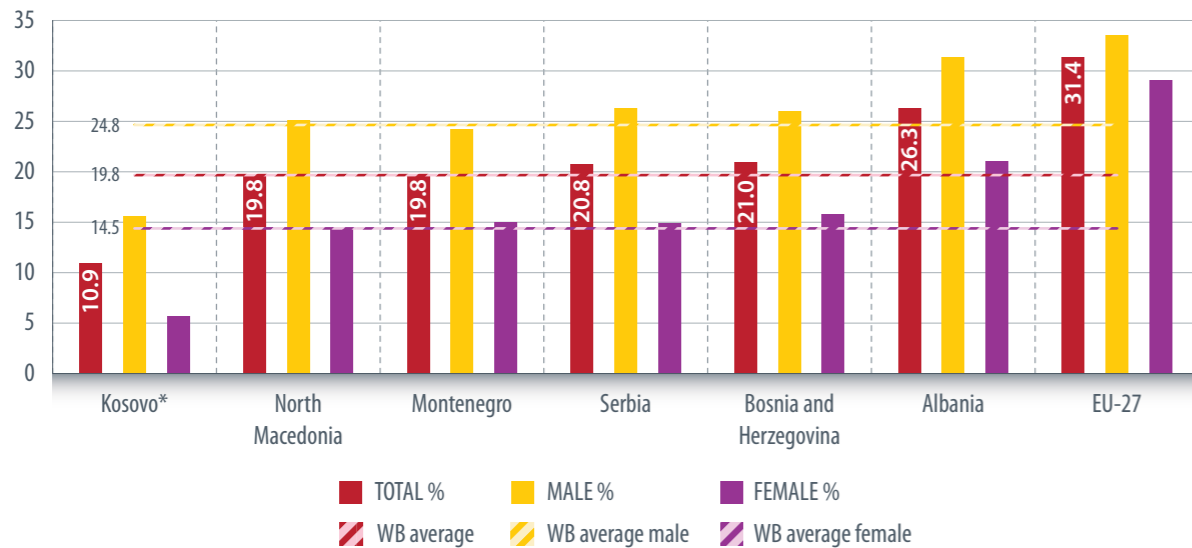
percentage points in the EU-27. The gender gap is widest in North Macedonia and Albania, at 14.7 and 14.5 percentage points respectively. It is not much less in Serbia (14.0) and Kosovo* (13.8). Young women's inactivity in Serbia is likely due to inadequate support to women in balancing work and family 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 (%)



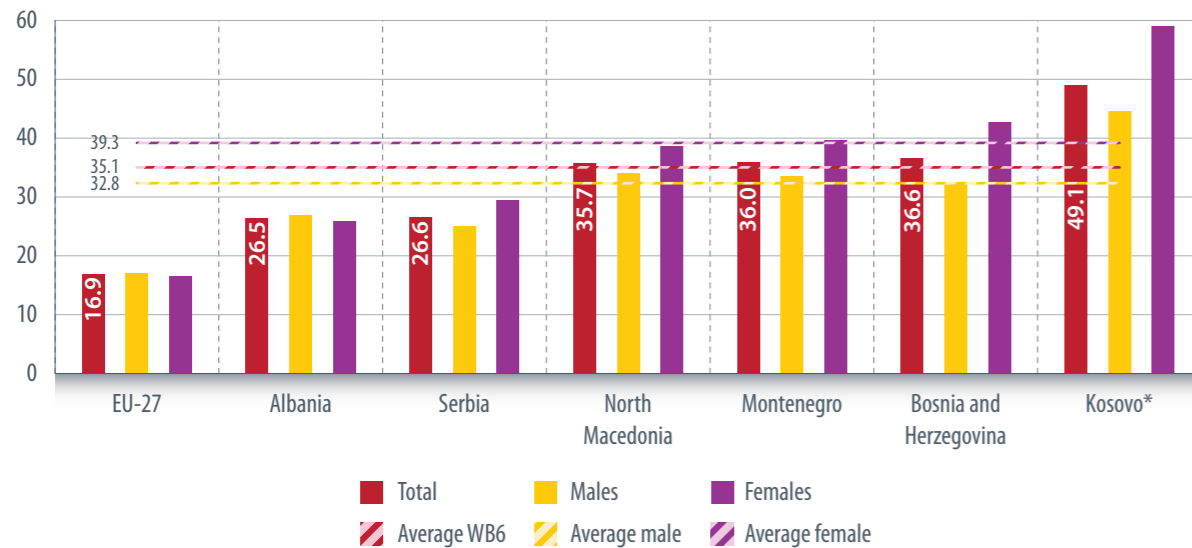
Sources: Eurostat (EU-27, North Macedonia, Serbia), INSTAT (Albania), BHAS (Bosnia and Herzegovina), MONSTAT (Montenegro), ASK (Kosovo* - unweighted average of 15-19 & 20-24 age groups, and average for Q1-Q3).

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: Youth unemployment rate 15-24 age group, 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

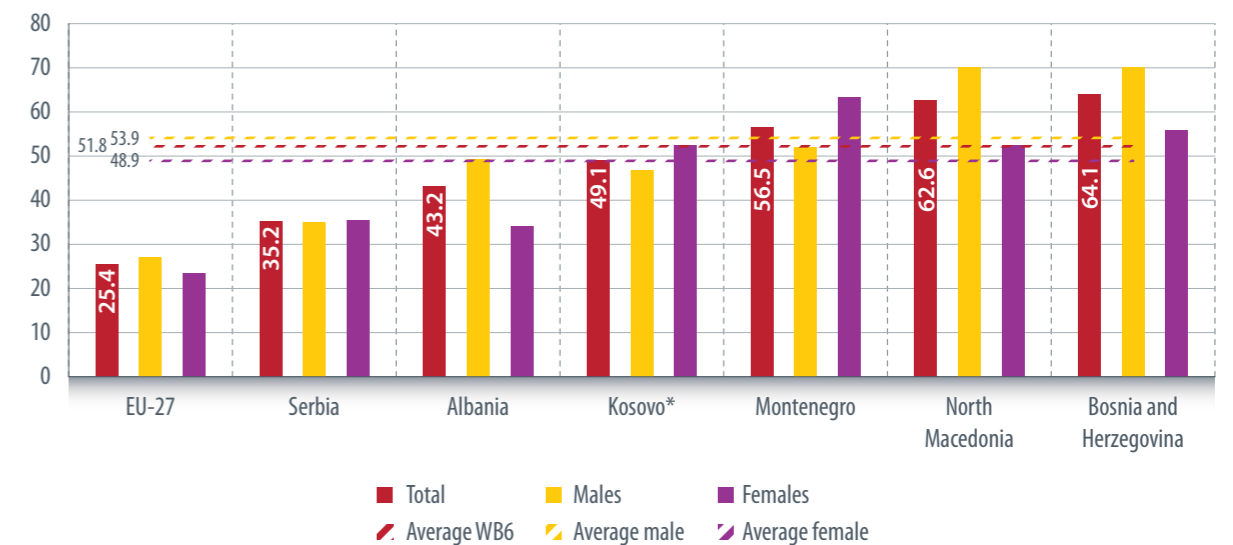
gender gap in youth employment rates in the region is 10.3 percentage points (p.p.), more than twice the gap in the EU-27 (4.5 p.p.). The highest gender gaps are in Serbia* (11.4 p.p.) and North Macedonia (10.8 p.p.).

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-27.³ 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 (%)



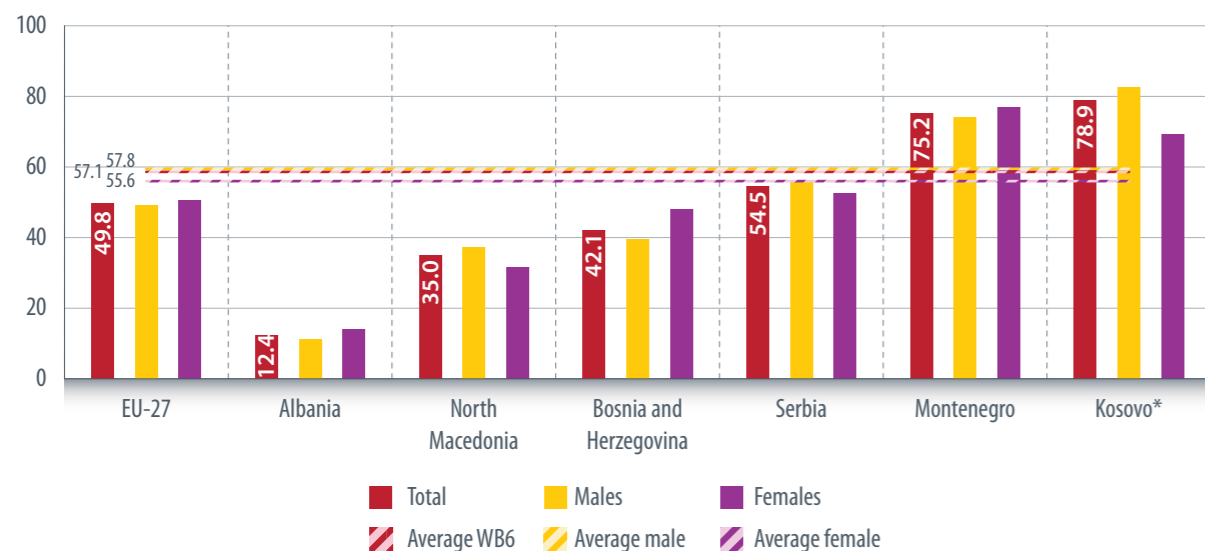
Sources: Eurostat (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania), ASK (Kosovo* - average of 15-19 & 20-24 age groups), WIIW Jobs Gateway in South Eastern Europe (Bosnia and Herzegovina 2019 Q2). Note: Insufficient data is available to compare long-term youth unemployment in 2020.

³ 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

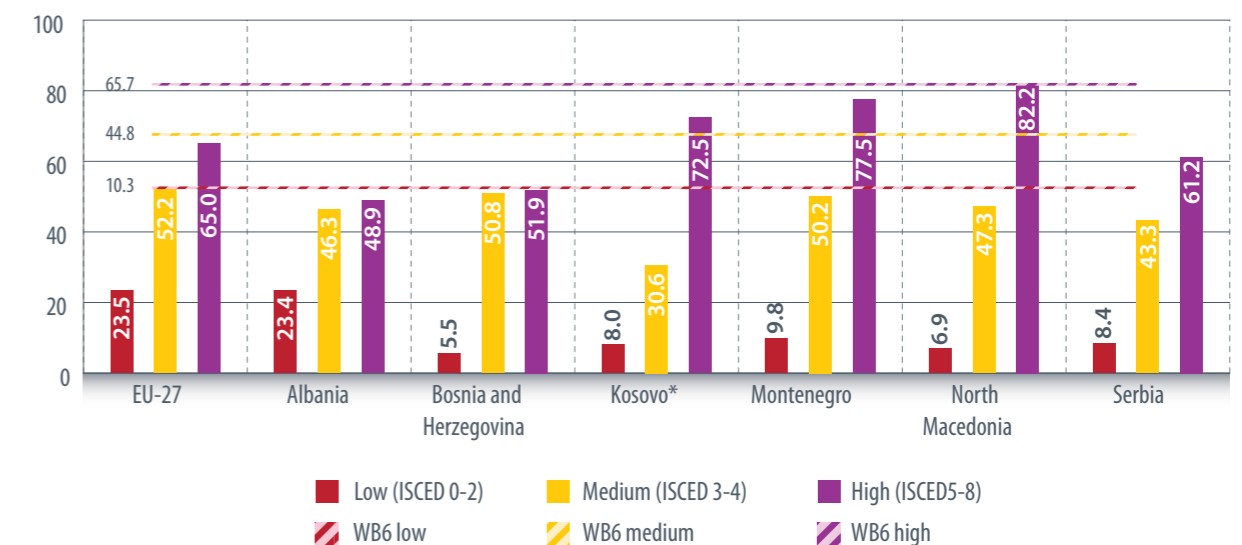
(Dawson, 2014). It can also have a negative effect on productivity, especially in high-skill sectors (Lisi and Malo, 2017). Young people also have a disproportionate share of part-time contracts and are often working in jobs below their skill level, a situation that has been characterised as “underemployment” 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 (%)

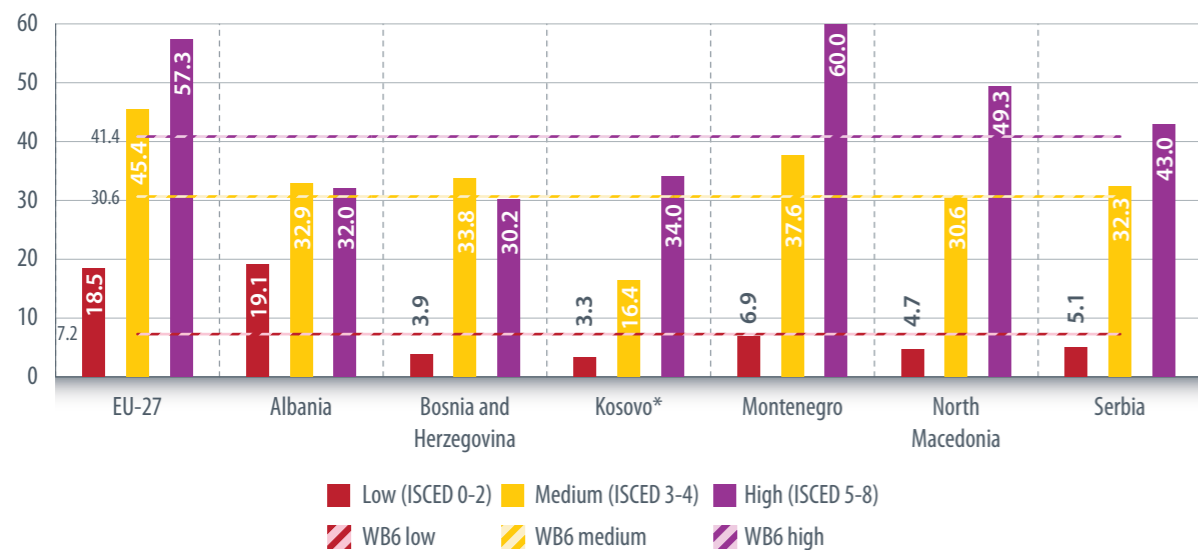


Sources: Eurostat (EU-27, Montenegro, North Macedonia), INSTAT (Albania), WiiW Jobs Gateway in South-eastern Europe (Bosnia and Herzegovina, Kosovo* - 2019 Q2). Note: ISCED is the International Standard Classification of Education (ISCED 0-2 is primary and lower secondary education or less, ISCED 3-4 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

⁴ "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

⁵ 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>

⁶ World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

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

⁹ World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

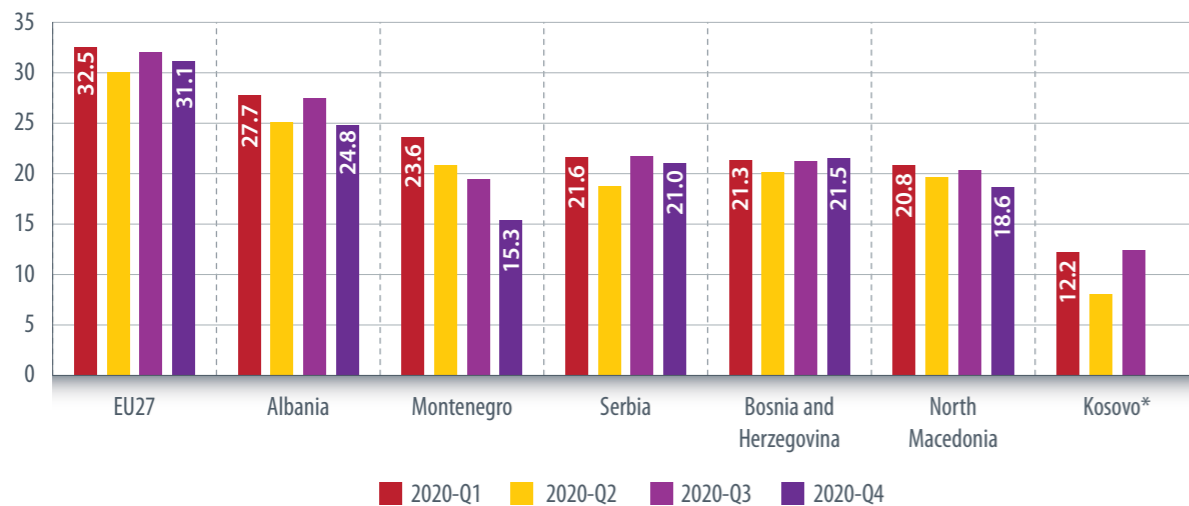
¹⁰ See: <https://www.esap.online/observatory/measures/5/socio-economic-measures-for-the-coronavirus-crisis-in-the-republic-of-north-macedonia> and World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

¹¹ See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/6/socio-economic-measures-for-the-coronavirus-crisis-in-serbia>

¹² 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)



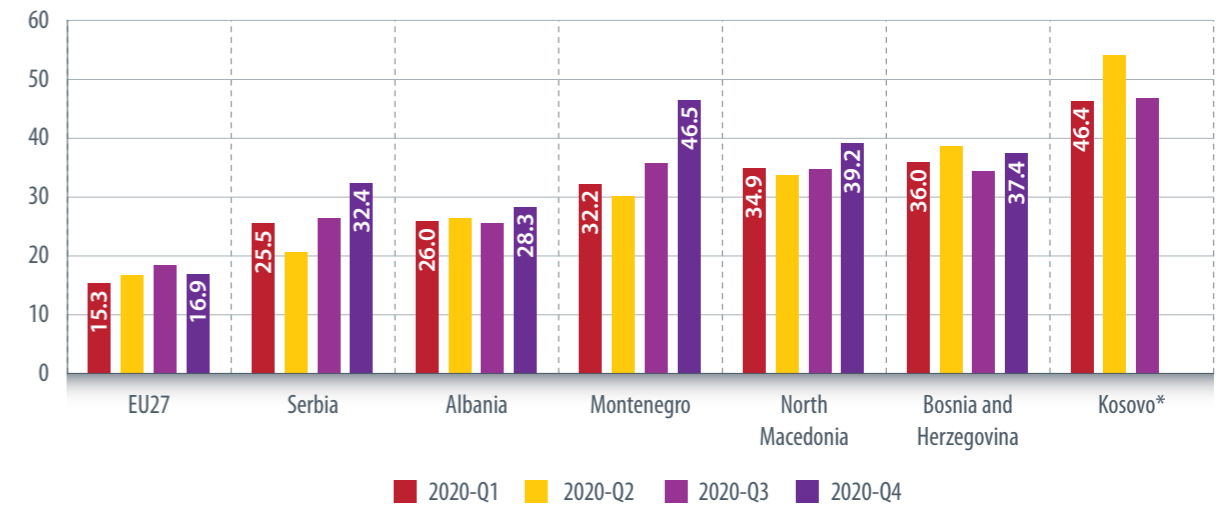
Source: Eurostat (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania), Agency of Statistics (Kosovo*) and Agency for Statistics (Bosnia and Herzegovina)



13 See: <http://sociojalnoukljucivanje.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.¹³ 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

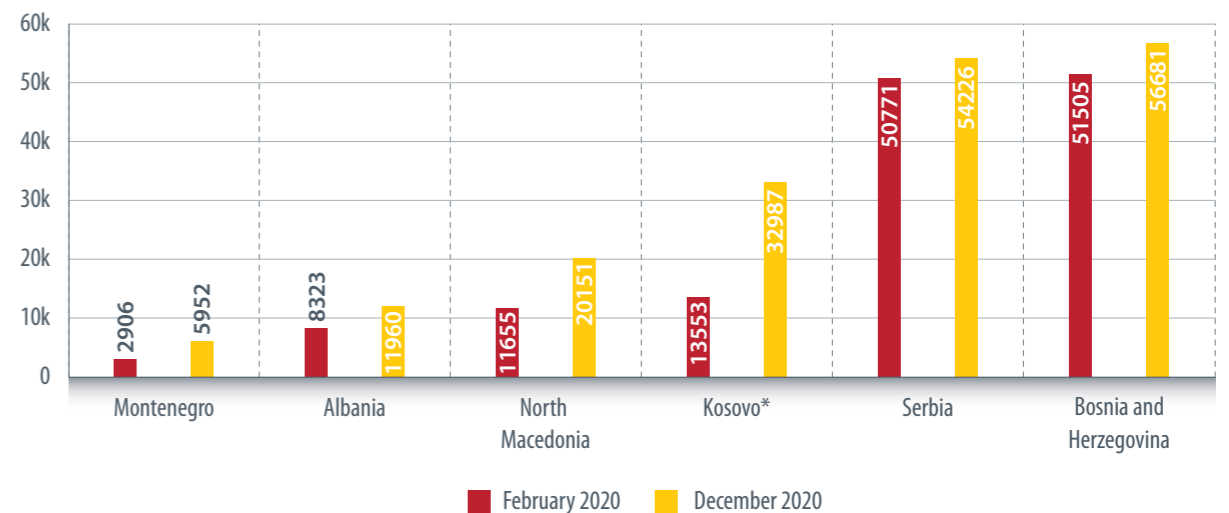


Sources: Eurostat (EU27, ME, MK, RS), MONSTAT (ME Q4) ; INSTAT (AL) ; ASK (XK) ; BHAS (BA)

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

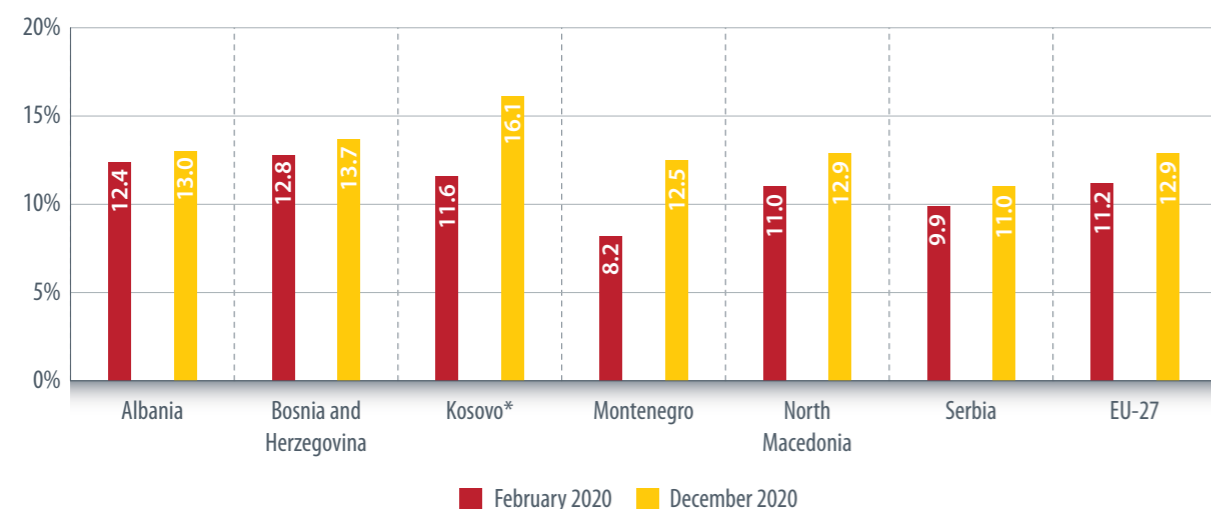


Source: [Observatory on employment in the Western Balkans](#), RCC's ESAP 2 project

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. The education system fails to provide many young people with appropriate skills for the labour market, and career advisory services are underdeveloped. 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.¹⁴ 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



¹⁴ This threshold defines pupils who are unable to identify the main idea, or reflect on the overall purpose, in a text of moderate length.

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).¹⁵ 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.



¹⁵ See Annex 5.

¹⁶ See Annex 3.

¹⁷ See Annex 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.¹⁶ 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.¹⁷

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

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.¹⁸

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).

¹⁸ See Annex 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.

19 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)¹⁹.

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.²⁰ 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,

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

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

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).²¹ The subsidies involved typically cover the social

security contributions of employers and the wage costs up to the level of the minimum wage. Some examples include:

- ▷ In Albania, DCM 17/2020 targets all unemployed jobseekers in difficulty including youth, after the DCM 48 has been abolished by entering in the force of the new Law on Employment Promotion.
- ▷ In North Macedonia a personal income tax refund to all new employees under 30 years of age, for their first two years of employment, and a Youth Allowance to encourage the employment of young people (with a subsidy of MKD 3,000 for those under 23 years of age who have completed secondary education).
- ▷ In Serbia, the “My First Salary” programme targets young people who have completed secondary or higher education with a wage subsidy of RSD 20,000 (€170) for those with secondary education and RSD 24,000 (€200) for those with higher education. In Serbia there are also subsidies for employment of unemployed persons from the hard-to-employ category, which include youth up to 30 years of age - without qualifications/with low qualifications, youth in institutional care, foster families and guardian families.

3.3.2 Self-employment

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 used by skilled and qualified vocational professionals. Self-employment is



usually an option chosen by young people with either a low or medium level of education, i.e., those who do not have a higher education. In 2018, for example, over one fifth (21.4%) of all employees in the Western Balkans with a low level of education were self-employed, as were over one tenth (11.1%) of those with a medium level of education, while only 5.9% of those with a high level of education were self-employed.²² Some examples are as follows:

- ▷ In North Macedonia the Operational Programme 2020-2024 includes a Self-employment Programme to assist the unemployed to start their own business. This is not explicitly targeted on youth, although self-employment is a component of the economy’s Youth Guarantee.
- ▷ In Bosnia and Herzegovina, the Youth Employment Programme has a component supporting self-employment of young people.

3.3.3 Public works

The direct creation of jobs for young people through public works is only used as a youth employment policy in Serbia. In addition to public works, there are other active labour market measures that are in place in Serbia for creation of new jobs for hard to employ categories.

3.4 Youth entrepreneurship

Youth entrepreneurship is a growing element of youth employment policies. However, the institutional framework for youth entrepreneurship is far from ideal (Rovčanin, 2019). Young people struggle to overcome administrative and bureaucratic hurdles and lack access to business loans on the grounds of their lack of experience. Support is available through various government projects and NGOs. Various approaches to supporting youth entrepreneurship have been adopted in each economy, some examples:

- ▷ In Albania the National Action Plan for Youth 2015-2020 had a priority on youth entrepreneurship which provided grants for youth start-ups.
- ▷ In Federation of Bosnia and Herzegovina the project “Entrepreneurship for Youth

2019” co-financed youth start-ups.

- ▷ In Kosovo*, the Sector Strategy on Employment and Social Welfare 2018-2022 aims to support youth entrepreneurship, as does the Kosovo* Skills Vision and the Private Sector Development Strategy 2018-2022 and the Youth Strategy 2019-2023.
- ▷ In Montenegro the Ministry of Economy’s Business Stimulating Programme offers young entrepreneurs training on financial literacy and business plan development, information on financing opportunities, and loans to SMEs.
- ▷ In Serbia, the Entrepreneurship Development Programme provides advisory services, entrepreneurship development training, mentoring and specialist one-day seminars for aspiring youth entrepreneurs. The Impact Hub in Belgrade stands out as one of the more successful examples of a business incubator for young people in the region.

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

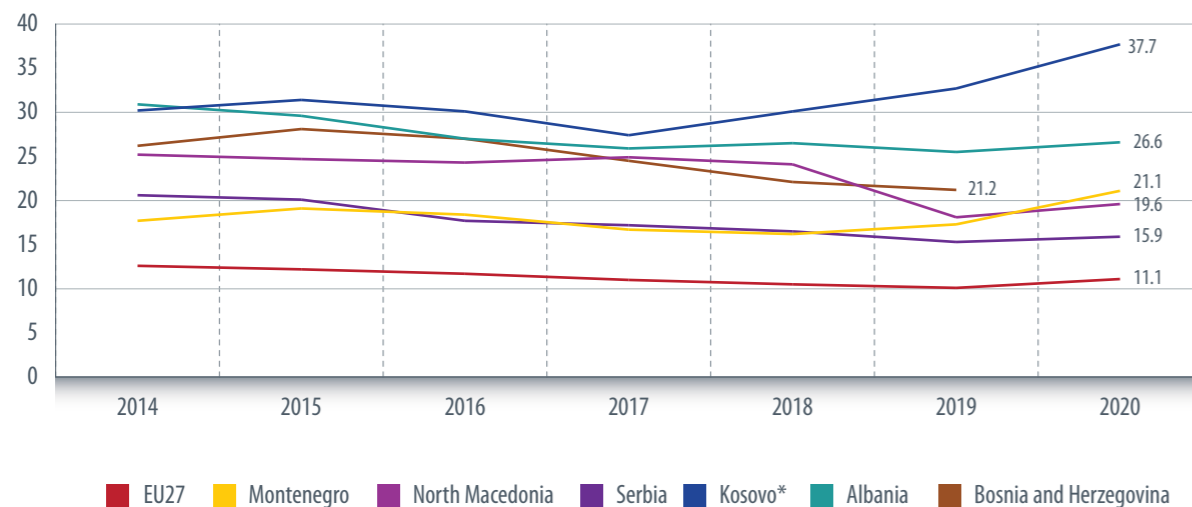
Apprenticeships							
Informal training provided by PES short courses							Youth Service Package; Internship Programmes for unemployed persons with Secondary Education
Career guidance and counselling				YEP		YEP	Education Strategic Plan (2017-2021); Youth Strategy 2019-2023 The National Strategy for Employment and Human Resource Development 2016-2020 National Employment Action Plan & Youth Service Package
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 My First Salary
Self-employment programmes				Sarajevo Canton, YEP		YEP, Employment Strategy of the Republika Srpska 2016-2020	Programme of self-employment grants Operational Programme 2020-2024 Programme for self-employment. Youth Guarantee supports self-employment National Employment Action Plan & Youth Service Package; National Youth Strategy
Public works programmes							National Employment Action Plan & Youth Service Package
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

4 MAPPING THE SITUATION OF NON-REGISTERED NEETS

According to the Council of the European Union, 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 (Council of the European Union, 2020).²³ Young people neither in employment, nor in education or training (NEET) run the risk of falling out of the labour market entirely, falling below the poverty line and being unable to effectively re-enter the labour market, thereby severely limiting their ability to lift themselves out of poverty or contribute effectively to the economy.

Many young people in the Western Balkans are neither in employment, nor in education or training (NEETs). Such a large number of young people who are detached from the education system and the labour market is concerning, since they may eventually become unemployable, and are likely to remain unemployed on a long-term basis since they have not acquired the necessary skills to ensure a sustainable integration into the labour market. Moreover, unregistered NEETs often feel helpless and lack the soft, social skills to attend interviews and training programmes.

Figure 15: NEET rate, age group 15-24, 2014-2020 (%)



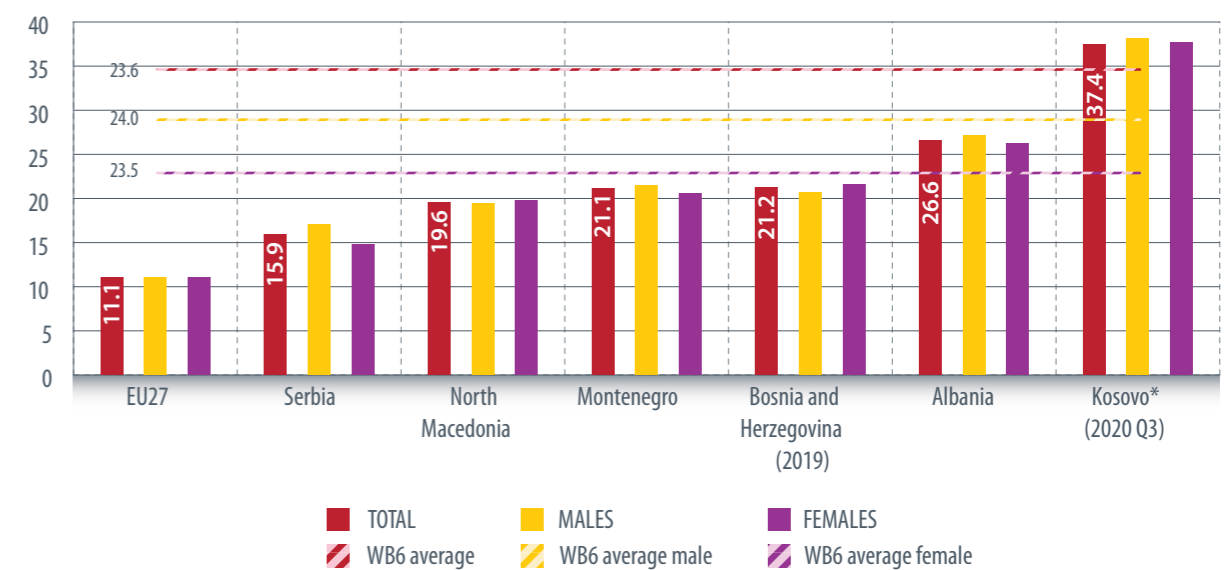
Sources: Eurostat (EU-27, North Macedonia, Serbia; (Montenegro [2014-2019]), MONSTAT (Montenegro [2020]), INSTAT (Albania), KAS (Kosovo* [2020 data point is for Q3]), ILOSTAT (Bosnia and Herzegovina [2014-2019])

²³ The Council of the European Union is the forum in which government ministers from each EU country meet to discuss, amend and adopt laws, and coordinate policies. It is not to be confused with the European Council which is the quarterly meeting of heads of state of the EU member states, or the Council of Europe which is an entirely separate institution from the European Union.

The key indicator for the position of youth on the labour market is the NEET rate which takes account of the educational involvement of many young people. It is an effective measure of the share of the respective youth population that are excluded from participation in the labour market and from the educational system. The average NEET rate for the Western Balkans was 24.2% of the youth population in the 15-24 age group (excluding Bosnia and Herzegovina for which data was not available). This was an increase of 2.4 percentage points from the position a year earlier. The NEET rate varies among the economies of the region being highest in 2020 in Kosovo* at 37.7% and lowest in Serbia at 15.9% (see Figure 15). All economies have a higher NEET rate than the EU-

27 (at 11.1%). The NEET rates had been gradually declining since 2014, with the exception of Kosovo* where recent years have seen the rate diverging sharply upwards. The largest fall took place in North Macedonia since 2018, following the introduction of a Youth Guarantee in that economy. Unfortunately, NEET rates have increased in 2020 due to the economic effects of the COVID-9 pandemic and the response to it which has closed down large sections of the economies with a consequent loss of jobs, especially in the services sectors and the informal sectors which have not been eligible for government support. The increase in the NEET rate in 2020 were largest in Kosovo* (5.0 p.p.) and Montenegro (3.8 p.p.), both of which are largely service economies.

Figure 16: NEET rate age group 15-24, 2020 (%)



Sources: Eurostat (EU-27, North Macedonia, Serbia), MONSTAT (Montenegro), INSTAT (Albania), ASK (Kosovo* [2020 Q3]), ILOSTAT (Bosnia and Herzegovina [2019]).

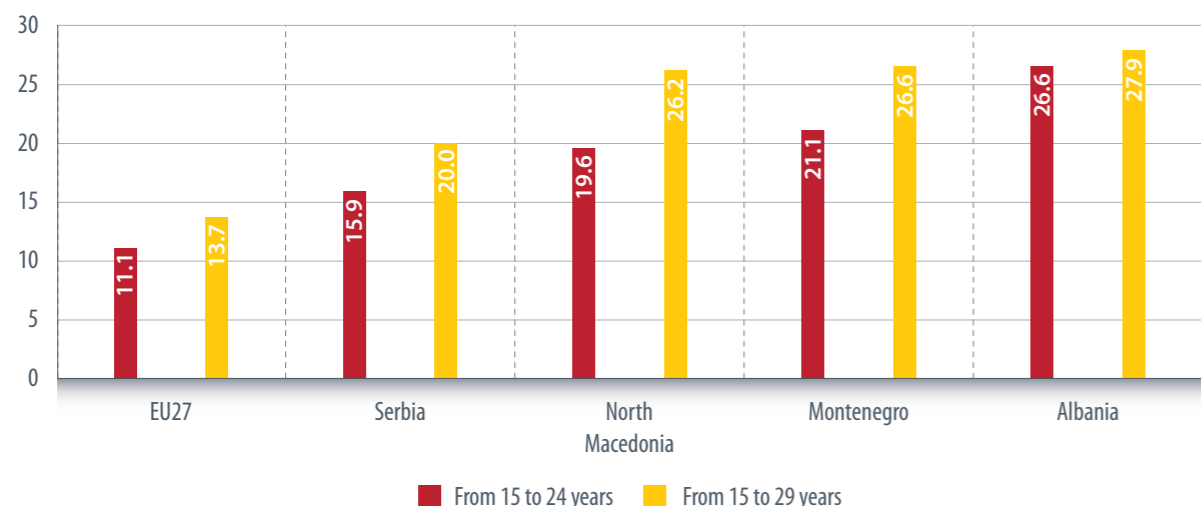
Figure 16 shows that NEET rates are little different between young men and young women. In the EU-27 the NEET rates for young women are slightly higher than for young men, a relationship that is mirrored in Bosnia and Herzegovina and North Macedonia. Elsewhere,

the NEET rates are higher for young men than for young women. Three of the economies cluster with NEET rates around 20% (Bosnia and Herzegovina, Montenegro, and North Macedonia). In these economies the NEET rates are double that in the EU-27. Albania and

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

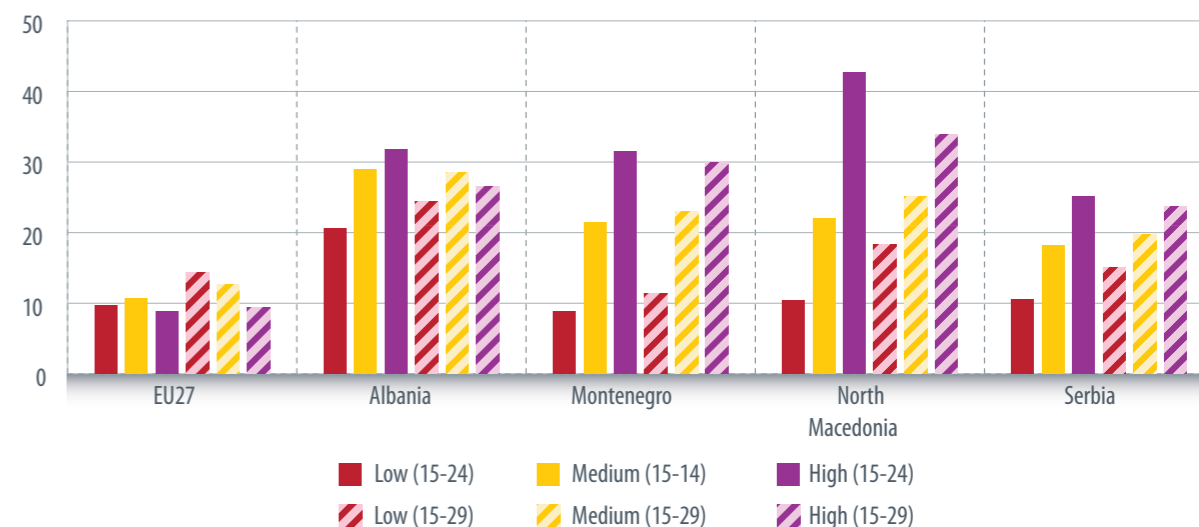


Source: Eurostat (EU-27, Montenegro, North Macedonia, Serbia), INSTAT (Albania) (data for Bosnia and Herzegovina and Kosovo* not available for 2020).

Under the EU Youth Employment Support, the EU launched an Enhanced 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).

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.

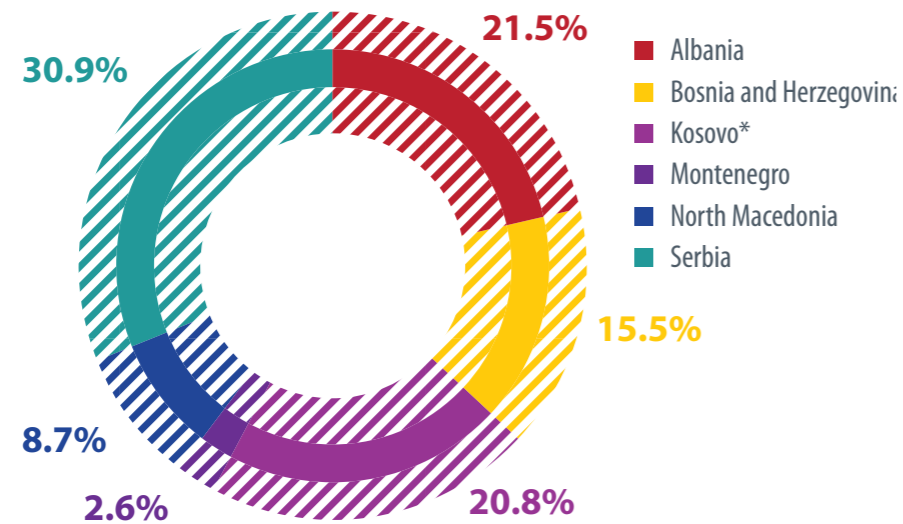
In the EU-27, NEET rates among the 15-29 age group are higher than those of the younger age group. This justifies the policy decision to widen the age group to take into account those aged in their late twenties who are stuck in a limbo of inactivity or unemployment. In the Western Balkans, a similar 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 534,000.²⁴ The composition of the NEET group by economy is shown in Figure 19.

²⁴ 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.

Figure 19: Proportion/share of NEETs in the Western Balkans 2019 (thousands)



Sources: International Labour Organisation (ILO) and Kosovo* Agency of Statistics. Note: Data is not yet available for 2020.

The largest number of NEETs are in Albania, Kosovo* and Serbia, which each had more than 100,000 in 2020. Experience with adopting the Youth Guarantee in North Macedonia shows that the cost of providing a Youth Guarantee service to each NEET in terms of outreach and providing activation services for job search services, education or training and in some cases job subsidies to be approximately €1,300 per NEET per annum. On this basis, the total annual budget needed in all five economies would be $534,000 \times €1,300 = €694$ million. Due to the adverse economic impact of the COVID-19 pandemic, the NEET has increased by about one tenth in the Western Balkans in 2020. To cope with this large increase the budget would need to be expanded to around €763 million. If the coverage of the scheme were to be enlarged to cover the 15-29 age group, in line with the EU's Enhanced Youth Guarantee launched in response to the economic impact of the pandemic, this would require an additional increase in the budget in line with the estimated numbers of NEETS in the 25-29 age group. As indicated above, this would raise the numbers of young people in the NEET category by about

one fifth. The resulting cost of the scheme, and budget requirement, would then be around €916 million. These are broad estimates, further detailed research is needed and such analysis is part of the detailed implementation plans for each economy.

In December 2020, there were 182,000 registered youth at the PES in the Western Balkans.²⁵

Since there are about 534,000 NEETs in the region (ILO estimate) it is likely that the number of unregistered NEETs is about 352,000. Inclusion of even one half of these unregistered NEETs as clients of the PES in the region would add an additional 176,000 clients, representing practically a doubling of the PES workload. This would require a corresponding increase in the staff complement of the PES which would be an additional cost of Youth Guarantee programme in the region. It is therefore likely that, taking into account the more challenging environment of the Western Balkans, and the need to considerably strengthen the workforce capacity and additional training of the public employment services and other stakeholders, a significant increase in annual budgets to address the scale of the problem would be

needed for the region as a whole. Further research is needed to pin down the expected costs in more detail.

4.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

NEETs require urgent active employment measures. Greater financial allocations for 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. Schools and private businesses should collaborate to provide training and apprenticeships, as well as voluntary work in specific fields. More attention should be given, as in the EU Youth Support initiative, 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. A set of courses and workshops, especially focusing on digital skills to address the digital skills gap facing young people with a low or medium level of education. Training that enables young people employed in the informal sector to quickly gain an official recognition of their capabilities would also be useful.

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.



²⁵ RCC ESAP 2 Project's database: [Observatory on employment in the Western Balkans](#)

KEY MEASURES TO INTEGRATE NON-REGISTERED NEETS

- 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

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.

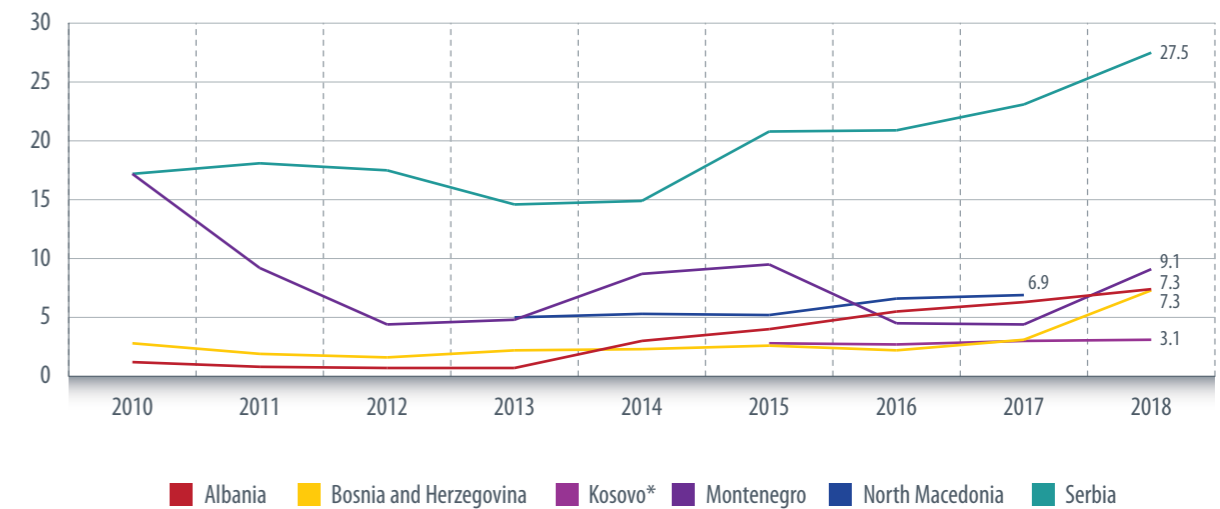
Table 4: Public employment services capacity, 2019

	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,

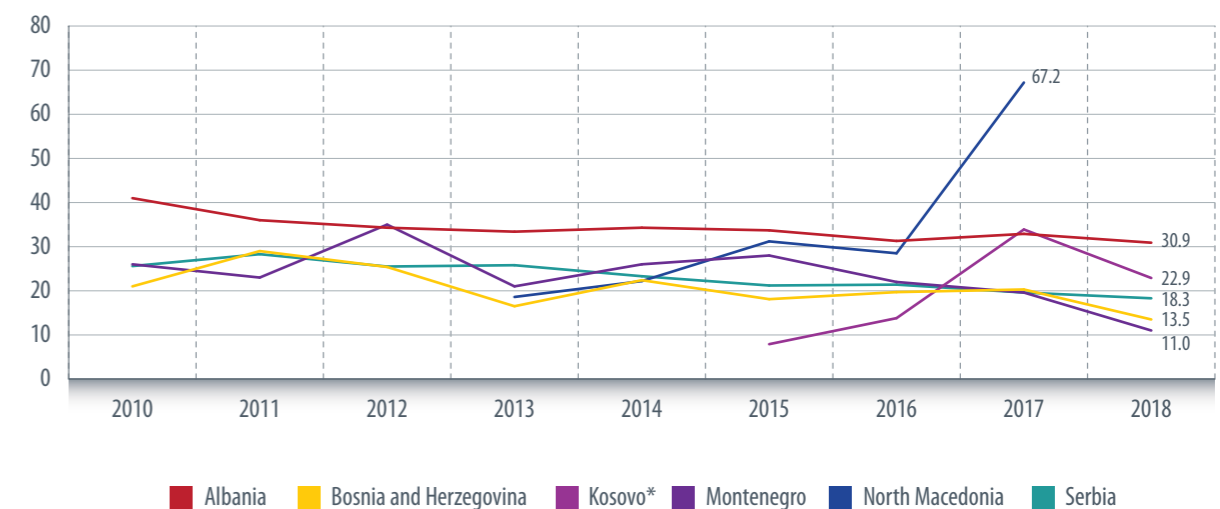
Figure 20: Share of participants in ALMPs within number of registered unemployed (%)

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, apprenticeship²⁶ 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 and more responsive solutions for young people facing multidimensional barriers to the labour market (Council of the European Union 2020).²⁷

The European Commission has proposed that the Youth Guarantee be implemented by the WB economies in line with the EU Youth Guarantee. Support for the plan will be incorporated in the IPA III initiatives across the region. The European Commission has proposed to implement it in four phases (European Commission, 2020b), which could all potentially benefit from EU support:

- ▷ Phase 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.
- ▷ Phase 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).
- ▷ Phase 2 would involve preparatory work in building commitment at political level and building the commitment and capacity of public authorities and stakeholders, staffing and infrastructure

²⁶ In some WB 6 economies, the term “apprenticeship” can also be used to refer to part of formal education and training programmes and lead to a nationally recognized qualification.

²⁷ See also Duell, N. (2018)

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, Phase 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.
- ▷ Phase 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.

The Council of the European Union has suggested a slightly different approach also through four phases. These would involve mapping, outreach, preparation and offer (of an opportunity in employment, education or training). Combining the two approaches leads to the following possible design for Youth Guarantees in the Western Balkan economies. Below provides the outline of the phases related to the Youth Guarantees in the Western Balkan economies while 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.**

Phase 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 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.

Phase 1: Mapping and institutional and policy design

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 to unregistered NEETs

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 ethnic and other marginalised groups such as Roma and Egyptians. 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: Operational preparation

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.

Phase 4a: Offer – pilot programme

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

Phase 4b: Offer - rollout to full implementation

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 proved 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.

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

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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



STUDY ON
**YOUTH
EMPLOYMENT**
IN
ALBANIA

Annex 1

good.
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regional.

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Abstract

This Annex outlines the nature and challenges of the youth labour market in Albania, among which the lack of job opportunities in the private sector especially for highly educated young people, the consequent migration of young people and subsequent difficulties in integrating returning migrants into the labour market, weaknesses in the vocational training system at secondary school level, a high prevalence of self-employment and informality, and a high incidence of young people neither in employment, nor in education or training (NEETs) have been identified as key factors creating difficulties in the youth labour market. The Albanian youth labour market is also characterised by large gender gaps in labour market participation and employment. The Annex analyses the existing youth employment measures, showing that while many existing measures are relevant to the creation of a Youth Guarantee, they need to be refocused on youth, scaled up, and appropriately financed. The Annex has mapped the main dimensions of the NEET phenomenon and made suggestions

how policies towards NEETs could be improved. It also identifies the capacity issues in the main agencies that are responsible for implementing youth employment policies and make some recommendations about what should be done to ameliorate the identified deficiencies. A comprehensive set of labour market policy measures has been outlined, building on the European Union (EU) policy approaches to the Western Balkans and policy recommendations. A roadmap has been developed, tailored to local circumstances, to implement a Youth Guarantee in Albania to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan for Albania. The implementation of an Albanian Youth Guarantee would make a large contribution to eliminating social exclusion experienced by many young people living in Albania today and in the future.

1 INTRODUCTION

Among a total of 2.9 million inhabitants in Albania, 1.4 million aged from 15 to 64 are in the labour force, of which 44% are female.¹ Of these, 1.3 million were employed in 2019 and 165,000 were unemployed (also 44% female). The labour force participation rate (activity rate) was 69.6%, being higher for males at 77.6% than for females at 61.6% indicating a large gender gap in engagement with the labour market, while the employment rate was 61.2% with a gender gap in favour of males of 13.8 percentage points. In 2019 the unemployment rate was 12.0% which increased to 12.2% in 2020.²

In its assessment of the Economic Reform Programme of Albania 2020-2022 the European Commission states that Albania still has a high share of the active population with a low level of education although the situation improved over recent years. Almost half of the population aged 25-64 has a low level of education (45.1%). This is a legacy of long-term under-investment in education and training and of high early school leaving rates.

1.1 Youth in the labour market

In 2019, there were 165,000 young people aged 15-24 in the labour force (see Figure 1) with half as many young men as young women. About half of the youth labour force is having a medium level of education, while just over a quarter have

In 2020, the activity rate for the working age population decreased to 69.1% (in 2019 was 69.6%). In 2020, the employment rate for 15-64 age group decreased to 60.6% (in 2019 was 61.2%), while the unemployment rate for the same age group increased to 12.2% (compared to 12% in 2019).

a low level of education; there were relatively few young people in this age group with a high level of education, presumably because many young people in this age group are still studying at university and have not yet entered the labour market. Notably, there are more young women than young men with a high level of education in the labour force, while the opposite is true for those with a medium or low level of education, where young men predominate. The 15-29 age group had 661,365 youth, representing almost a quarter (23.2%) of the population.

Labour market performance indicators for young people vary by gender and by the level of education (see Figure 1). This can be seen in detail in Figures A1 to A6 in the Appendix. Labour force participation rates are far higher for young men than for young women, the former being 43.2% in 2019 while the latter was only 30.2%. This is a reflection of the distinct gender divisions in Albanian society. Survey

¹ See INSTAT online data: http://www.instat.gov.al/media/6943/njoftim-per-media-lfs-vjetore-2019_eng.pdf

² See ESAP online employment observatory: <https://www.esap.online/observatory/>

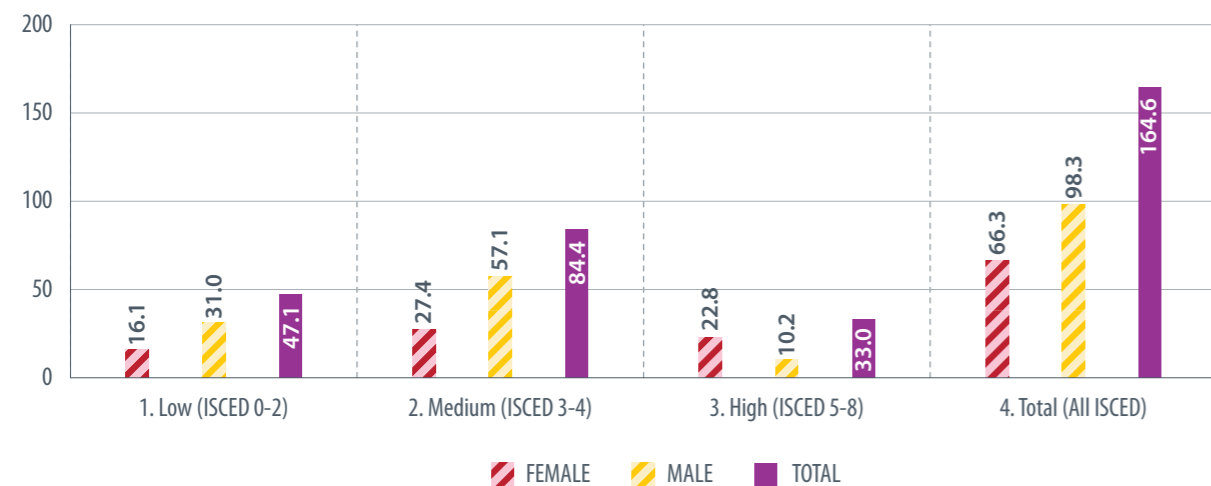
carried out by INSTAT in 2011 found that women accounted for 86% of unpaid work time in the household, mainly involved in food preparation, cleaning, and child care responsibilities, while men contributed just to 14% (INSTAT, 2012). The European Foundation for Living and Working Conditions observed from a survey of Living Condition carried out in Albania in 2016:

“The traditional division of roles, and the burden of household work and care that falls to women may also affect the gender gap in employment: either women’s care responsibilities at home prevent them from entering the labour market or there is a belief that they will not be able to manage the household duties if they are working” (Eurofound, 2019: 14).

The effect varies by the level of education, as young women with a low level of education have a labour force participation rate of only 18.2%, while young women with a high level of education have a labour force participation rate of 49.3%.

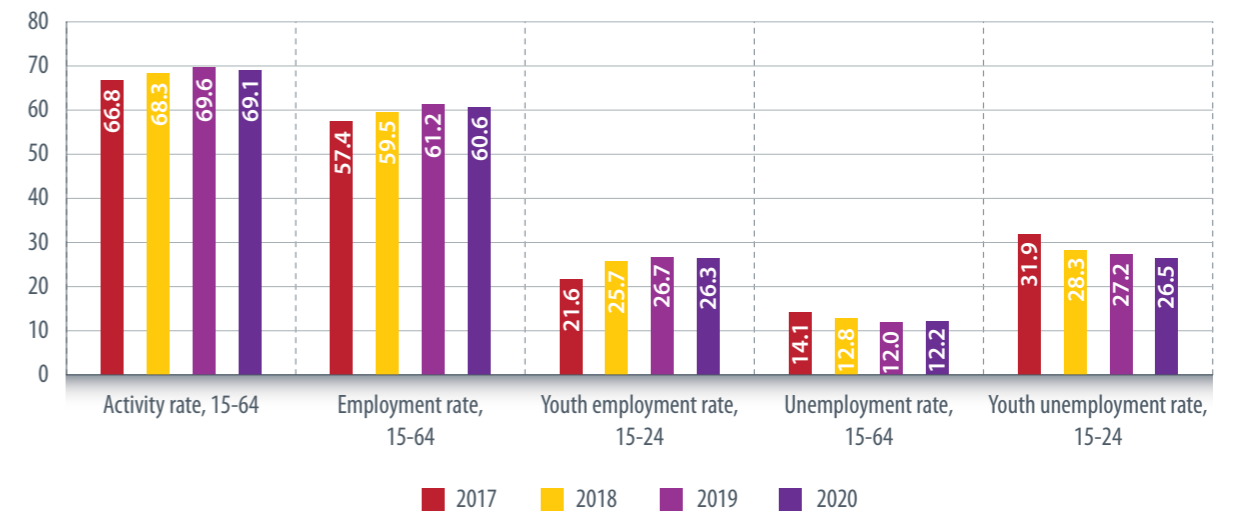
The youth employment rate has increased over the last few years to 26.7% in 2019, although still far below the overall employment rate since many young people do not participate in the labour market due to their educational activities (see Figure 2). This positive performance has reflected the growth of the economy during this time. The youth employment rate for 15-24 year olds has large gender differences (see Figure A2). The employment rate for young men was 31.2% and for young women just 22.2%. The employment rate also varies by educational level. Youth with medium and high levels of education have a relatively high employment rate at 32.9% and 3.1% respectively. The employment rate is especially high for young men with a medium level of education at 41.1%. Young people with only a low level of education are far more detached from the labour market with an overall employment rate of just 19.1% which is only slightly higher for young low-educated men and slightly lower for women.

Figure 1: Labour Force 15-24 age group by gender and educational level, Albania 2019 Q2 (in ths persons)



Source: World Bank Jobs Gateway in Southeastern Europe, online data

Figure 2: Labour market performance indicators, Albania 2017-2020 (%)



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

The youth unemployment rate fell from 31.9% in 2017 to 27.2% in 2019, reflecting the general fall in unemployment; even so youth unemployment still remains stubbornly high. There is little overall gender difference in the unemployment rate (see Figure A3). Not surprisingly, the unemployment rate is far higher for those with a low level of education (on average their unemployment rate is 29.5% compared to 16.4% for those with a high level of education). The relative equality of youth unemployment between the genders disappears once we take education level into account. The data show that even among the highly educated, strong gender disparities exist with young highly educated men having a far higher unemployment rate than women, while a completely opposite picture emerges considering young men and women with a medium level of education, among whom women are far more likely to experience unemployment. Finally, low educated men have a higher rate of unemployment at 33.2%, compared to 24.4% for low educated women jobseekers.

About one in five employed young people are self-employed, either as entrepreneurs in the sense of setting up a business as an entrepreneur capable of creating jobs for others or in the more traditional role of craftsman, working on their own account in a trade or in agriculture. The highest share of self-employment is found among the less educated youth, of whom 29.5% are self-employed, of whom more are young men than young women. These are likely to be mostly working as tradespeople. In contrast, among the highly educated youth, only 10.9% of employees are self-employed, possibly working mostly as entrepreneurs, with a higher proportion of young men falling into the category than young women. The medium educated hold an average position with one in five being self-employed, but there are more women than men in this position. Youth employment policies should take these differences into account when design policies to support business start-ups, which may not have the same characteristics for young people with different levels of education and of different genders.

Young people are paving the way in relation to non-standard forms of employment, with about one in five having a part-time job and one tenth having a temporary job (see Figures A5 and A6). Young women are more likely to be engaged in both these forms of employment with the exception that young men predominate more among the low skilled who work as temporary employees.

1.2 Effects of the COVID-19 pandemic

The pandemic has caused a triple shock to young people. First, through job losses or a reduction in working hours and wages; second, through disruption to vocational education and training, and third, through the creation of additional barriers to entering the labour market or moving from one job to another. Over the course of 2020, the number of registered jobseekers increased by 39.1% from

66,371 in January, 2020 to 92,326 in December, 2020.³ The youth unemployment quarterly rates continued to decline throughout the third quarter, despite the pandemic situation, reaching 25.6% in the third quarter of 2020 (see Table 1), likely due to the government employment support measures including wage subsidies and a furlough scheme for laid off workers introduced in support packages for businesses in March and April 2020.⁴ However, the effect seems to have been uneven, since the unemployment rate of young men increased from 25.8% in the first quarter of 2020 to 26.1% in the third quarter of 2020. For young women, the unemployment rate fell from 26.4% to 24.7% in the third quarter of 2020. Given that overall, there was a substantial increase in the number of jobseekers, it is likely that the fall in the unemployment rate for women until the third quarter of 2020 was brought about by withdrawal from the labour market and return to households to look after children who were unable to attend school due to the lock down.⁵ Youth may have been harder hit by the crisis, if the government had not introduced support

Table 1: Youth unemployment rate, 15-24 age group, 2017-2020

	2017		2018				2019				2020					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	32.6	32.4	33.8	28.8	30.5	27.3	27.7	27.9	27.4	26.7	27.3	27.4	26.0	26.4	25.6	28.3
Male	35.4	35.1	35.4	30.8	31.0	30.2	28.6	28.9	29.7	27.1	27.0	27.3	25.8	27.0	26.1	29.1
Female	27.5	27.8	30.6	25.0	29.6	21.9	26.1	26.3	23.7	26.1	27.6	27.5	26.4	25.5	24.7	26.9

Source: INSTAT online data

³ INSTAT (2020) Quarterly Bulletin, January 2021,

⁴ For details of the support packages see: <https://www.esap.online/observatory/measures/1/socio-economic-measures-for-the-coronavirus-crisis-in-albania>

⁵ On 12th March the government announced the closure of all schools in the economy during the first wave of the pandemic. See: <https://balkan.eu.com/kosovo-schools-will-remain-closed-due-to-coronavirus/>

2020 UPDATE

For 2020, the youth employment rate decreased to 26.3%, while the youth unemployment rate increased to 26.5%; in previous three years (2017-2019), the youth unemployment rate was continuously decreasing.

measures. In September 2020, the government launched an additional 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. In May, 2020, the annual 2020 labour market data has been released and for 2020 labour market data, see the box with 2020 Update for Labour Market figures.

1.3 Key challenges facing the youth labour market

The weakness of the labour market and the high level of inactivity among young people pose numerous challenges to policymakers in Albania. Among the greatest challenges is the lack of suitable jobs in the private sector leading to large scale migration and obstacles to the development of youth entrepreneurship. In this section we identify some of these key challenges, which will inform the development of a Road Map of policies to address them and improve the situation of young people in Albania.

1.3.1 Lack of private sector jobs

There is a lack of private sector jobs especially for young people. This is revealed by the large surplus of young people with higher education. Young university graduates have a difficult transition to the labour market, incentivising many to migrate abroad (Xhumari et al., 2016). For example a large number of health workers including doctors and nurses migrate to Germany and other EU Member States, even immediately after finishing their education (Druga, 2020).

1.3.2 Migration and integration of returning migrants to the labour market

Lack of jobs and weak social protection system has led to Albania having the highest rate of emigration in the Balkans (Xhumari, 2019). As a result of the financial crisis that affected the main destination economies for Albanian migrants, there was an increase in return migration rates after 2008 and again after the COVID-19 pandemic crisis. Most returnees had lost their jobs in the host economy or had decided to return to their home economy. Involuntary returns also occurred due to the refusal of their asylum application in EU Members States (Kopliku, 2019; Kerpaci, 2019).

1.3.3 Weaknesses in the vocational training system

The Vocational Education and Training (VET) school system in Albania is weak with a low proportion of young people attending

vocational schools (Xhumari and Dibra, 2013). In 2019 only 18% of school students attended VET school compared to over half of all secondary students in the other Western Balkan economies.⁶ Although the participation of students in vocational education is low, it has increased compared to 2013 when it was between 13-14%, which is due to the investments made by the government budget and donors in the infrastructure, equipment and capacity building. Responsibility for public VET provider administration was shifted to the Ministry of Finance and Economy in 2017. Staff shortages in the VET and employment departments of the latter ministry limit its capacities to effectively monitor and steer the system (ETF, 2020). A recent survey among teachers and instructors in vocational schools and vocational training centres in Albania shows that access to work-based learning still exists for only a minority of vocational learners. According to teachers, only 38% of students receive at least 10% of their learning in the workplace, and 46% say that only some of their students have placements in companies (ETF, 2020). Currently, the Ministry of Finance and Economy is waiting for approval of the proposed increase in the number of staff employed in the labour market directorates (employment, VET, social security and social dialogue). In addition, with the support of donor projects each vocational school has cooperation agreements with entities and private businesses to carry out professional internships of students. To facilitate this process, a Regulation

on conducting professional internships in the workplace has recently been adopted.

1.3.4 Precarious jobs and informality

Almost one third of young people have “self-employment” status (see Table A4). These young people are unlikely to have formal work arrangements and so are less likely to have access to social security system or trade union representation. Participation in the informal economy is inversely related to a person’s level of education (Gerxhani and de Werfhorst 2013). Informal sector workers are not covered by labour legislation or social insurance, nor do they contribute to the social insurance system. Informal employment is important to the welfare of many households, but it is also significantly correlated with low earnings, poverty and vulnerability (Pere and Bartlett, 2018).

1.3.5 A high incidence of youth neither in employment, nor in education or training (NEETs)

Albania has the second highest incidence of NEET status among young people in the Western Balkans. Yet, NEET youth are not included in the current set of youth labour market activation measures (Memia, A., 2020).

⁶ UNESCO online data.

2 YOUTH EMPLOYMENT MEASURES

A **Law on Employment Promotion**, approved in March 2019, is designed to increase employment through public programmes for employment, self-employment and professional training.⁷ The law has extended employment promotion measures to people with disabilities, who face special obstacles in integrating into the labour market. Active labour market policies (ALMPs), called employment promotion programmes (EPPs) in Albania, are designed to increase employment, reduce unemployment, decrease informality, support vulnerable groups, and pave the way to sustainable and formal employment. Several EPPs target youth and are regulated and implemented via specific Decisions of the Council of Ministers (DCM). Each programme is identified by its DCM number.

In 2020, following programmes were approved:

- ▷ DCM 608 “On procedures, criteria and rules for implementation of employment programme for unemployed persons as result of Covid-19”⁸. The focus of this programme are persons that became unemployed as a result of the Covid-19 pandemic from 10 March to 23 June 2020. The employment programme for this category is implemented in compliance

with the individual needs of the unemployed jobseeker and his individual plan of job seeking. This employment programme is a programme of 4, 8 and 12 months, where the profile and needs of the jobseeker are adapted to the current vacancies and cover health and social security contributions (100% calculated based on the national minimum salary), salary reimbursement in the amount of the national minimum salary for the programmes lasting 4 and 8 months, with a different reimbursement scheme applied in each programme.

- ▷ DCM no. 17/2020 “On procedures, criteria and rules for implementation of employment programmes through employment, on the job training and professional practices”⁹. The subject of this bylaw are jobseekers that are registered as unemployed and active, and registered at the employment office for at least three months. The employment programme covered by this EPP is a one-year programme of employment for selected categories¹⁰, and includes reimbursement of salary in the amount of 100% of the national minimum wage,

⁷ Law No. 15/2019 “On Employment Promotion”

⁸ <http://akpa.gov.al/wp-content/uploads/2020/08/VKM-608-e-C19.pdf>

⁹ <http://akpa.gov.al/wp-content/uploads/2020/08/VKM-17-date-15012020.pdf>

¹⁰ These include: Youth under 29 years old; Jobseekers that have been unemployed for a long term; Jobseekers over 45 years old; Unqualified unemployed jobseekers; Returnees from migration in the last two years; Jobseekers that are currently in the economic aid system; Jobseekers that take unemployment payment for more than 3 months; People with disabilities; Victims of trafficking and domestic and gender-based violence; Jobseekers for the Roma and Egyptian communities; People who have finished programmes of vocational trainings and are still unemployed

which is reimbursed differently for different categories of beneficiaries. The employers are also entitled to monthly reimbursement of compulsory social and health contributions (part of employer's contribution), calculated on the basis of the national minimum wage, provided throughout the whole duration of employment.

- ▷ DCM no. 348/2020 "On procedures, criteria and rules for implementation of programmes self-employment programmes"¹¹ This decision defines criteria, procedures and rules for implementation of the self-employment programme, which aims to promote self-employment through the creation of new enterprises for interested unemployed jobseekers. The self-employment programme is a one-year programme supporting new enterprises, through which entrepreneurship training, business plan development and a grant are provided. To benefit from such a programme, the unemployed person should be registered as jobseeker in the local agency of employment. The grant for the beneficiaries of this programme is ALL 500,000 (around € 4,000).
- ▷ DCM 535/2020 "On procedures, criteria and rules for the implementation of the public works in the community programme"¹² The programme on public works in the community is a 12-month programme, which aims to include long-term unemployed jobseekers in the labour market by providing training and part-time employment opportunities in community service-focused activities (such as child care services, health and social care services, youth services,

sports, tourisms etc. Participants in this programme are engaged 20 hours/week, and the rest of the working hours they can engage in additional trainings. The beneficiaries of this programme can be a jobseeker that is registered as unemployed and active for at least 12 months in the employment office and over 25 years old. The programme covers: (i) Salary at the amount of 50% of the national minimum wage; (ii) Compulsory social and health contributions (part of employer's contribution), calculated on the basis of the national minimum wage, provided throughout the whole duration of employment; (iii) Coupon in the amount of ALL 20,000 (around € 160) for trainings that are not provided by public authorities. Special provisions are foreseen for orphans over 25 years old, single parents with children up to 6 years old, parents of children with disabilities, victims of trafficking, domestic and gender-based violence, beneficiaries of government aid, Roma and Egyptian community members that get additional support as follows: (i) Bonus for transport in the amount ALL 1,600 (around € 12); (ii) For parents with children up to 6 years, a bonus of ALL 3,000 (€ 25) for kindergarten and nurseries; (iii) Reimbursement in the amount of ALL 100,000 (€ 800)/person, but not more than ALL 200,000 (€ 1600), for employers that employ more than two people, with the purpose of adapting the work place to fulfil the needs of people with disabilities.

All these programmes are financed from the budget and implemented via the National Agency for Employment and Skills (NAES).

Table 2 shows the distribution of funds for programmes for 2019. It is important to highlight that EPPs in 2019 differ from those implemented in 2020 (detailed above). However, since the NAES annual report for 2020 was not available when this Annex was drafted, data presented

below are from the 2019 NAES Annual report. In 2019, 600 entities and 5,338 individuals benefited from EPPs (National Agency for Employment, 2019). Table 2 shows that in the 2019 the most significant youth employment policies have been DCM 873 and DCM 48.

Table 2: Employment Incentive Programmes for Young People, 2019

	Number of projects	Number of unemployed jobseekers	Approved fund for the budget year
DCM 48 (jobseekers in difficulty)	167	1,282	183,825,400
DCM 64 (orphans)	0	0	16,008
DCM 199 (new entrants)	14	20	2,660,245
DCM 873 (graduate internships)	242	1,379	49,717,406
Total	423	2,681	236,219,059

Source: National Employment Service, Annual Work Report 2019

Select 2019 EPPs:

- DCM 48: A programme to encourage employment of unemployed job-seekers "in difficulty". Employers receive a subsidy of 100% of social security and health insurance, and four months of funding covering 100% of the minimum wage. Unemployed jobseekers in difficulty include, inter alia, those entering the labour market for the first time and young people between the ages of 18-25.
- DCM 64: A programme to encourage employment for young unemployed orphans. The programme is offered to young unemployed jobseekers under the age of 30 years who have the status of orphan. It provides on-the-job training and subsidised employment.
- DCM 199: A youth employment programme for first-time entrants to the labour market. This programme, which was enacted in 2012, targets young unemployed people (16-30 years old) who were previously registered as unemployed jobseekers. Beneficiaries receive on-the-job vocational training and their social security and health insurance costs are subsidised for up to 12 months, on condition that the employment contract is for no less than six months.
- DCM 873: an internship programme in government public institutions or private enterprises for unemployed university graduates. Interns receive a payment equivalent to 100% of the unemployment benefit for up to six months.

¹¹ <http://akpa.gov.al/wp-content/uploads/2020/08/VKM-348-dt29042020.pdf>

¹² <http://akpa.gov.al/wp-content/uploads/2020/08/VKM-Nr.535-date-08.07.2020.pdf>

According to a recent evaluation study, the greatest impact on the probability of being employed is in the programme for unemployed jobseekers in difficulty (DCM48).¹³ Being involved in this programme increases the probability of becoming employed by 33.8%. The programme also shows positive gains to society at the end of the programme and has the lowest cost per person, the highest employment percentage after the completion of the programme, and a social return on investment of 3.5 years.

The Ministry of Finance and Economy (MFE) is in charge of employment and VET policies. The MFE prepared the **National Employment and Skills Strategy (NESS) 2019-2022** and an accompanying Action Plan. One of the key priorities focuses on youth employment and VET reform and development. The NESS and Action Plan provide for introduction of work-based learning in the VET system and for involvement of social partners in curriculum development. Some of the ambitious targets regarding modernisation of the public employment service (PES), expansion and outreach of services, and diversification of ALMPs for different target groups have been achieved. The NESS provides support to the VET system in order to raise workforce skills. The reform of VET focuses on the legal framework for VET, developing institutional capacities, providing training for all staff and gradually filling the gaps between labour market needs and the skills and qualifications of VET graduates. It supports the network of VET providers to ensure high quality education, to strengthen work-based learning, and ensure relevance of education to facilitate school to work transition.

The Ministry of Education, Sports and Youth implements the **National Programme of Internships** (2020), which offers internships to university graduates to gain work experience in the public or private sectors. The programme

¹³ NAES website.

started in 2007 and is open to young professionals aged 21 to 26 who have completed at least the first cycle of bachelor studies. The internship period is unpaid; however, it is recognised as work experience for recruitment in the public administration. So far, around 2,500 internship positions have been taken up through 16 central and 10 dependent government institutions including Ministries, the Parliament and other public institutions and agencies, 10 independent institutions, 61 local government institutions including all municipalities, and 20 large private companies such as commercial banks and telecommunication companies. The programme has two main phases: the first phase is called 'the internship period' which lasts for three months, and the second phase based on the intern's performance and the demand of each institution provides for the possibility to enter into a one-year contract. However, only few individuals have benefited from it (4,500 since 2007) and the main challenge remains its scalability.

The **National Action Plan for Youth (2015-2020)** was adopted in 2015. Youth employment was treated under priority 2 – 'Employment and Youth Entrepreneurship' – which proposed that Local Government Units (LGUs) should join forces with other stakeholders in order to support youth employment by providing grants for youth start-ups and seasonal job opportunities for students. In 2019, Local Youth Action Plans were drafted in all 12 Districts of Albania in cooperation with 12 municipalities. The current state of youth employment policies in Albania is summarised in Table 3, against the key measures that have been implemented both those targeted at youth and more general measures.

Table 3: Summary of youth employment policies

Policy area	Measures targeted at youth	Non-targeted measures
Joined-up policymaking and implementation involving multi-agency work	The National Action Plan for Youth (2015-2020)	National Employment and Skills Strategy (NESS) 2019-2022
Wage subsidies, social insurance relief, and tax incentives for employers who take on young people	DCM 17, DCM 348, DCM 535	DCM 608
Vocational training programmes for inactive and unskilled youth, including developing digital skills	DCM 17	DCM 162 / National Employment and Skills Strategy (NESS) 2019-2022
VET reform involving improving the quality of education in vocational secondary schools	National Employment and Skills Strategy (NESS) 2019-2022	n/a
Work-based training and apprenticeships	DCM 17	DCM 17
Unpaid internships and work experience placements	DCM 17	None
Youth entrepreneurship programmes	National Action Plan for Youth	n/a
Improving public employment services for youth		

Source: Section 2 above

2.1 Challenges of youth employment policy

A major challenge for youth employment policy is to improve the labour market relevance, quality and targeting of ALMPs, which are currently underfunded. Public expenditure on these measures is equivalent to just 0.065% of GDP, a proportion which has not increased since 2016 (European Commission, 2019). While

there is some focus on young jobseekers, ALMPs did not 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. In addition, ALMPs did not reach out to the remote areas, even though the highest level of youth unemployment is in the northern, northern-east and southern regions (European Commission, 2019).

The new Law on Employment Promotion is focused on vulnerable groups which are targeted by the EPPs implemented in 2020¹⁴. Vulnerable groups that are covered by the EPPs include:

- ▷ Young people under 29 (twenty nine) years;
- ▷ Long-term unemployed jobseekers;
- ▷ Jobseekers over 45 (fourty five) years;
- ▷ Unqualified unemployed jobseekers;
- ▷ Unemployed jobseekers, who have returned to Albania not more than 2 (two) years ago;
- ▷ Jobseekers who receive economic assistance, treating with priority beneficiaries of economic assistance, who are expected to graduate from the economic assistance scheme in the respective year and during the following year;
- ▷ Jobseekers who receive unemployment benefits for more than 3 (three) months;
- ▷ Persons with disabilities;
- ▷ Victims of trafficking, gender-based violence and victims of domestic violence;
- ▷ Jobseekers from Roma and Egyptian communities;

- ▷ Persons who have completed a vocational training course or on-the-job training programme

Albania has the lowest share of secondary school pupils attending vocational school in the Western Balkans. Consequently, graduates from secondary school who do not proceed to university often lack the practical skills required on the labour market. For this reason, the NESS focuses heavily on the development of VET education and training. However, this is a challenging area since the links between the education system and the business sector are weak and fragmented and will need to be rebuilt to ensure that the VET system is providing education and training that is of practical use on the labour market.

A further challenge is the high level of informality. 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. Informal, undeclared work involves a job without a contract, avoiding payment of social contributions and failing to declare wages, or only declaring the minimum wage to the tax authorities.



¹⁴ Other expenses (for example assistance with transport costs) are covered for orphan beneficiaries, single parents with children under 6 years, for parents of children with disabilities, victims and potential victims of trafficking, victims of violence in domestic or gender-based violence, beneficiaries of economic assistance

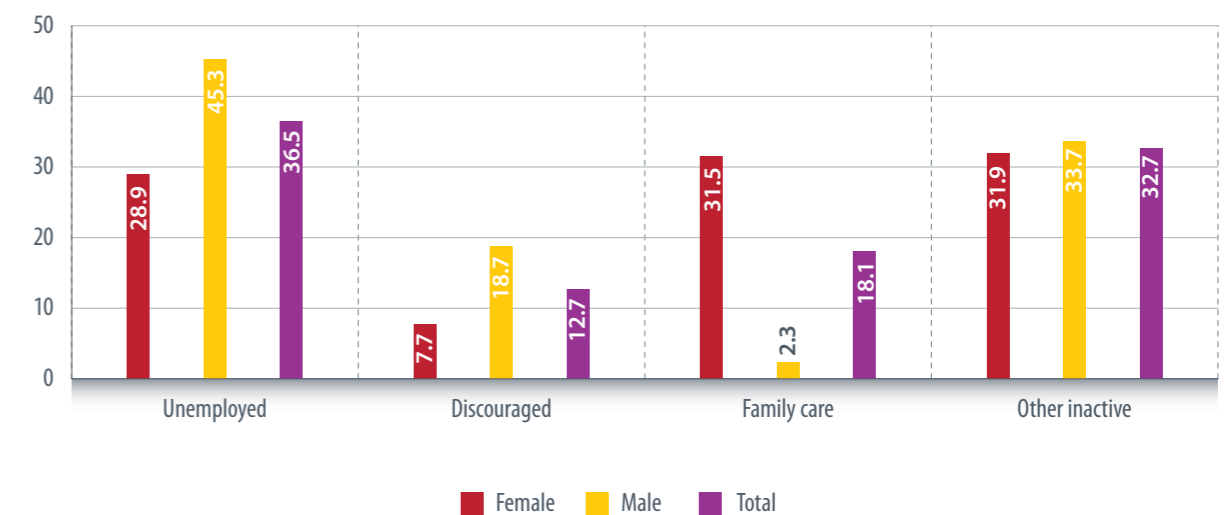
3 MAPPING THE SITUATION OF NEETs IN ALBANIA

Many young people in Albania are neither in employment, nor in education or training (NEETs). According to the European Training Foundation (ETF), young people from households with economic difficulties (for example, low income, unemployed parents), from an immigrant background, or from groups that are at risk of being marginalised have higher prospects of becoming NEETs (ETF, 2016). This section maps the extent of the NEET phenomenon in Albania and offers proposals to modify the design and delivery of policies to integrate non-registered NEETs, including tailored outreach mechanisms to identify and assist the most vulnerable NEET groups.

3.1 The situation of NEETs in Albania

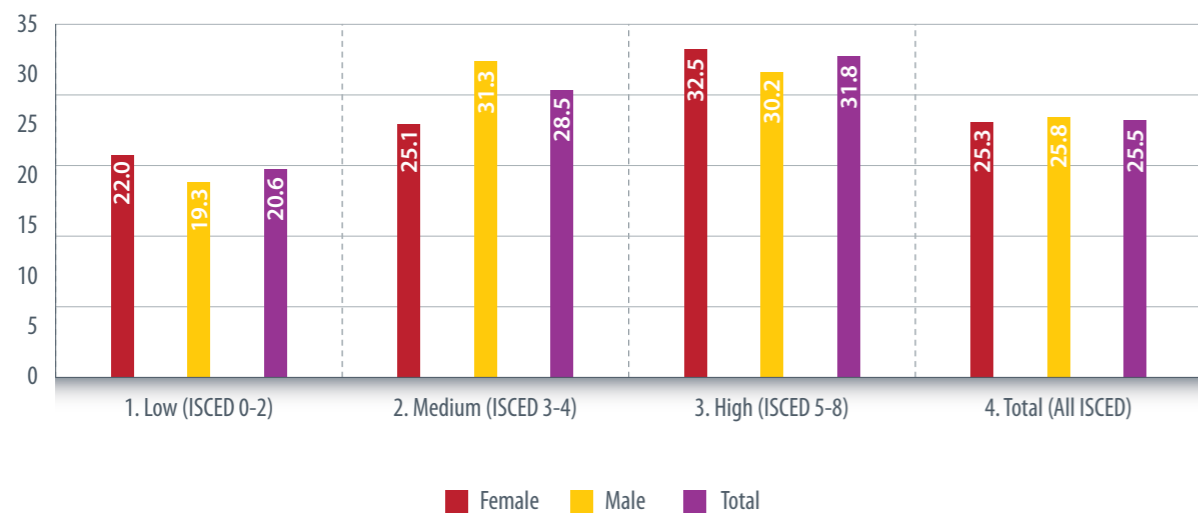
The NEET rate provides a useful metric through which to focus on disadvantaged youth so that appropriate policies can be targeted at the various sub-groups of this category of young people (ETF, 2016). The main groups of NEETs are unemployed youth; young people who have become discouraged from searching for a job due to the difficulty in accessing the labour market whether for financial reasons, discrimination on the basis of gender or ethnicity, or a simple lack of available jobs; family care responsibilities for example looking after children or other family members; and various

Figure 3: Reasons for being NEET, 15-29 years old, 2019



Source: INSTAT, Labour Market 2019.

Figure 4: NEET rate among 15-24 year olds by gender and educational level, Albania 2019 (%)



Source: INSTAT online data

other reasons for being inactive including disability (see Figure 3).

Among 15-24 year olds the NEET rate was 25.5% in 2019, with a relatively small difference between males and females (see Figure 4). Considering educational attainment, the NEET rate was highest among those with a high level of education. The NEET rate is lower among those with a low level of education.

NEETs aged 15-29 years old accounted for 28.9 % of their population age group in 2019 (INSTAT, 2020). Over one third (36.5%) of NEETs aged 15-29 years old are unemployed, some are inactive because they are discouraged workers (12.7%) or carrying out domestic and family responsibilities (18.1 %), or for other reasons (32.7 %) (see Table 3). Female NEETs are far more likely to be engaged in family responsibilities than male NEETs, while male NEETs are more likely to be either unemployed or inactive due to discouragement.

However, few policies have been developed to support this group of disadvantaged young people. Most of the youth employment policies and measures in Albania target unemployed youth as a general category without a specific focus on the most marginalised youth.

ALMPs have had a positive effect in reducing the number of NEETs, but they are still insufficiently targeted on unemployed youth. They are underfunded, and the training programmes are limited in scope and unavailable in remote areas. Most strategic documents regarding youth employment have failed to include NEETs as a specific target group, and in those cases when they have done so defining them as being 15-24 years old. A more detailed profiling of youth groups and sub-groups would be a good starting point, and a bottom-up approach of collecting information would serve as a good mechanism.

3.2 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

The government should consider improving its strategies for integration of NEETs. The overarching national strategies aim to ensure that activities are responsive to the situation

on the ground and deliver the services needed (European Commission, 2018). There are many unreliable platforms for job seeking, and often youngsters are uncertain about the jobs they are applying for because there is not much information given. Employers often provide unreal information regarding work placement conditions. The following policies could be considered:

- ▷ Periodic monitoring of the Advisory Board at secondary schools and encourage pupils not to leave school at that stage
- ▷ Tailor Made Training (TMT) programmes for vulnerable youth to rapidly acquire new skills for the labour market, which could be provided by municipalities in collaboration with NGOs
- ▷ Career guidance for young people should be strengthened in order to ease the process of transition from education or training to work. Such services could be offered by local employment offices in the municipalities.
- ▷ Create tailored programmes to support businesses that hire young people, especially from vulnerable groups. The programmes could be provided at both central and local level in collaboration with NGOs and businesses, by providing fiscal incentives to them
- ▷ Engage youth organisations to undertake awareness campaigns, and further support the launch of youth start-ups to promote youth entrepreneurship.

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

Improving outreach and engagement with non-registered young NEETs is a priority area for action. Albania has implemented several new NEET policies in line with the ETF Partner Countries' guidelines. Various strategies should be used to identify and contact unemployed NEETs including tracking and data exchange mechanism. Partnerships that build on networks and include various governmental and non-governmental organisations should be established to identify and contact youth, who should be counselled and guided on training and on employability skills.

Tracking unemployed young people should be a priority, applying appropriate methods to identify, reach, engage, and activate them. A coordinated action plan should be established by the relevant responsible governmental structures, in partnership with NGOs and the private sector, which would help to ensure that NEETs are reached and reintegrated. Once they are contacted, a report of their needs should be drafted by the local social services, after which tailored made programmes can be designed. In addition, several channels should be used to identify and reach NEETs including social services, youth clubs, the use of mobile units, peer to peer communication, cooperation with youth councils, youth NGOs and all stakeholders and institutions that are in contact with young people.

4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES

This section identifies the institutional capacities of main stakeholders which implement youth employment programmes and identifies areas to enhance their performance. The National Agency for Employment and Skills (NAES) plays a key role in public employment programmes and services, self-employment and development, management, monitoring and quality assurance of VET.

The **National Agency for Employment and Skills** (NAES) was established under the Law on Employment Promotion of 2019 and has 90 employees.¹⁵ Its central Directorate is supplemented by 12 regional Directorates of Employment and Skills and 24 local offices. However, in 2020, there were only 422 staff in the NAES employment offices to meet the needs of 92,032 jobseekers. NAES has developed a 3-year work plan for 2020-2022 in line with the revised NESS 2019-2022. Service protocols and tools based on a three-tiered service model have been designed, and an IT system that adequately profiles jobseekers is in place. Furthermore, cooperation agreements have been signed with at least three municipalities in uncovered areas and progress has been made with the system of referring job seekers to Vocational Training Centres. Notwithstanding progress,

enhancements are needed in the training of staff to implement employment measures, in preparing, adopting and monitoring the progress of employment plans and in the allocation of funds in accordance with territorial needs. Less than half of the unemployed seek employment through PES, demonstrating that the economic aid scheme, labour offices and ALMPs need to be better structured to support the unemployed.¹⁶

The 10 public **Vocational Training Centres** (VTCs) under NAES which offer vocational training are located in the most important cities, making it difficult for youth in more remote and rural areas to benefit from their services.¹⁷ There is only one mobile VTC, established in 2008 which serves the North-Eastern part of the economy. The European Commission assessment of the Economic and Reform Programme (ERP) of Albania also notes that the VTCs have a low impact on improving skills and integrating young people into the labour market. The transition from vocational education schools to work is also difficult, and only 46.9% of VET graduates are employed one year after graduation. Despite investments in VET, the system does not have the capacity to address the problem of skills mismatch.

¹⁵ NAES Structure and Organigramme is approved via the Order No. 172 dated 24.12.2019. The DCM No. 554, dated 31.7.2019, on the Establishment, organisation and functioning of the National Agency of Employment and Skills provides details on its set up.

¹⁶ See: Albania's Economic Reform Programme 2021-2023.

¹⁷ Two are located in Tirana city and one each in the regions of Gjirokastra, Korce, Fier, Elbasan, Durrës, Shkodra, Vlore and one mobile unit serving the Northern Eastern area of Albania.

The European Commission (EC) Assessment notes the limited capacities to implement employment policies, primarily due to the insufficient staffing of the **Directorate of Employment and Skills Development Policies**. Instead of being in charge of policy making and strategy development, it is often overwhelmed with operational tasks which go beyond its scope of work.

The **State Labour Inspectorate** (SLI) was set up in 1995 as a public institution under the Ministry of Labour and Social Affairs.¹⁸ Since 2006, it has operated as an autonomous institution with 12 regional labour inspectorates, and local inspectorates are soon to be established in the 36 Districts. The SLI has improved the detection of undeclared work, but its capacities have not increased, resulting in partial implementation of the inspection of undeclared work of youth. In order to ensure its efficient operation, the number of staff should be increased and their capacities should be developed.

4.1 Enhancing the performance of the public institutions

The performance of all these public institutions could be further enhanced through:

- ▷ Further strengthening the capacities of civil servants dealing with youth employment issues, at central and local level
- ▷ The number of staff at the Directorate of Employment and Skills Development Policies of the Ministry of Finance and Economy should be increased
- ▷ All increases in the staff working in youth employment policy areas should be

accompanied by sufficient infrastructure and capacity development activities

- ▷ A retention policy should be designed and implemented to prevent personnel changes. This way continuity will be preserved and best use of experienced civil servants dealing with youth unemployment issues would be achieved.

The modernisation of the public employment service through the new NAES which is in charge of both Employment and Skills is a positive development. However, timely information should be collected from young people on the quality of the services they receive. This can be done via call centres (as already in the government action plan), interviews, and surveys. In addition, NAES should:

- ▷ Regularly monitor youth receiving support under specific programmes (e.g., recipients of start-up grants should be monitored with visits to their business up to 1.5 years after establishment)
- ▷ Organise focus groups of youth who have received targeted support to evaluate impact
- ▷ Implement a tracer system to monitor youth employment situation
- ▷ Advise NEETs about the opportunities that are available to them.

Success with the mobile VTC in the north-east of Albania should be replicated in order to provide unemployed youth in other remote regions with opportunities for training and decent employment in the future. Either smaller satellites of the current providers, or smaller independent units as well as mobile units, such as a mobile VTC, and online/virtual learning opportunities should complement the current VTCs.

¹⁸ The Law covering its organisation is Law No. 9634 on Labour Inspection and State Labour Inspectorate, dated 30.10.2006.

5 A ROAD MAP FOR YOUTH EMPLOYMENT IN ALBANIA

A Road map for Youth Employment in Albania Youth employment policies have been developed in Albania through partial measures implemented over period of time. Experience from the EU and around the world identifies a number of essential components of effective policies in this field. These are summarised in Box 1.

Several of these policies have already been implemented in Albania as identified in section 2 above. There are several remaining gaps that would need to be filled to enable a coordinated and coherent policy approach to addressing the youth employment problem. These could best be addressed by implementing a Youth Guarantee scheme along the lines that has

been suggested by the European Commission for the EU Member States, with appropriate modifications taking into account Albania's level of development and extent of progress in the EU accession process.

This section presents the roadmap for Youth Guarantee in Albania, and while this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Albania's Youth Guarantee Implementation Plan.

Box 1: Components of youth employment policies

- Joined-up policies involving multi-agency work
- Wage subsidies and tax incentives for employers who take on young people
- Training programmes for inactive and unskilled youth
- Apprenticeships and work-based training
- Developing the digital skills of young people
- Self-employment incentives
- Youth entrepreneurship programmes
- Career guidance, information and networking
- Outreach programmes to the most marginalised and disadvantaged NEETs
- Building the capacity of public employment services to provide services for young people
- Monitoring and evaluation

5.1 A Youth Guarantee in Albania

Youth policies that have been undertaken by the government have had some success. However, to reinforce and embed this success it will require the introduction of a comprehensive Youth Guarantee that will meet the needs of all young people, including the most marginalised and vulnerable youth. In order to establish a youth guarantee scheme in Albania (Albania Youth Guarantee), the first step should be to appoint a Youth Guarantee Coordinator as a focal point in either the Ministry of Finance and Economy or the Ministry of Education, Sport and Youth at the level of Assistant Minister. This person would provide leadership for the design and implementation of the guarantee package and would advocate the swift introduction of the measures. Other relevant ministries and agencies, including public employment service, should be involved in a Youth Guarantee Steering Group, which is the inter-ministerial task force to establish youth guarantee. It is consisted of relevant institutions as well as representatives of the social partners and youth organisations.

The responsibility of the Youth Guarantee Coordinator will be to ensure that effective coordination and partnerships are implemented across all relevant policy fields relevant to the integration of NEET and marginalised youth.¹⁹ The Youth Guarantee Coordinator should begin with the creation of a Youth Guarantee Implementation Plan for 2021-2027, aligned to the Instrument for Pre-accession Assistance (IPA) III timetable. The main objective of the Youth

Guarantee will be faster activation of young people in the labour market. Special intensive Youth Guarantee measures will be developed for the long-term unemployed and inactive persons who would nevertheless consider working or further education or training if the opportunities were available. Guidance from the European Council (2020) recommends that the Youth Guarantee should be organised in four phases and the phase zero, four phases include: mapping, outreach, preparation and offer.²⁰

5.2 PHASE 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 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

¹⁹ In the EU, each member state has appointed such a Coordinator, the list of whom appears in EC (2020d).

²⁰ The Economic and Investment Plan for the Western Balkans proposes four slightly different phases: (i) preparation of an Implementation Plan (ii) building policy coalitions and adapting the legal framework, (iii) a pilot implementation phase and (iv) a rollout to full implementation of the Youth Guarantee.

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.

5.3 Phase 1: Mapping and institutional design

The NAES should further develop mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Research should be carried out to identify the different needs of the various categories of young people, including those already at school and university, the early school leavers without a job or inactive, the graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates who do not have a job especially young women graduates without work or who would like to start their own business but face financial or other barriers to doing so. A decision should be taken to define the target group as either youth aged 15-24 or aged 15-29, with the strong recommendation to focus on the 15-29 age group.

Policies to address youth employment have a cross-cutting nature and should be designed and implemented jointly by governmental institutions at central, regional and local level, the private sector, the business sector, NGOs and

youth associations. In order to implement the Youth Guarantee, the NAES will need to forge more intensive partnerships with the business sector, youth organisations, municipalities, and private job agencies. NAES should collaborate with NGOs and businesses to maximise effective identification of needs of the labour market. Businesses should also be involved in the design of youth employment policies as they can define labour market demands and could hire the unemployed youth and NEETs.

Effective cooperation and integration with social partners, representatives of young people's association and youth clubs, municipalities and the NAES will be crucial for successful implementation of the Albania Youth Guarantee. The NAES must establish effective communication with schools and other providers of training and education. Intensive cooperation with employers is also vitally important. Therefore, formal partnerships should be developed with employers who are willing to offer jobs, work-experience training opportunities and apprenticeships to young people within the framework of the Albania Youth Guarantee. Partnered employers will benefit from government subsidies but will also be regulated to ensure that the jobs they offer are decent high quality jobs and that their training provision and apprenticeship schemes offer added value to each involved young person's human capital. Cooperation with institutions working with young people, such as municipalities, schools and universities, youth organisations and NGOs that operate within the youth sector is essential in order to inform and encourage young people to register with the NAES as soon as possible after they complete schooling or graduating from university, or if they are in a NEET situation.

5.4 Phase 2: Outreach to unregistered NEETs

In order to receive an offer of employment, continued education, apprenticeship or traineeship with the Albania Youth Guarantee framework, a young person among the eligible categories will be obliged to register with the NAES and for some categories it is necessary to do some work prior registration with the NAES, which may include work through social services and NGOs. The capacity of NAES to reach out to encourage greater numbers of young people to register for the Albania Youth Guarantee will need to be further developed. 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 ethnic and other marginalised groups such as Roma and Egyptians. 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.

5.5 Phase 3: Operational preparation

The capacity of the NAES to provide the services to be offered by the Youth Guarantee will require a period of capacity building and preparation of new activation measures. The Youth Guarantee should ensure that all young people are supported by NAES to access the labour market through the provision of high quality public employment services, including the provision of labour market information on vacancies,

and improved career counselling and guidance services, as well as 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, more intensive measures of active employment policy should be provided, as well as the opportunities for further education, skills development and apprenticeships.

After registering with NAES, all eligible young people within the target group should be provided with information and basic career counselling by a Youth Guarantee Counsellor. An initial career counselling session will aim to identify the specific needs of the client, their employability, interests and competences. This will lead to an agreement on the client's employment targets and follow-up activities, including the type of offer that would provide the best match to the identified needs. The counsellor will check the job search skills of the client and agree an individual plan to improve their skills. For those who have completed profiling and are ready for employment, an appropriate support will be provided, including creation of a high-quality CV and profile in relevant job portals and providing job referrals to employers who are partnered to the Albania Youth Guarantee. Young people enrolled on the Albania Youth Guarantee will be provided with information on possibilities and opportunities for training, education or realisation of their business ideas.

After three months of unemployment, another round of career counselling will be provided which will involve checking the effectiveness of the activities already carried out and

the job or training application documents, including the profiles in the job portal. A further agreement on activities to be carried out under the Albania Youth Guarantee will be drawn up after an intensive set of job-search or training/apprenticeship application activities have been agreed. Such activities will comprise intensified career counselling, the creation of new employment objectives and intensified job search activities, and inclusion in a group workshop on career management skills provided by NAES. In this phase, the measures of the Albania Youth Guarantee will introduce a greater focus on opportunities for education and training that are available, with the aim to increase the client's employability. Training will be adjusted to specific target groups and individual needs in connection with the needs of employers who are partnered with the Albania Youth Guarantee. Job referral will be continued as well as other methods of presentation to employers.

After four months of unemployment and/or after conclusion of different forms of training the client will be offered a more intensive service and additional measures of support within the Albania Youth Guarantee scheme. The intensified services will include in-depth career counselling and/or enrolment in a group learning the career management skills provided by specialised private consultants. The measures will also include more intensive incentives for employers (employment subsidies, co-financed traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups.

5.6 Phase 4: Offer

The final phase of the Youth Guarantee design should be developed in two stages with a pilot phase in selected local authority areas. This pilot study should be carefully monitored and evaluated to see which measures are most effective. The Youth Guarantee should then be redesigned on the basis of the evidence gathered, and in a second phase rolled out to the entire economy.

Young people can be assisted into work by a mix of youth labour market measures that may include subsidised employment which offers income and work experience, support for entrepreneurial start-ups, specific training relevant to the needs of the labour market, paid apprenticeships, and career guidance services. Such services should be sensitive to the needs and preferences of young people. These measures should adopt a youth-centred approach addressing barriers to employment in local labour markets. Current ALMPs (youth-related) target youth with completed relatively high level of education; the Albania Youth Guarantee should instead target disadvantaged youth and NEETs.

5.6.1 Employment including self-employment

5.6.1.1 Creating jobs

Existing short-term work schemes targeted at unskilled young people with only primary education and medium skilled leavers from secondary school should be further developed. The Law on Employment Promotion envisages public employment programmes, which include direct hiring subsidies combined with training provision. These should be further developed and scaled up. Unregistered NEETs should be

supported in employment by wage subsidies for employers who offer jobs to hard-to-reach NEETs for a specified period of time.

5.6.1.2 Providing entrepreneurial opportunities

The creativity, entrepreneurship and innovativeness of young people should be supported through incubator services and provision of support to innovative social companies. Business start-up is already encouraged through the Law on Employment Promotion of 2019, the National Action Plan for Youth, and EPPs²¹ as described above. A new DCM no. 348/20120 "On procedures, criteria and rules for implementation of self-employment programmes" has been approved and will be implemented for the first time in 2021.

Measures should be further scaled up through the provision of business spaces for networking and exchange of ideas and experience among youth entrepreneurs. Young people should be offered opportunities to network in common premises such as innovation hubs or business accelerators. Youth entrepreneur networks should be established for young people including women and marginalised groups. Social entrepreneurs should be supported to establish business incubators for youth entrepreneurs, with a focus on women, NEETs and marginalised groups. Youth entrepreneurship programmes should be developed and supported by training and mentoring by professional entrepreneurs, through partnerships between the public employment services, chambers of commerce and other employer associations. Start-up grants and loans can be additionally leveraged through engagement of the relevant

authorities with providers of start-up finance for youth entrepreneurship such as the European Bank for Reconstruction and Development through its Economic Inclusion Strategy in order to finance youth entrepreneurs through micro-loans and business advice.²² The Western Balkan Enterprise Development and Innovation Facility should be engaged to provide support, advisory services, and low-cost finance for youth enterprise start-ups.²³ The IPA III funding can support the introduction of the Youth guarantee. In addition, IPA III funding can finance a-priori employment creation and entrepreneurship programmes. Moreover, of relevance is the WB Investment Framework in the context of funding opportunities. Existing enterprises owned by young people should be supported by providing tax holidays and relief from social insurance contributions.

Young people should additionally be supported to set up social enterprises and cooperatives through the provision of youth social enterprise start-up grants and youth cooperative start-up grants backed up with business advisory services and training and mentoring support. These should be partnered with universities to provide training in finance and management skills.

5.6.1.3 Enabling self-employment

It is also important to design self-employment measures for aspiring young craftsmen and craftswomen. Training programmes should be developed to enable young people to become self-employed craftspeople. Self-employment of young crafts persons as sole proprietors should also be supported through start up grants and mentoring support.

²¹ DCM no. 348/20120 "On procedures, criteria and rules for implementation of self-employment programmes" (<http://akpa.gov.al/wp-content/uploads/2020/08/VKM-348-dt29042020.pdf>)

²² See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

²³ See: <http://www.wbedif.eu/about-wbedif/>

5.6.2 Vocational education and training

5.6.2.1 Second chance education

Pathways for reintegration of NEETs into education and training should be developed, including second chance education programmes for early leavers from education and training and low-skilled young people.

5.6.2.2 VET reform

The NESS 2019-2022 provides a strategic framework for the improvement of vocational education and training. It aims to improve quality of education provision at vocational (VET) schools. The Economic and Reform Programme 2019-2021 envisages substantial VET reforms (Council of Ministers, 2019). For 2021 these include improving the quality of VET through investment in infrastructure, programmes, and professional development of teachers and introducing elements of the dual system of vocational education.

This should be supplemented by provision of adequate teaching materials and broadband infrastructure and up-to-date computer equipment for practical teaching. This is particularly important since the PISA study demonstrated that a lack of teaching materials and infrastructure and equipment is holding back learning opportunities for a large proportion of school pupils in Albania. Now, more than ever, it is essential to invest in youth digital skills development, in order to accelerate and promote the digital transformation to respond effectively to new challenges and to ensure a competitive and sustainable long-term recovery. The focus of the VET curriculum should be shifted towards the skills of the future and in fast growing sectors and also emphasise the role of soft communication skills. Work-based training programmes should be organised for

young jobseekers in private companies. This should be based on cooperation between VET schools and the business sector to develop the skills of young people in accordance with employers' needs.

Career guidance should be provided to VET school students as a preventative measure to increase the probability of a favourable labour market outcome on graduation from school. To enhance skills for a smoother transition to work a more diversified VET education and training system should be developed in line with employer needs. Information about job opportunities should be shared with VET students through specific career days, site visits to businesses, and job fairs. Youth job search should be supported by improved career guidance and job search counselling services. Youth networking should be supported to design solutions for the challenges they face. Youth networks should be activated locally so that they can serve as a catalyst for more active engagement and participation in local communities.

5.6.3 Apprenticeship, internship and work experience

On-the-job training providing work experience is provided through DCM no. 17/2020, together with wage subsidies for employers. As a principle, measures should be supplemented and scaled up through the design and implementation of an apprenticeship scheme to provide young people with paid high-quality work-based learning opportunities to develop practical and transferable vocational skills that will match the practical demands of the labour market.

5.6.4 Traineeship

The quality of professional practice outside school should be enhanced by developing partnerships between employers and vocational schools. This should be designed to introduce work-based training schemes - dual education programmes, through which VET students spend part of the course in practical training in a business environment. In this way students will gain work experience while still at school and will learn practical skills relevant to the labour market. The quality of professional practice outside school should also be enhanced by providing subsidies to employers to provide work experience placements for vocational school pupils and for providing internships for university students. Work-based learning programmes should be supported by partnerships between schools and the business sector. In the longer term, VET schools should be supported to partner with the business sector to develop work-based training programmes and apprenticeship programmes.

The existing graduate internships should be expanded through business-university collaboration agreements to ensure the quality of the training and work experience that is provided.

Training sessions of short duration should be provided to NEETs for immediate labour market integration including digital and green skills, entrepreneurial skills and career management skills. Relevant authorities should engage with the EU's Digital Agenda for the Western Balkans²⁴ to provide Digital Opportunity Traineeships to students and young people and to provide NEETs with training in digital skills. The EU Code Week should be additionally promoted to young people in Albania.



²⁴ See: https://ec.europa.eu/commission/presscorner/detail/en/IP_18_4242

5.6.5 Monitoring and evaluation

Progress on all of the above actions would be difficult to measure without a proper monitoring and evaluation mechanism in place. A strong focus should be put in the following:

- ▷ Assess the effectiveness and impact of the current Employment Promotion Programmes (EPPs) for better, diversified and tailored youth employment promotion programmes. This should be a dynamic process feeding regularly the policy-making process, good practices and aspects to be improved
- ▷ Assess whether the youth groups in more remote and isolated areas are better reached and provided with improved employment and VET/VT services due to a greater territorial coverage
- ▷ Assess the implementation of the Youth Law and Employment Promotion Law

All youth labour market measures and employment programmes implemented by NAES and other institutions and special programmes for NEETs including outreach programmes should be regularly monitored and evaluated. The Youth Guarantee implementation plan should be regularly monitored by a working group in which representatives of all sectors responsible for the Youth Guarantee implementation will participate. The providers of the measures will report to the working group on a regular basis on the implementation of the measures under the Youth Guarantee Scheme.

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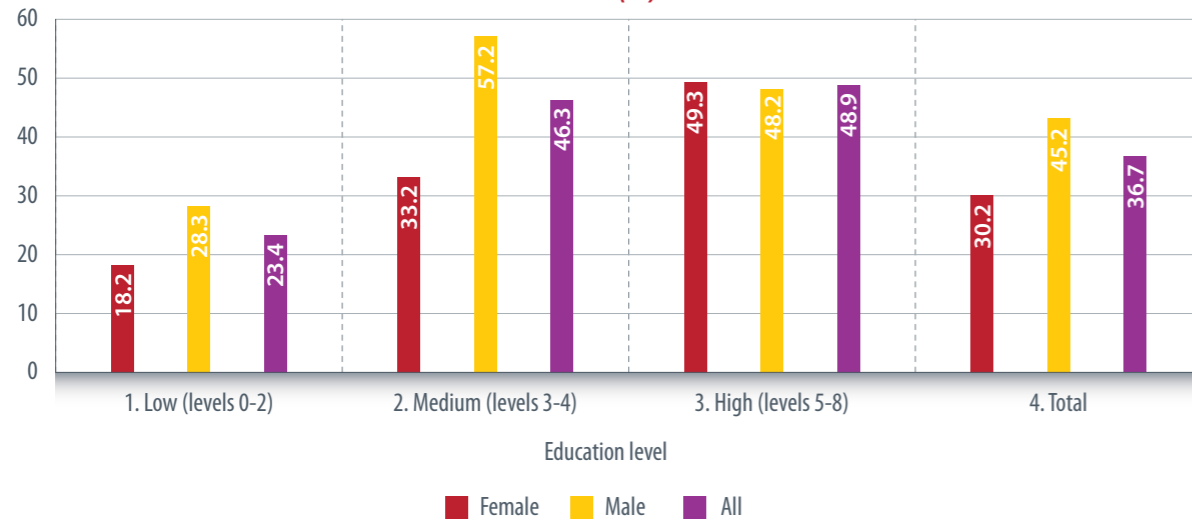
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6 APPENDIX: LABOUR MARKET INDICATORS BY GENDER AND EDUCATION

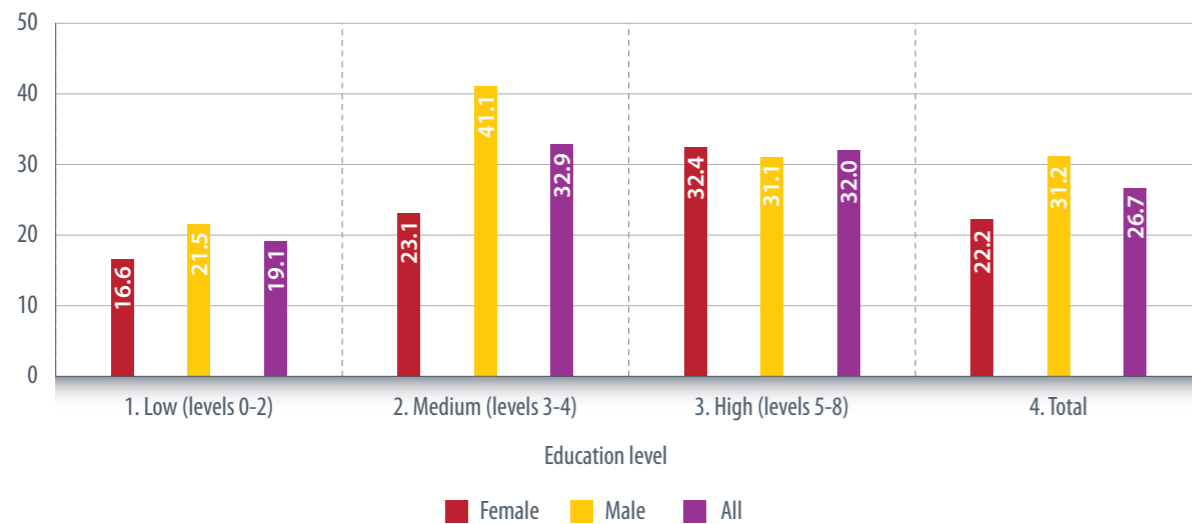
This appendix shows the main labour market performance indicators for 15-24 years age group in Albania in 2019.

Figure A1: Albania, Labour Force Participation Rate 15-24 year olds by gender and education level, 2019 (%)



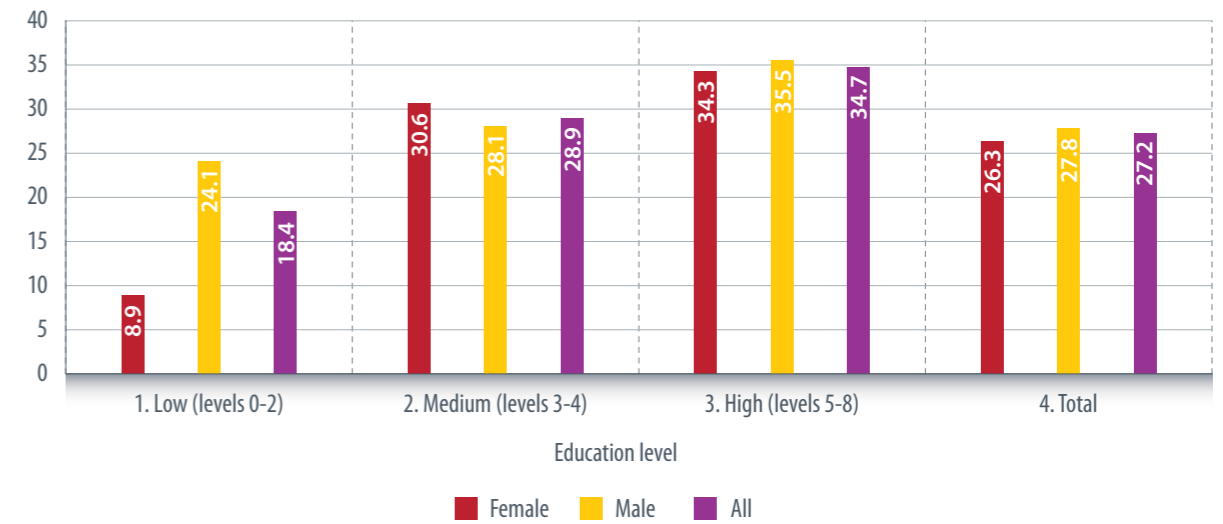
Source: INSTAT online data from the Labour Force Survey 2019

Figure A2: Albania, Employment Rate 15-24 year olds by gender and education level, 2019 (%)



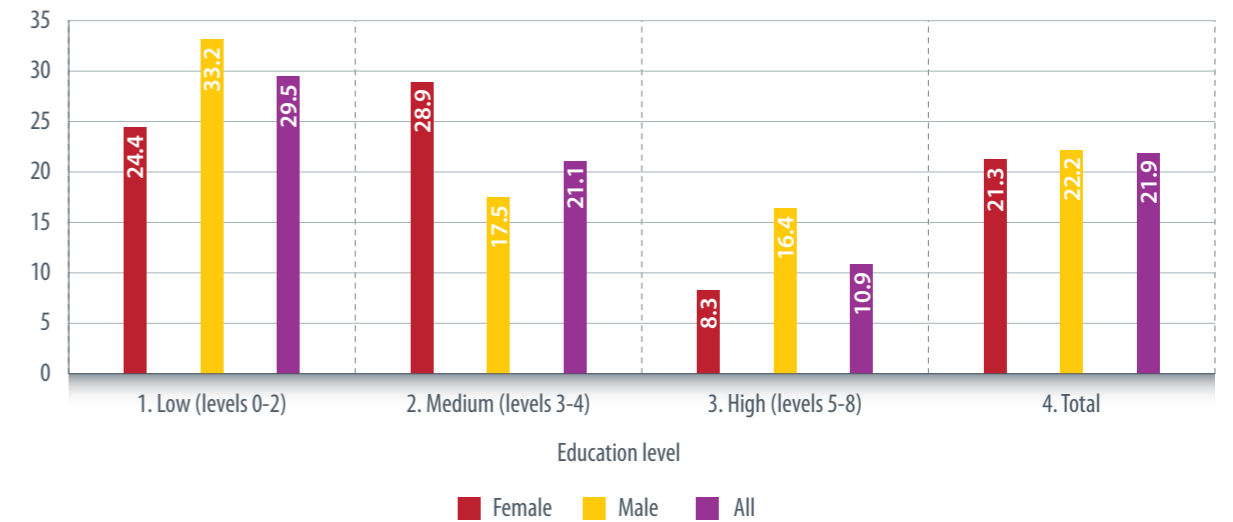
Source: INSTAT online data from the Labour Force Survey 2019

Figure A3: Albania, Unemployment rate, 15-24 year olds by gender and education level, 2019 (%)



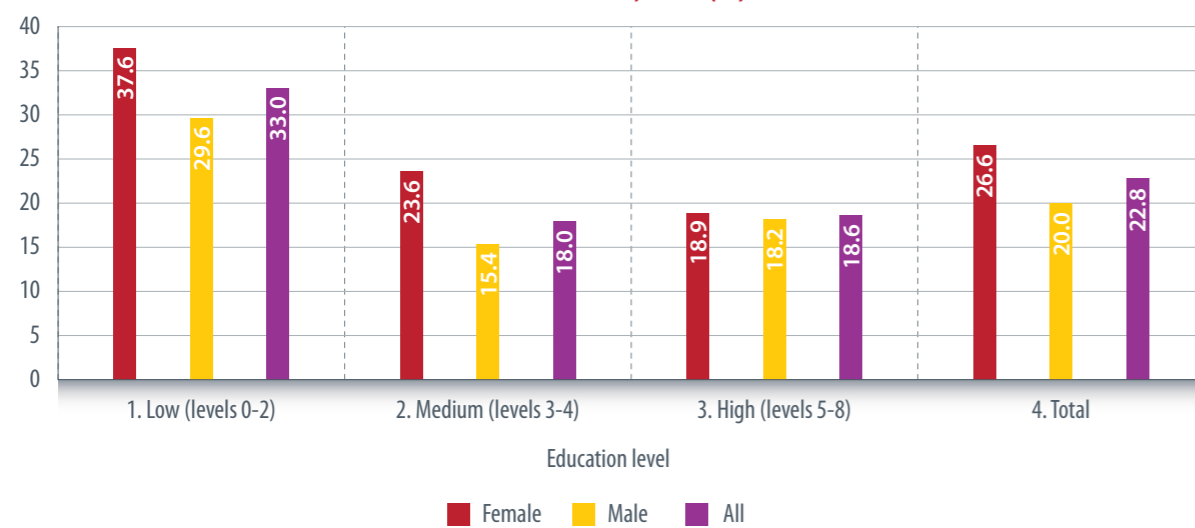
Source: INSTAT online data from the Labour Force Survey 2019

Figure A4: Albania, Share of self-employed to total employment, 15-24 year olds by gender and education level, 2019 (%)



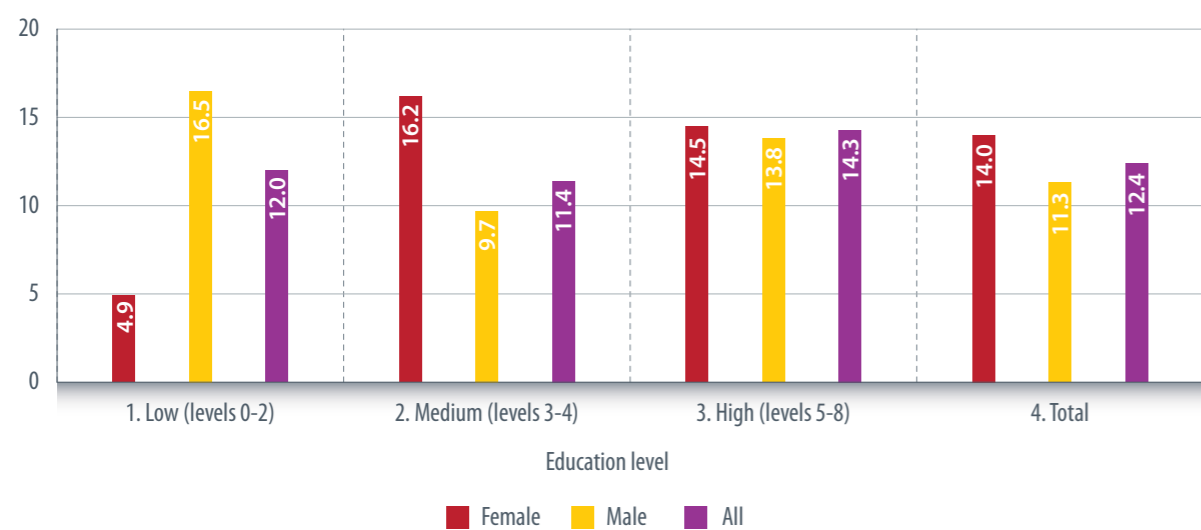
Source: INSTAT online data from the Labour Force Survey 2019

Figure A5: Albania, Share of part-time employees to total employees, 15-24 year olds by gender and education level, 2019 (%)



Source: INSTAT online data from the Labour Force Survey 2019

Figure A6: Albania, Share of temporary employees to total employees rate, 15-24 year olds by gender and education level, 2019 (%)



Source: INSTAT online data from the Labour Force Survey 2019



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STUDY ON
YOUTH
EMPLOYMENT
IN
BOSNIA AND
HERZEGOVINA

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Abstract

This Annex outlines the nature and challenges of the youth labour market in Bosnia and Herzegovina, among which the fragmentation of the youth labour market and employment policy, pervasive skill mismatch, limited availability of part-time work opportunities for women, employment policies insufficiently targeted on youth and a limited provision of youth counselling services have been identified as key factors holding back integration of young people into the labour market. The youth labour market in Bosnia and Herzegovina is characterised by high level of youth unemployment, large gender gaps in labour market participation and employment, especially for the less well educated youth, and a high share of temporary jobs creating a precarious situation for young people. The Annex analyses existing youth employment measures that have been adopted by governments, showing that many existing measures are relevant to the creation of a Youth Guarantee in Bosnia and Herzegovina, but need to be scaled up and given a major and game-changing financial boost. The Annex has mapped the main dimensions of

the ‘neither in employment, nor in education or training’ (NEET) phenomenon and made suggestions how policies towards NEETs could be improved. It has also identified the capacity issues in the main agencies that are responsible for implementing youth employment policies. A comprehensive set of labour market policy measures has been outlined, building on European Union (EU) policy approaches to the Western Balkans and policy recommendations. A roadmap has been developed, tailored to local circumstances, to implement the Youth Guarantee in Bosnia and Herzegovina to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan. The implementation of a Youth Guarantee would make a significant contribution to eliminating social exclusion experienced by many young people living in Bosnia and Herzegovina today, improving their well-being and future life chances.

1 INTRODUCTION

The labour market in Bosnia and Herzegovina (BiH) is decentralised both from a functional and policy point of view between the two Entities (the Federation of Bosnia and Herzegovina and Republika Srpska) and the Brčko District of Bosnia and Herzegovina. As other transition economies, Bosnia and Herzegovina faces a severe problem of structural unemployment. Despite recent progress, BiH continues to have poor labour market outcomes, especially for youth, reflecting the challenges youth face to gain a foothold in the labour market. Among the many labour market challenges, the overriding issue is that of youth unemployment.

1.1 Youth in the labour market

In the second quarter of 2019, the youth population aged 15-24 was estimated to be 287,900, of whom 98,400 had only a “low” level of education having completed compulsory primary education or less, and 177,100 had a “medium” level of education having completed upper secondary school or post-secondary non-tertiary education.¹ Relatively few members of this age group, just 12,500, had completed tertiary education.

In 2019 as a whole, the labour force participation rate (the activity rate) of the 15-24 age group was 35.4% (higher for men at 39.8% than for women

at 29.9%).² This was an improvement over the position in 2018 when 32.3% of the age group were active in the labour market.³ Among them, the activity rate for those with a high education level was 59.6%, while for those with a medium education level it was 47.5% and for those with only a low education it was just 6.3%. Thus, while there are relatively many young people with only a low level of education, few of them participate in the labour market.

1.1.1 Labour force

In the second quarter of 2019, the youth labour force, either in work or seeking work comprised 101,900 young population aged 15-24 years, of whom 63,300 were young men and 38,500 were young women (see Figure 1). In 2019, 10.7% of the labour force were youth in the age group 15-24.⁴ The great majority, more than three quarters (86.4%) of the young people in the labour force had a medium level of education, having completed upper secondary schooling. Of the 90,000 youth in this category, two thirds were young men and one third were young women. The same gender imbalance can be seen among the low educated, although there are far fewer of them overall. This implies that many more medium and low educated young women are inactive compared to young men. For the 6,500 youth with a high education the situation is reversed with more young women than young men in this segment of the labour

¹ World Bank/WiiW Jobs Gateway in Southeastern Europe online data.

² BHAS (2019) Labour Force Survey 2019, Sarajevo: Agency of Statistics of Bosnia and Herzegovina

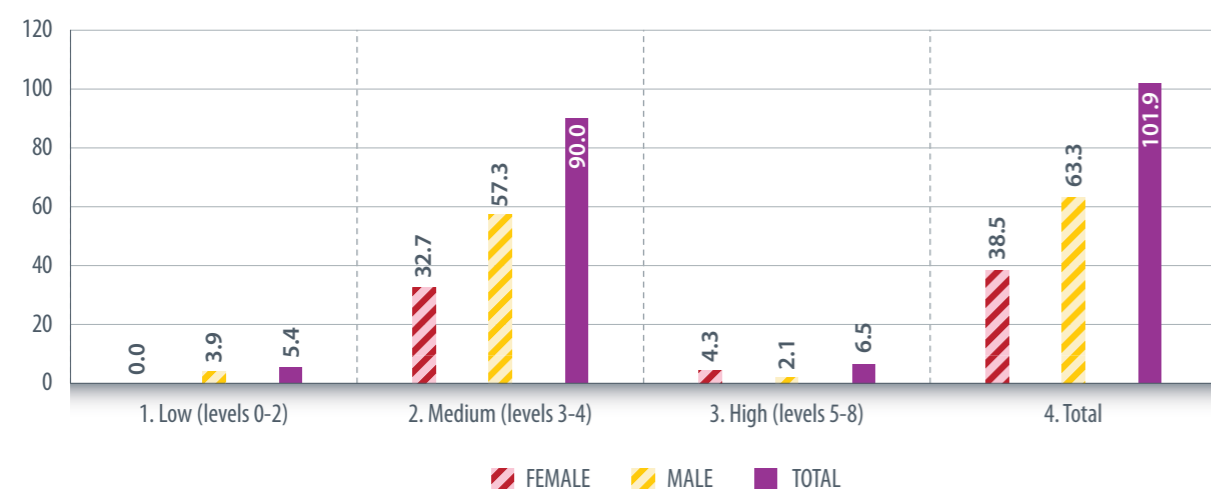
³ World Bank/WiiW Jobs Gateway in Southeastern Europe online data.

⁴ BHAS (2019) Labour Force Survey 2019, Sarajevo: Agency of Statistics of Bosnia and Herzegovina

force. This situation may be partly explained by the prevalence of traditional views of gender roles in the family, with less educated young women feeling under pressure to stay at home and shun work on the labour market. It suggests also that improving women's education could be a powerful driver of female labour force

participation, especially when combined with greater opportunities for part-time employment contracts as a first step (Abaz and Hadžić, 2020). Another factor explaining the low share of women in the labour force is the lack of publicly funded childcare facilities.

Figure 1: Labour force by gender and level of education, 15-24 years, 2019 Q2 (thousands)



Source: World Bank/WiW Jobs Gateway in Southeastern Europe online data

1.1.2 Labour market performance indicators

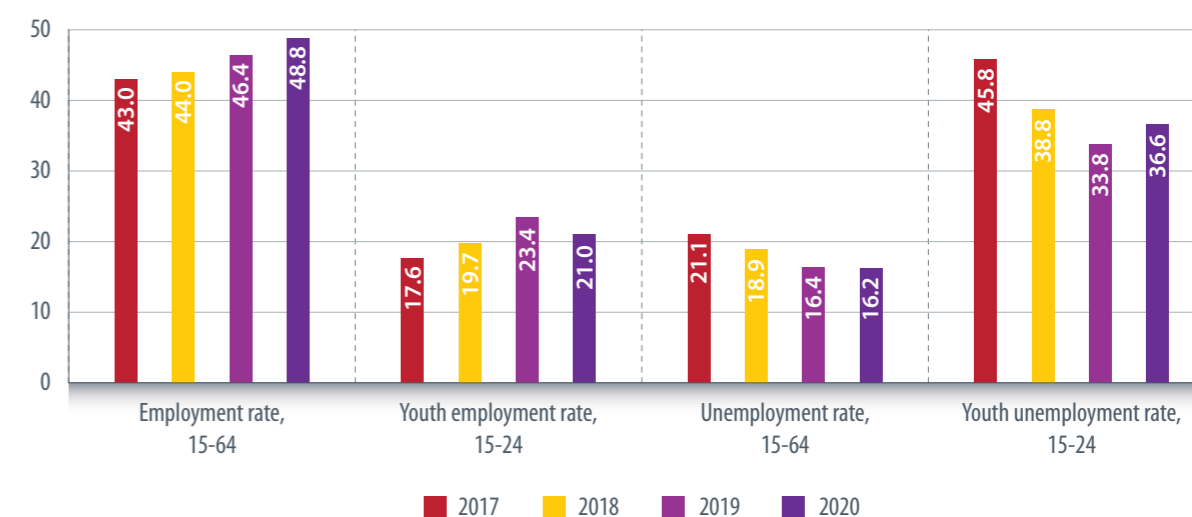
Employment rates are low, at 35.5% (varying from as low as 22.9% in the Brčko District of Bosnia and Herzegovina, to 31.9% in the Federation of Bosnia and Herzegovina and 42.2% in Republika Srpska) (see Appendix Table A1). The employment rate for young people is far lower than for the labour force as a whole. In 2019, the youth employment rate was just 23.4% (varying from 17.9% in the Brčko District of Bosnia and Herzegovina, to 21.3% in the Federation of Bosnia and Herzegovina and 27.5% in Republika Srpska) (see Table A1). The youth employment rate increased by more than three percentage points over the three years from 2017-2019, up from 18.0% in 2017, and far below the overall employment rate of 54.7%,

itself a low number (see Figure 2). Research by Pilav-Velic (2019) and Okicic et al. (2020) has demonstrated that the training programmes provided by the Public Employment Service (PES) as well as paid internships have a statistically significant positive effect on the employment rate of young people. The implication is that youth employment policy should focus more on training and work experience measures which could also include work-based vocational training, dual education involving vocational schools and businesses training on job search methods and training for self-employment. The overall unemployment rate is high at 15.7% in 2019 (varying from 24.1% in the Brčko District of Bosnia and Herzegovina, to 18.4% in the Federation of Bosnia and Herzegovina and 11.7% in Republika Srpska). The youth unemployment rate is significantly higher than the overall unemployment rate. In 2019,

the youth unemployment rate (from 15 to 24 years of age) was 33.8% in Bosnia and Herzegovina (varying from 48.7% in the Brčko District of Bosnia and Herzegovina, to 39.0% in the Federation of Bosnia and Herzegovina and 23.8% in Republika Srpska) (see Table A1). This was substantially lower than it had been three years previously (in 2017 the youth unemployment rate had been 45.8% - see Figure 2). This remarkable twelve percentage points fall in youth unemployment over a period of three years was quite an achievement, and although still high, it should be recognised that substantial progress has been made.

Nevertheless, with a youth unemployment rate of 33.8% and with 21.6% neither in employment, nor in education or training (NEET), a policy focus is required on active labour market policies for young people and on developing their relevant skills for future employment. As with the labour market as a whole, there is a large gender difference in employment rates, at 27.4% for young men and 18.6% for young women in Bosnia and Herzegovina as a whole; and also in unemployment rates, which are 31.3% for young men and 37.9% for young women.

Figure 2: Labour market performance indicators, Bosnia and Herzegovina, 2017-2020 (%)



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

2020 UPDATE

In 2020 the rising trend of the employment rate for 15-64 age group continued and it was at 48.8%, while the youth employment rate decreased to 21.0%. The overall unemployment rate for the working age population slightly decreased at 16.2%, while the youth unemployment rate increased significantly and stood at 36.6%.

1.1.3 Self-employment, family workers and entrepreneurs

Just under one in ten young people (9.2%) are self-employed, either as entrepreneurs in the sense of setting up a business capable of creating jobs for others or in the more traditional role of craftsman, working on their own account as a sole trader.⁵ Most of the self-employed are young men with a medium level of education. Most of these are likely to be self-employed craftsmen who have set up shop using their vocational skills.

1.1.4 Flexible and precarious employment

A relatively few young people work in part-time employment (7.0%) and most of these, as with the self-employed, are young men with a medium level of education.⁶ Few of the part-time workers are women. The expansion of part-time work opportunities for women could be one route for inactive women who have household responsibilities to re-engage with the labour market. About two fifths of young people work in temporary jobs, with a slightly greater prevalence among young women (45.8%) than among young men (36.5%). Since temporary jobs are precarious and are unlikely to offer much in the way of training opportunities, youth employment policy should seek to support a greater proportion of young people into permanent, more secure, job positions.



⁵ World Bank/WiiW Jobs Gateway in Southeastern Europe online data, 2019 q2.

⁶ World Bank/WiiW Jobs Gateway in Southeastern Europe online data, 2019 q2.

⁷ World Bank/WiiW Jobs Gateway in Southeastern Europe online data, 2019 q2.

1.1.5 Inactivity

About 186,000 young people were inactive in the second quarter of 2019; many of them were attending secondary school or university, but many others were neither in employment, education or training.⁷ Half of the inactive youth had a low level of education and just under half had a medium level of education, while relatively few (3.2%) had completed tertiary education. A major characteristic of this age group is therefore that many have only completed a basic level of education.

1.1.6 Education

Education is also an important consideration for youth employment. In 2019, those with primary education or less represented 36.4% of the population but just 16.1% of the employed, and just 14.2% of the unemployed (see Table A2). However, 51.4% of the inactive population has this level of education. Those with college, university education or above are more likely to be employed than others, i.e., 16.0% are employed while 11.7% of the unemployed have completed this level of education. Education and employment are strongly associated but youth unemployment is high, even among college and university graduates. High unemployment is a result of low economic growth rates, lack of new job creation and skills mismatch.

The education system does not fully provide the level of knowledge and skills needed. The complex and fragmented vocational education and training (VET) school system and weak economy-wide policymaking contribute to the low performance of VET school leavers with a medium education level (McBride, 2019).

1.2 Key challenges facing the youth labour market

The weakness of the labour market and the low employment rate pose serious challenges to policymakers. Among the greatest challenges are the fragmentation of the youth labour market and employment policy, skill mismatch and the weakness of the education system, limited availability of part-time work opportunities for women, employment policies that insufficiently target youth, and limited provision of youth counselling services.

1.2.1 Fragmentation of the youth labour market and employment policy

Different approaches to youth employment policy and implementation mechanisms in different parts of the economy are an additional challenge for cooperation between governmental institutions, education institutions and the business sector to ensure the most effective policy framework to assist young people in accessing the labour market. More success with active policies requires more regular communication, cooperation, collaboration and coordination of policies.

According to the results of Organisation for Economic Co-operation and Development's (OECD) Programme for International Student Assessment (PISA) 2018 study of the educational performance of 15 year-olds in Bosnia and Herzegovina, 65.4% of students study in schools whose principal reported that the school's capacity to provide instruction is hindered at least to some extent by a lack of educational materials, while 51.6% of students are in schools where learning was hindered by inadequate or poor infrastructure.⁸ The mismatch of supply and demand in the labour market is one of the biggest constraints to growth and employment. The education system thus needs to be continuously improved to develop the skills for easier entry into the labour market and ensure that the demands of the dynamic labour market are met.

1.1.7 Migration

Brain drain and employment abroad is an increasing trend in recent years. Negative migration flows, which are reflected in the large percentage of young people and entire families leaving the economy reduce the available labour force. Significant part of the population has emigrated and it is likely that this trend will continue. Of those who left Bosnia and Herzegovina in 2018, 30% were aged 18 to 35. The research by Begovic et al. (2020) shows that youth are more likely to consider emigrating than older people, and that the main driver of this tendency to migrate among young people is dissatisfaction with public services and perceptions of systemic corruption. This is needed to ensure equal treatment of young people and stop them from leaving the economy.⁹



⁸ OECD PISA 2018 online database

⁹ Note: An in-depth analysis of migration issues of youth population of Bosnia and Herzegovina and all of its economic and social consequences is available at: <http://library.fes.de/pdf-files/bueros/sarajevo/16523.pdf>

1.2.2 Skill mismatch and weak education system

Education outcomes that do not fully meet the dynamic labour market demands, mismatch between skills and labour market needs, apathy and disappointment of the youth are among the main reasons for high youth unemployment. Substantial reform of the educational system is needed. The education system should develop a vision and ability to adapt to the current and future labour market needs.

1.2.3 Limited availability of part-time work opportunities for women

There are limited opportunities for young inactive women to take on part-time jobs. This could be a way to increase the labour force participation rate of women, especially those with low and medium levels of education, and to gradually overcome the traditional cultural values which hinder women's engagement with the labour market.

1.2.4 Employment policies insufficiently target youth

The current set of active labour market policies (ALMPs) in Bosnia and Herzegovina is limited, with an emphasis on wage subsidies to employers (in order to create new and maintain existing jobs) and self-employment. Most measures do not target specific vulnerable groups such as youth. ALMPs involving job search, counselling and similar mediation functions are lacking in the PES.

1.2.5 Limited provision of youth counselling services

ALMPs involving job search, counselling and similar mediation functions are not as strongly present in the public employment services, mainly due to the emphasis on passive measures such as processing health insurance and social insurance payments and eligibility which is the case for Federation BiH. Even though cantonal employment institutions have mediation and counselling activities as their competences in the legal framework, there is a lack of a more comprehensive and active role of these institutions in helping jobseekers find work. In the RS, according to the new Law on Employment mediation in RS (2019), public employment services have been released of health insurance processing, which has enabled them, starting from the 2020, to focus more on the provision of ALMPs¹⁰.

Brčko District of Bosnia and Herzegovina provides counselling functions within the existing Club for Job Search and the service is offered to the groups of young unemployed persons. In addition, PES of Brčko District of Bosnia and Herzegovina provides counselling through trainings between young individual unemployed jobseeker and counsellor. Both the Club and individual counselling cover the services of active and passive measures for unemployed persons such as monetary compensation, health insurance, pension issues, business, agriculture and employment of vulnerable categories.

Republika Srpska PES also provides regular counselling within PES for young unemployed persons within their job selection and professional orientation in various locations. This process is actively organised annually in



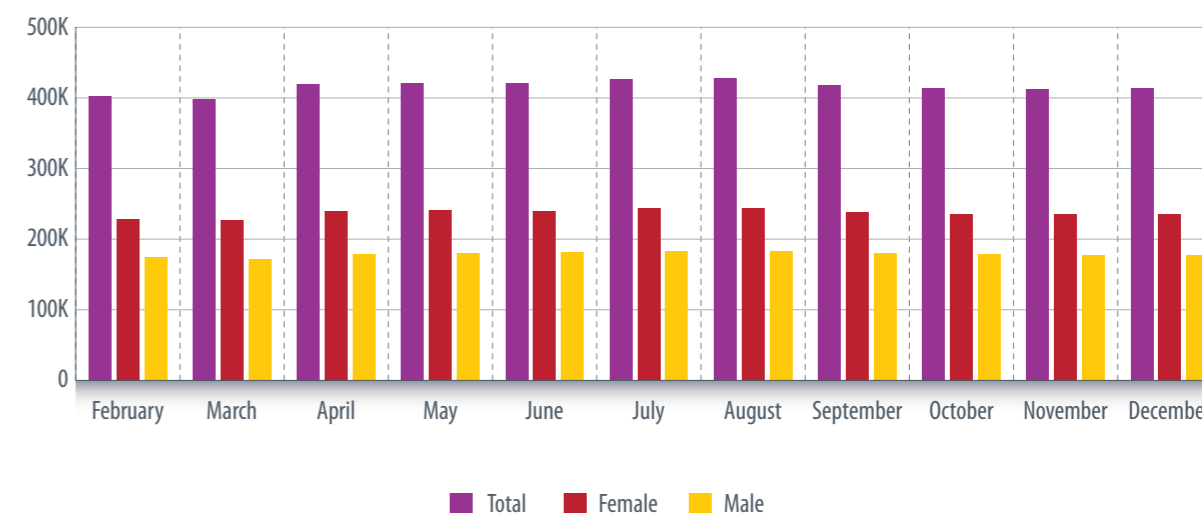
¹⁰ <https://impakt.ba/bih/od-januara-86-000-osoba-nema-zdravstveno-osiguranje-preko-zavoda-za-zaposljavanje-republike-srpske/>

two places. First is the Information centres (CV writing and job motivation for young unemployed) and the second one is Job clubs (active job search trainings) both under active guidance of Republika Srpska PES.

1.3 COVID-19 Pandemic

The COVID-19 pandemic has adversely affected the economy and the labour market but to a lesser extent than some of the neighbouring economies. In the first wave of the pandemic in early to mid-2020, the numbers of registered jobseekers at the PES increased, but from August began to fall back to earlier levels (see Figure 3).

Figure 3: Registered jobseekers in Bosnia and Herzegovina, 2020



Source: [Observatory on employment in the Western Balkans](#) of the RCC's ESAP 2 project; data from public employment services in Bosnia and Herzegovina.

2 YOUTH EMPLOYMENT POLICIES

In order to strengthen their services for jobseekers, the public employment services in Bosnia and Herzegovina have implemented a reform of advisory work under the **Youth Employment Programme (YEP) in Bosnia and Herzegovina** funded by the Swiss Agency for Development and Cooperation.¹¹ Its focus is on supporting PES to provide better services to young people, to match them with prospective employers and to encourage self-employment. The project introduced individual and group counselling services for the unemployed through which PES counsellors motivate unemployed to actively search for a job. The measures introduced through the YEP include the following:

- ▷ measures for vulnerable groups including inter alia young people without work experience
- ▷ training and retraining programmes
- ▷ employment mediation
- ▷ career guidance
- ▷ financial support for self-employment
- ▷ support for social enterprise start-ups.

This model is being introduced to all PES offices in Bosnia and Herzegovina. A network of 27 Job Clubs was established within the PESs, where young jobseekers can improve their job search skills and are encouraged by club leaders to explore different opportunities on the labour market and prospects for self-employment.



¹¹ See: <https://www.swissinbih.ba/en/project/1/youth-employment-project-yep>

¹² See: <http://documents1.worldbank.org/curated/en/457221482159012451/pdf/1482159025082-000A10458-PAD-December-12-2016-12152016.pdf>

¹³ In 2017, of the 13,512 people who participated in ALMPs in RS, 11,836 received training, while 1,004 received an employment incentive. In Federation of Bosnia and Herzegovina, of the 10,638 people who participated in ALMPs only 336 received training, while 8,977 received employment incentives (McBride, 2019).

The Employment Support Project in Bosnia and Herzegovina 2017–2020 is a €25 million project supported by the World Bank. The project's objective is to increase formal private sector employment among targeted groups of registered job seekers. It has financed a range of ALMPs, designed to strengthen job intermediation, and modernize the monitoring and evaluation practices of the public employment services.¹² One of the target groups of the project is unemployed youth. The project includes:

- ▷ improving the design of ALMPs to increase employability
- ▷ strengthening the function of employment mediation to increase employability
- ▷ targeted wage subsidies
- ▷ on-the-job training
- ▷ self-employment programmes

The design and implementation of employment policies is at entity level, with different approaches adopted in each Entity. Employment services differ between the entities, with Republika Srpska preferring to offer training services and the Federation of Bosnia and Herzegovina giving preference to employment incentives (McBride, 2019).¹³ The rest of this section describes the main features of youth employment policies at the Entity level.

2.1 Youth employment policies in Federation of Bosnia and Herzegovina

The policy process and scope regarding youth employment in the Federation of Bosnia and Herzegovina was within the **Employment Strategy in the Federation of Bosnia and Herzegovina 2018-2021**, adopted in July 2018 by the Government of the Federation of Bosnia and Herzegovina. This Strategy was drafted by the Federal Ministry of Labour and Social Policies, but it was not implemented, as it was not adopted by the Parliament of Federation of Bosnia and Herzegovina. The revised Employment Strategy in the Federation of Bosnia and Herzegovina for the period from 2021 to 2027, was adopted in May 2021 by the Government of the Federation of Bosnia and Herzegovina, and currently is in the parliamentary procedure.¹⁴

Youth employment policies in Federation of Bosnia and Herzegovina are carried out within employment and self-employment programmes whose goals are to reduce unemployment, ease entry into the labour market, and foster self-employment and entrepreneurship. Partners in the implementation of these projects are cantonal PESs, employers, the Ministry of Human Rights and Refugees of Bosnia and Herzegovina, the Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina, the Ministry of Development, Entrepreneurship and Crafts of the Federation of Bosnia and Herzegovina and other stakeholders. The following programmes have been implemented in the Federation of Bosnia and Herzegovina in 2019:



¹⁴ <https://bhrt.ba/drljaca-strategija-zaposljavanja-ambiciozna-i-akcijski-orijentisana/>

- ▷ **“First work experience 2019”** - As part of the implementation of this measure by the end of 2019, 420 contracts were concluded with employers with a total value of BAM 2,799, 459.40, for the purpose of employing 626 young people without work experience in the profession, higher and secondary education, of which 357 women (53%). The average age of co-financed persons was 25 years, and on average they have been unemployed for 14 months.
- ▷ **“Entrepreneurship for Youth 2019”** - The implementation of this measure, by the end of 2019, included 407 young people with whom contracts have been concluded with a total value of BAM 1,907,253.25, of which 243 people have registered the activity, and 164 persons are employed in these activities. Of the total number of persons covered by this measure, 140 or 34% are women. The average age of co-financed persons was 27 years, and on average they were unemployed for 24 months.

Cantonal employment services have introduced their own programmes, including:

- ▷ Tuzla Canton - Employment Promotion Programme 2019 (youth section)
- ▷ Bosnian-Podrinje Canton Goražde - Vocational Training Programme 2018 (jobseekers with a university degree, no work experience, and aged up to 35 years)
- ▷ Sarajevo Canton - Programme for self-employment of persons up to 35 years of age and Programme for the employment of trainees with higher education.

Within the YEP, PES supports the development of new services by working with jobseekers

and employers in cantonal employment offices. The YEP in the Federation of Bosnia and Herzegovina trains PES employees to work with service users (jobseekers and employers) by applying new methods, developing individual employment plans, creating job search clubs, supporting local initiatives and developing social entrepreneurship.

2.2 Youth employment policies in Republika Srpska

The basis for employment policy in Republika Srpska in 2019 was the **Employment Strategy of the Republika Srpska 2016-2020**, and the **Programme of Economic Reforms of Republika Srpska for the period 2019-2021**. The Employment Office of Republika Srpska implements the **Youth Employment Project - YEP**. Youth employment measures in Republika Srpska include the following:

- ▷ Programmes of co-financing employment and self-employment of children of war veterans "Together to work"
- ▷ Support programmes for employment by subsidising taxes and other contributions
- ▷ Programme of employment and self-employment of target groups
- ▷ Roma employment support programme
- ▷ Programme of support for graduates from higher education as trainees to gain work experience. In 2018 this involved 1,146 graduates and 651 graduates in 2019
- ▷ Training, additional qualifications and re-qualification programmes
- ▷ "Start-up Srpska" Programme for encouraging self-employment and entrepreneurship of youth under 35 years.

In 2018 this programme involved 114 people and in 2019, 115 people.

2.3 Youth employment policies in Brčko District

In the Brčko District of Bosnia and Herzegovina, the Employment Institute provides a self-employment scheme that includes business training, development of a business plan and mentoring.

This scheme is advertised every year through the Public Call and provides mentoring for unemployed in business and agriculture areas for the period of two years. This scheme is result of previous Brčko District of Bosnia and Herzegovina Development Strategy which was implemented in 2007-2018 with no specific active youth employment strategy nor youth action plan. The new Development Strategy is expected to be adopted throughout 2021.

2.4 Effectiveness of youth employment measures

The Audit Office of the Institutions of the Federation of Bosnia and Herzegovina conducted a performance audit on the topic "Youth Employment Programme Management" in 2012. The findings and recommendation from this audit were not included in subsequent youth employment policies (Federation of Bosnia and Herzegovina, Audit Report, 2019). In the Republika Srpska, the Supreme Office of the Republika Srpska Public Sector Auditing

Table 1: Summary of youth employment policies

Policy area	Measures targeted at youth		Non-targeted measures available to youth	
	Federation of Bosnia and Herzegovina	Republika Srpska	Federation of Bosnia and Herzegovina	Republika Srpska
Joined-up policymaking and implementation involving multi-agency work	Policy making is fragmented between the Entities and Cantons			
Wage subsidies, social insurance relief, and tax incentives for employers who take on young people	"First Work Experience"	YEP, Employment Strategy of Republika Srpska 2016-2020	Employment Support Project	Employment Support Project,
Vocational training programmes for inactive and unskilled youth, including developing digital skills	Bosnian-Podrinje Canton Goražde	..	..	..
Work-based learning and training	YEP,	YEP, Employment Strategy of the Republika Srpska 2016-2020; Republika Srpska Youth Policy 2016-2020	Employment Support Project	Employment Support Project,
Unpaid internships and work experience placements	..	YEP, Employment Strategy of Republika Srpska 2016-2020	..	..
Apprenticeships	..	..	..	..
Youth entrepreneurship programmes	YEP, "Entrepreneurship for Youth"	YEP, Employment Strategy of Republika Srpska 2016-2020	Employment Support Project	Employment Support Project,
Assistance to self-employed youth	Sarajevo Canton, YEP	YEP, Employment Strategy of Republika Srpska 2016-2020	Employment Support Project	Employment Support Project,
Career guidance and counselling	YEP	YEP	Employment Support Project	Employment Support Project

Source: Section 3 above.

(2020) has only completed a financial audit of the Republika Srpska Employment Office and has not carried out any performance audits of employment policies.

Table 1 identifies the ways in which the various policies, programmes and projects map into key areas of youth employment policy. It

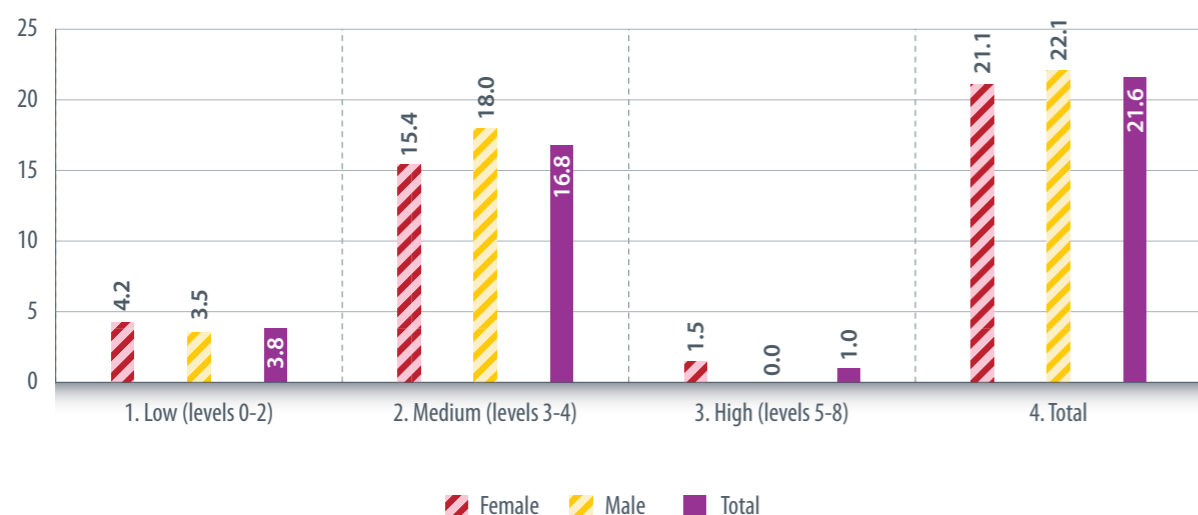
can be seen that apprenticeship schemes are underdeveloped. However, traineeship programs are delivered in each Entity to support young people who require a period of work experience. Training programs last between 6 and 12 months and are organized in the public sector as well as in enterprises and civil society organizations (McBride, 2019).

3 MAPPING THE SITUATION OF NEETs

With a NEET rate of 21.6% (2018 data), ensuring that education system outcomes better meet the labour market demands needs to be a priority. NEET population is often referred to as the “lost generation” because it includes young people who have been excluded from the labour market for a long time, who increasingly

lack the skills required in the market, and who are becoming increasingly hard to employ. The young people who are not registered with the public employment agencies are called “unregistered NEETs” and form a subset of the NEET population that is most at risk of poverty and social exclusion.

Figure 4: NEET rate for 15-24 age group, Bosnia and Herzegovina 2018 (%)



Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

The NEET rate in Bosnia and Herzegovina was 21.6% in 2018, with no significant gender difference between young men and young women. Most NEETs in this age group had a medium level of skill, while hardly any had a high education. There is a small proportion

of NEETs in the low skill group of youth. Since most of the students who studied at the elite gymnasiums (grammar schools) proceed to university, the unemployed or inactive school leavers are for the most part from VET schools.

3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

NEETs require active employment measures. Greater financial allocation for ALMPs is required to support youth employment and self-employment, and to intensify programmes for vocational training of NEETs. ALMPs, should tackle the problem of skills mismatch in cooperation with the education sector, private sector and public sector, and NGOs, based on the quadruple helix model.

The financial framework of the youth employment policy should be improved to enable the integration of non-registered NEETs. More funds are needed to support NEETs self-employment but also more training activities focusing on entrepreneurship knowledge and skills. Funds for NEETs start-ups need to be linked with training and mentoring during the process of starting and managing the business. An employment subsidy should be introduced (Federation of Bosnia and Herzegovina) or improved (Republika Srpska) for vulnerable NEET groups by subsidising low-wage jobs offered by private employers up to 100% of the minimum wages for a minimum period of 12 months.

Career guidance provision should be mandatory for all school and university students. This would be a strong preventive measure in reducing

the risk of becoming a NEET. It should be done through closer cooperation between public employment services and schools.

New ALMPs measures, especially in Republika Srpska, should focus more on youth **training activities** and preparation for labour market demands. ALMPs in Bosnia and Herzegovina, and especially in Republika Srpska, are mostly concentrated on employment incentives with short term effects and not on the training measures with medium- and long-term effects (McBride, 2019). These measures have a significant potential to fight skills mismatches and have a positive effect on the long term employability. More funds should be allocated to specific training activities (EU average is around one third of total funding).

- ▷ More funds are needed for **rapid training** for a known employer who has expressed interest in a particular workforce profile
- ▷ Supporting **retraining programmes** for deficit occupations
- ▷ Further develop **specific (tailored) vocational training**

Youth with university degrees are more targeted through ALMPs than most other vulnerable groups, including NEET, inactive women, less well educated jobseekers, minorities, refugees/returnees, long-term unemployed, or people with disabilities. Thus, there needs to be a more tailored and strategic approach based on effective activation policy targeted at the young “discouraged” population, with special focus on other vulnerable groups.

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

An **early warning system** should be developed to identify those at-risk of becoming NEET from the most vulnerable groups. Such a system should be based on cooperation between education, employment and social services. Information about students' attendance and performance and social services (social centres) could be used to identify and monitor the most vulnerable. For example, in Croatia, schools exchange data with employment services on students at risk of dropping out and on students who have already left school so that the employment services can proactively

contact them. Centres for Social Work should also help to identify the most vulnerable NEET and encourage them to access services that are available.

Methods of personalised and individualised approach and contact should be developed by PES in cooperation among youth workers, NGOs, minority associations and others. Modern methods of communication such as social media and digital marketing should be used in approaching this population rather than the traditional channels that PES sometimes use. Once identified, the employment service in partnership with local Centres for Social Work should offer them support. Vulnerable NEETs very often require special approach. Youth outreach workers and trained mediators from specific groups are needed to facilitate the process. People who were previously NEETs could be employed to give 'peer to peer' support to others.

4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT POLICIES

The **capacity of the PES in Bosnia and Herzegovina to provide quality services to jobseekers is limited**. PESs operate with limited funding, staff, client outreach and support services for jobseekers (McBride, 2019). The administration of social benefits limits the ability of PES to assist active jobseekers (European Commission, 2020). In Federation of Bosnia and Herzegovina, there are 10 cantonal offices and 69 municipal bureaus, which dealt with 47,385 young jobseekers aged 15-24 per month in 2020. In Republika Srpska, there are 7 branch offices, 57 local offices and 9 job search clubs, which dealt with 8,166 young jobseekers each month. Increased capacities of the employment services are needed to strengthen the mediation function of PES. The first step is to reduce the burden on the PES, and in RS this was done in early 2020, when the new RS Law on Employment Mediation came into force. In order to improve the role and efficiency of the PES at all levels in Bosnia and Herzegovina, administrative burden should be removed and/or further reduced and there should be a greater focus on designing, implementing, and monitoring of specific targeted policies. Moreover, employment policies in Bosnia and Herzegovina are underfunded. The contribution for unemployment insurance is limited to 1.5%

of gross salaries in the Federation of Bosnia and Herzegovina and Brčko District of Bosnia and Herzegovina, and 0.7% of the gross salaries in the Republika Srpska. These revenues fund unemployment benefits for eligible jobseekers. Employment programmes are financed from the funds remaining, after the paying the costs of administration. This means that the financing of ALMPs is highly dependent on the Entity and cantonal budgets. In the Federation of Bosnia and Herzegovina, the expenditure on ALMPs amounted to 0.18% of GDP. Therefore, the financial capacity of employment services needs to be improved.

The capacities of public employment services should be strengthened by developing their advisory role and reducing the time spent on the administration of health insurance of jobseekers (in Federation BiH) and other administration, which consumes their limited resources. PES should guide unemployed people to be more actively involved through the job-seeking process, matching them with employers' needs and demands, based on their skills and professional profile. Although employers would still be incentivised to take unemployed people on board, better guidance and tailor-made approach would increase effectiveness of the measures.

4.1 Functions and Reform of the public employment services

Employment policies are implemented through the public employment services and financed under Entity laws. The implementation of active labour market policies is the responsibility of the Entity and cantonal/local level institutions.¹⁵ The PES offices in each Entity are responsible for overall coordination, while branch networks are responsible for implementing measures and providing services to clients, thus the implementation of ALMPs is highly decentralised. The current set of ALMPs is limited and emphasises wage subsidies to employers (in order to create new jobs and maintain existing ones) and for self-employment. Supply-side ALMPs (job search advice, counselling, career guidance and similar mediation functions) are not as strong.

The mediation and counselling services that PESs provide to jobseekers are not comprehensive and the processing of jobseekers' documentation consumes resources. The PES should therefore update their procedures and build their institutional capacity to provide services, monitor the effects of programmes and set their goals and activities more clearly. The results of monitoring and evaluation activities should be communicated and shared with the public and stakeholders and should be more transparent.

Improving labour market statistics through establishing or improving IT systems would improve the efficiency of PES, as would monitoring and evaluating the effectiveness of activities. This would show the impact of previous measures and thus promote evidence-based decision making.

4.2 Public employment services in Bosnia and Herzegovina

The Labour and Employment Agency of Bosnia and Herzegovina does not provide any direct employment services. Its main functions are coordination with employment bureaus in the Entities, dealing with international cooperation over labour market issues, monitoring the implementation of standards set by international agreements signed by Institutions of Bosnia and Herzegovina in coordination with the Ministry of Civil Affairs of Bosnia and Herzegovina, coordinating with international agencies supplying assistance related to labour market policies and carrying out monitoring and analysis of the labour market in Bosnia and Herzegovina. The Labour and Employment Agency of Bosnia and Herzegovina also has a role in recommending to the Council of Ministers its proposals for long-term, medium-term and annual plans for labour market policy guidelines and active labour market measures in Bosnia and Herzegovina. The actual implementation of labour market policies is decentralised to the Entity level.



¹⁵ Bosnia and Herzegovina faces a serious problem with employment data, since the only source of data is highly decentralised and numerous employment bureaus around the economy; data on active employment policies are not consolidated.

4.3 Public employment services in Federation of Bosnia and Herzegovina

All activities of the Employment Service of the Federation of Bosnia and Herzegovina are implemented in cooperation with the ten cantonal employment bureaus. Reform of the PES has been implemented through the **Strategy for Strengthening the Mediation Function in Public Employment Services in the Federation of Bosnia and Herzegovina** (Social Security and Employment Networks Support Project, 2014). Some of the activities within its institutional capacity include the following:

- ▷ Training staff to develop individual employment plans
- ▷ Work experience training of jobseekers with a known employer
- ▷ The "Counselling to the Goal" programme to create a link between counselling work (active job search training, individual employment plan) and the participation of jobseekers in training, employment and self-employment programmes

4.4 Public employment services in Republika Srpska

In 2019, the Employment Bureau of Republika Srpska, in accordance with the Employment Action Plan in Republika Srpska, defined ALMPs as a priority activity. Employment mediation activities aim to increase the number of

registered vacancies submitted by employers and assess the employability of jobseekers. The Employment Bureau establishes direct contact with employers and informs them about ALMP measures and services aimed at employment of hard-to-employ persons. Counselling is a key service of the Employment Bureau of Republika Srpska to activate the unemployed in the job search process. The following activities are planned:

- ▷ interview with a jobseeker to create a personal profile
- ▷ assess the employability of the jobseeker
- ▷ determine the necessary level of assistance and support
- ▷ include the jobseeker in available ALMP programmes
- ▷ train interested jobseekers to start their own business
- ▷ draft an individual employment plan, and monitor its implementation
- ▷ assist the development of communication skills, writing a CV, job application and interviews.

Job Search Clubs have been established to increase the motivation, competencies for active job search and employability of young and hard-to-employ jobseekers. Measures in the field of career orientation, information on the choice of occupation, career planning and development of lifelong learning will be developed. Professional information will be provided on the basis of individual, direct and group informing of students in the final grades of primary and secondary schools through regular activities of the employment service and educational institutions, as well as at fairs of professional orientation.

4.5 Public employment services in Brčko District of Bosnia and Herzegovina

The Employment Bureau of Brčko District of Bosnia and Herzegovina carries out individual and group counselling, uses a mobile employment bureau, implements active labour market policies, provides career guidance, encourages young people to engage in non-formal education and organises the professional training of workers. It cooperates with employers and advertises their job vacancies. It issues information and publications on the

labour market. Programmes carried out by the Employment Bureau of the Brčko District of Bosnia and Herzegovina are:

- ▷ Self-employment programme aimed at raising the entrepreneurial spirit in the Brčko District of Bosnia and Herzegovina
- ▷ Self-employment programme in agriculture
- ▷ Professional training programmes for the unemployed and disabled
- ▷ Programme of employment for hard to employ youth up to 30 years of age
- ▷ Programme of employment of jobseekers from the Roma population
- ▷ Career guidance and counselling
- ▷ Implementation of the reform package in cooperation with the YEP Project.

5 A ROAD MAP FOR YOUTH EMPLOYMENT IN BOSNIA AND HERZEGOVINA

In the context of the governance structure in Bosnia and Herzegovina, a modular approach with a Framework Road Map at the BiH level and Roadmaps for each Entity (Federation of Bosnia and Herzegovina and Republika Srpska) and for Brčko District of Bosnia and Herzegovina are recommended to be developed. The Entity and Brčko District of Bosnia and Herzegovina Road maps will each follow the EU guidelines and draw on experience with youth employment policies and will therefore have the same structure and set of performance indicators. However, the parameters of the Roadmaps will differ from one another, in accordance with the different starting positions. For example, since the Federation of Bosnia and Herzegovina has focused its existing ALPMs for youth more on training activities, this will need to be less emphasised and the greater emphasis will need to be given to other elements of the offer to unemployed youth and NEETs such as employment subsidies. Equally, since Republika Srpska has focused its existing ALPMs for youth more on job creation and employment subsidies, this will need to be less emphasised and a greater emphasis will need to be given to other elements of the offer to unemployed youth and NEETs such as training and work experience initiatives. Both Entities and Brčko District of Bosnia and Herzegovina will need to develop an apprenticeship system as this is currently a gap in each one of them. Having said that, this section proceeds to discuss the general nature of youth employment policies that should be

developed, with the caveat that this will need to be reformulated and developed into separate Entity Road maps at a later stage in line with the Entity-focused approach outlined above.

Youth employment policies have so far not been developed in an integrated manner in Bosnia and Herzegovina. The active labour market policies and other measures have not been sufficiently targeted on the most disadvantaged young people, the NEETs, and have not been adequately financed in relation to the size of the problem. Experience from the EU and around the world identifies a number of essential components of effective policies in this field. These are summarised in Box 1.

Many of these policies have already been partially implemented in Bosnia and Herzegovina as identified in Table 1 above. Several gaps remain that need to be filled to enable a coordinated and coherent policy approach to addressing the youth employment problem, notably the introduction of an apprenticeship programme. These could best be addressed by implementing a Youth Guarantee along the lines that has been suggested by the European Commission for the EU member states, with appropriate modifications taking into account level of development and extent of progress of Bosnia and Herzegovina in the EU accession process.

This section presents the roadmap for youth employment and Youth Guarantee in Bosnia and Herzegovina, and while this roadmap is an

Box 1: Essential components of effective youth employment policies

- Joined-up policies involving multi-agency work
- Job creation: Wage subsidies for businesses who employ young people
- Youth entrepreneurship programmes
- Self-employment incentives
- Training programmes for inactive and unskilled youth
- Apprenticeships and work-based training
- Developing the digital skills of young people
- Career guidance, information and networking
- Outreach programmes to NEETs
- Building the capacity of public employment services
- Monitoring and evaluation

important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan.

5.1 A Youth Guarantee for Bosnia and Herzegovina

In order to establish a youth guarantee scheme in Bosnia and Herzegovina, the first step should be to appoint a Youth Guarantee Coordinator at the Ministry of Civil Affairs of Bosnia and Herzegovina, as well as Youth Guarantee Coordinators in Federation of Bosnia and Herzegovina, Republika Srpska and Brčko District of Bosnia and Herzegovina, at the appropriate level. The Coordinator at

16 More about Kult's activities at: <https://mladi.org/v2/en/>

the Ministry of Civil Affairs will provide overall coordination, while Coordinators in two entities and Brčko District of Bosnia and Herzegovina would provide leadership for the design and implementation of the guarantee packages and would advocate for the swift introduction of the measures at the respective administrative levels. Relevant ministries, governmental departments and agencies should be involved in the Youth Guarantee Steering Groups, which is the inter-ministerial task force to establish youth guarantee. It is consisted of relevant institutions, such as the ministry of labour, public employment service and representatives of the social partners and youth organisations. Effective cooperation and integration with social partners, representatives of young people's association and youth clubs, Centres for Social Work, and the PES will be crucial for successful implementation of the Youth Guarantee. It is necessary to improve the cooperation of employers, educational and employment institutions, focusing on promotion of the importance of lifelong learning and employment mediation. Thus, the existing legal frameworks need to be revised and updated. The PESs need to establish effective communication with schools and other providers of training and education. Intensive cooperation with employers is also vitally important. Building networks between education institutions and employers to facilitate their institutional cooperation (e.g., through Business councils, institutional arrangements) would improve and speed-up the transition from education to labour market. Also, building networks with local government bodies is necessary and this would create a triple-helix or even quadruple helix system of collaboration in the decision-making process as seen in some of the projects implemented by the Institute for Youth Development Kult.¹⁶ For example, in Bosnia and Herzegovina, Kult

has founded a Forum on (self) employment of youth, comprising 26 representatives of academia, NGOs, and the public and private sectors (quadruple-helix system).

The responsibility of the Youth Guarantee Coordinator(s) will be to ensure that effective coordination and partnerships are implemented across all policy fields relevant to the integration of NEET and marginalised youth.¹⁷ The Youth Guarantee Coordinator(s) should begin with the creation of a Youth Guarantee Implementation Plan for 2021-2027, aligned with the IPA III timetable. The main objective of the Youth Guarantee will be faster activation of young people in the labour market. Special intensive Youth Guarantee measures will be developed for the long-term unemployed and inactive persons who would nevertheless consider working or further education or training if the opportunities were available. Guidance from the European Council (2020) suggests that the Youth Guarantee should be organised in four phases: mapping, outreach, preparation and offer¹⁸, including a phase zero.

5.2 Phase 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 economy is the mobilisation of political will and creation of relevant Task Forces, taking into account the BiH context and governance

¹⁷ In the EU, each member state has appointed such a Coordinator, the list of whom appears in EC (2020d).

¹⁸ See also: Republika Slovenija (2016) Youth Guarantee Implementation Plan 2016-2020, Ljubljana: Ministarstvo za Delo, Družino, Socialne Zadeve in Enake Možnosti

structure. 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. Task Force(s) should be established to develop the concepts and operational guidelines for the scheme. Task Force(s) 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(s) would include ministers/assistant ministers from relevant ministries in charge of policies regarding employment, education, training, social affairs, youth, housing and health systems. Representative of the Ministry of Finance should also belong to the Task Force(s) 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(s) 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.

5.3 Phase 1: Mapping and institutional design

The PES should develop mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Research should be carried out to identify the different needs of the various categories of young people, including those

already at school, early school leavers without a job or inactive, graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates who do not have a job, especially young women graduates without work or who would like to start their own business but face financial or other barriers to doing so. A decision should be taken to define the target group as either youth aged 15-24 or aged 15-29, with the strong recommendation to focus on the 15-29 age group. Policies to address youth employment have a cross-cutting nature and should be designed and implemented jointly by governmental institutions at central, regional and local level, the private sector, the business sector, NGOs and youth associations. In order to implement the Youth Guarantee, the PES will need to forge more intensive partnerships with the business sector, youth organisations, municipalities, and private job agencies.

5.4 Phase 2: Outreach to unregistered NEETs

In order to get an offer of employment, continued education, apprenticeship or traineeship with the Youth Guarantee, a young person among the eligible categories should be obliged to register with the PES, and for some categories it is necessary to do some work prior registration with the PES, which may include work with social services and NGOs. The capacity of the PES to reach out to encourage greater numbers of young people to register for the Youth Guarantee will need to be further developed. 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 youth from ethnic and other marginalised groups such as Roma. An **Outreach Strategy** should be developed to identify the best way to involve partnerships between PES and other institutions working with young people, such as Centres of Social Work, schools and universities, youth organisations, community groups and youth NGOs, to reach out to marginalised youth in order to inform and encourage them to register with the PES as soon as possible after they complete schooling or graduate from university, or if they are in a NEET situation.

5.5 Phase 3: Operational Preparation

The Youth Guarantee should ensure that all young people are supported by PES to access the labour market through the provision of high quality public employment services, including the provision of labour market information on vacancies, and improved career counselling and guidance services, as well as 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, more intensive measures of active employment policy should be provided, as well as the opportunities for further education and skills development. Additional interventions should address young people's

preferences and personal development needs, for instance through age-appropriate communication, peer-to-peer learning, positive adult-youth relationships, and support to goal management.

After registering with PES, eligible young people within the target group should be provided with information and basic career counselling by a Youth Guarantee Counsellor. An initial career counselling session would aim to identify the specific needs of the client, their employability, interests and competences. This would lead to an agreement on the client's employment targets and follow-up activities, including the type of offer that would provide the best match to the identified needs. For those who have completed profiling and are ready for the employment, an appropriate support will be provided, including creation of a high-quality CV and profile in relevant job portals and providing job referrals to employers who have partnered with the Youth Guarantee. Participants enrolled in the Youth Guarantee would be provided with information on possibilities and opportunities for training, education or realisation of their business ideas. After three months of unemployment, another round of career counselling should be provided which will involve checking the effectiveness of the activities already carried out and the job or training application documents, including the profiles in the job portal. A further agreement on activities to be carried out under the Youth Guarantee should be drawn up after an intensive set of job-search or training/apprenticeship application activities have been agreed. Such activities would comprise intensified career counselling, the creation of new employment objectives and intensified job search activities, and inclusion in a group workshop on career management skills provided by the PES. In this phase, the measures of the Youth Guarantee would introduce a greater focus

on opportunities for education and training that are available, with the aim to increase the client's employability.

After four months of unemployment and/or after completion of different forms of training, the client would be offered a more intensive service and additional measures of support within the Youth Guarantee scheme. The intensified services should include in-depth career counselling and/or enrolment in a group learning the career management skills provided by specialised private consultants. The measures would also include more intensive incentives for employers (employment subsidies, co-financed traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups. Young jobseekers should also be provided with a similar set of incentives to join together to start up their own individual or cooperative businesses.

5.6 Phase 4: Offer

The final phase of the Youth Guarantee design should be developed in two stages with a pilot phase in selected local authority areas. This pilot study should be carefully monitored and evaluated to see which measures are most effective. The Youth Guarantee should then be redesigned on the basis of the evidence gathered, and in a second phase rolled out fully. Young people can be assisted into work by a mix of youth labour market measures that may include subsidised employment which offers income and work experience, support for entrepreneurial start-ups, specific training relevant to the needs of the labour market, paid apprenticeships, and career guidance services. Such services should be sensitive to

the needs and preferences of young people. These measures should adopt a youth-centred approach addressing barriers to employment in local labour markets. Current ALMPs (youth-related) target youth with completed relatively high level of education; the Youth Guarantee should emphasize targeting disadvantaged youth and NEETs.

5.6.1 Creating jobs

In order to bring the most disadvantaged youth and NEETs into the labour market, job creation schemes should be based on wage subsidies for private sector employers offering low wage jobs for young jobseekers registered with the PES who have only primary education qualifications or less or are secondary VET school graduates. The wage subsidy should be a flat rate subsidy equivalent to the minimum wage, thus eliminating the distorting effect of minimum wages on the demand for labour and increasing youth labour demand. This measure has already been introduced in Republika Srpska and should become a permanent feature of youth employment policy in order to create jobs for disadvantaged young people. It should be introduced in the Federation of Bosnia and Herzegovina too. Other parallel measures including promoting entrepreneurship and reducing the costs of doing business in general, targeted towards youth entrepreneurs should also be designed and implemented.

5.6.2 Providing entrepreneurial and self-employment opportunities

More support for the development of all types of youth entrepreneurship is needed. According to the results (GEM, 2017- latest data

available), the entrepreneurial intentions rate in Bosnia and Herzegovina is very low (4.55) compared to regional average of 11.6 and GEM average of 21.66 (Global Entrepreneurship Monitor, 2017). Youth entrepreneurship should be supported by a combination of measures including incubator services and financial support to youth entrepreneurs. It should build upon the measures introduced through the **YEP Incubator of Business Ideas**, implemented in 2018 and 2019 and supported the establishment of over 130 business ventures, including by young people. This provides comprehensive self-employment support including strengthening entrepreneurial capacities through entrepreneurial training, providing start-up grants and professional and mentoring support tailored to business needs. The programme continues within the **Impact Investment Foundation** in 2020 and 2021, and even in the conditions of the COVID 19 virus pandemic, it has proved to be successful in creating new businesses. In addition, some local communities already provide incentives and support (grant schemes, co-financing, business incubators, etc.) to youth and jobseekers to start their own business. This experience should be developed and scaled up.

Business incubators for youth entrepreneurs should be established as not-for-profit social enterprises, with a focus on young women, NEETs and marginalised groups. Young entrepreneur networks, mentoring schemes and business incubators should be established, including for young women and marginalised youth. Youth entrepreneurship programmes should be supported by training and mentoring by professional entrepreneurs, in partnership with the PES, chambers of commerce and employer associations.

Start-up grants and loans should be provided to young entrepreneurs to set up new private businesses, cooperatives and social

enterprises jobs. These should be backed up with targeted business advisory services and training and mentoring support. Authorities should engage with the European Bank for Reconstruction and Development to finance programmes for youth entrepreneurship through loans, financial support for vocational skills development and business advice in line with the EBRD Economic Inclusion Strategy.¹⁹ The Western Balkan Enterprise Development and Innovation Facility²⁰ should be engaged to provide support, advisory services, and low-cost finance for youth enterprise start-ups. The IPA III funding can support the introduction of the Youth guarantee. In addition, IPA III funding can finance a-priori employment creation and entrepreneurship programmes. Moreover, of relevance is the WB Investment Framework in the context of funding opportunities.

5.6.3 Enabling self-employment

Self-employment of young crafts persons as sole proprietors should also be supported through start up grants and mentoring support and training.

5.6.4 Apprenticeship and work-based learning

Over three quarters (76.2%) of secondary school students attend VET schools (within the upper-secondary level of education (ISCED 3) among which 55.3% attended 4-year technical schools and 19.1% attended 3-year vocational schools, which do not have a route

of progression to higher education.²¹ VET schools should be further supported to partner with the business sector to develop work-based training programmes for secondary school students. The quality of professional practice outside school should be enhanced by developing and enhancing partnerships between employers and vocational schools. These should be designed to introduce work-based training schemes through which VET students spend part of the course in practical training in a business environment through a **dual education** system, which should be introduced through reforms of education policies in both entities. In this way students will gain work experience while still at school and will learn practical skills relevant to the labour market. Work-experience placements should be supported through subsidies to employers. At the same time, and in parallel, the quality of education provision at VET schools should be improved, including through provision of adequate teaching materials, broadband infrastructure and up-to-date computer equipment for practical instruction. This is particularly important since the PISA study demonstrated that a lack of teaching materials and infrastructure and equipment is holding back learning opportunities for a large proportion of school pupils in Bosnia and Herzegovina.

A graduate apprenticeship programmes can be fully supported by partnerships between the universities and business sector and through business-university collaboration agreements to ensure the quality of the training and work experience that is provided. The programme should be designed for eligible companies, with finance provided through an apprenticeship

¹⁹ See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

²⁰ See: <http://www.wbedif.eu/about-wbedif/>

²¹ Agency for Statistics of Bosnia and Herzegovina (2020) "Education statistics: secondary education in the school year 2019/2020", First Release XV/1, 01.06.2020

levy on such companies. Formal partnerships should be developed with employers who are willing to offer jobs, work-experience training opportunities and apprenticeships to young people within the framework of the Youth Guarantee. Partnered employers will benefit from government subsidies but will also be regulated to ensure that the jobs they offer are decent high quality jobs and that their training provision and apprenticeship schemes offer added value to each involved young person's human capital.

5.6.5 Traineeship

Training sessions of short duration should be provided to NEETs for immediate labour market integration including digital and green skills, entrepreneurial skills and career management skills. These can be provided by VET schools through evening courses, as well as by other training providers in the private sector. Pathways for reintegration of NEETs into education and training should be developed, including second chance education programmes for early leavers from education and training and low-skilled young people.

Employers need to improve investments into training of graduate workers (e.g., through training subsidies or voucher provided by the government). This will lead to improvement of youth employability. This could be done through Research and Development (R&D) centres of companies or hubs and/or centres of excellence at universities. A greater involvement of the private sector in the provision of training services is needed. Their activities can be offered on a competitive contracting basis to the PES.

5.6.5.1 Digital agenda

More investment in digital learning infrastructure and technology should be made in schools and higher education institutions. In May 2017, the Council of Ministers of Bosnia and Herzegovina formally adopted the Policy of Electronic Communications of Bosnia and Herzegovina 2017-2021, which is aligned with the Digital Agenda of Europe. Governments should engage with the EU's Digital Agenda for the Western Balkans²² to provide Digital Opportunity Traineeships to students and young people, and to provide NEETs with training in digital skills. The EU Code Week should be further promoted to young people in Bosnia and Herzegovina.

Monitoring and evaluation

All youth labour market measures and employment programmes implemented by PES and other institutions and special programmes for NEETs including outreach programmes should be regularly monitored and evaluated. The Youth Guarantee implementation plan should be regularly monitored by a Working Groups, in which representatives of all sectors responsible for the Youth Guarantee implementation should participate. The providers of the measures would report to the Working Group on a regular basis on the implementation of the measures under the Youth Guarantee scheme.

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7 APPENDIX: LABOUR MARKET INDICATORS BY GENDER AND EDUCATION

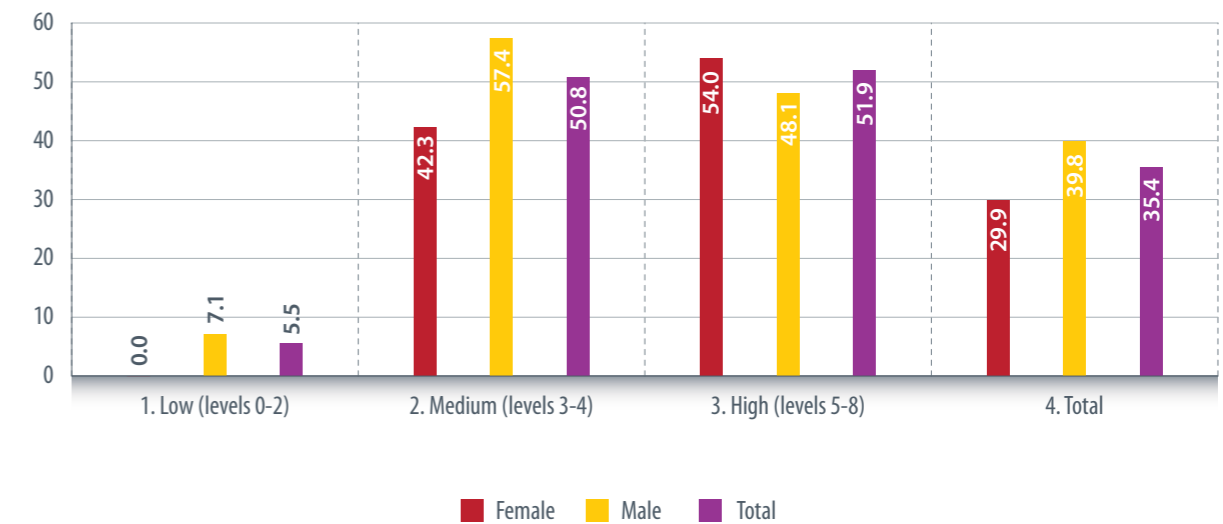
This appendix shows the main labour market performance indicators for 15-24 years age group in Bosnia and Herzegovina in 2020 and 2019.

Table A1: Labour market in Bosnia and Herzegovina, 2019-2020 (in %)

	Bosnia and Herzegovina (2020)	Bosnia and Herzegovina (2019)	Federation of Bosnia and Herzegovina (2019)	Republika Srpska (2019)	Brčko District of Bosnia and Herzegovina (2019)
Employment rate (15+)	40.1	35.5	31.9	42.2	22.9
Employment rate (15-24 years)	21.0	23.4	21.3	27.5	17.9
Employment rate (15-24 years; male)	26.0	27.4	25.2	31.4	23.3
Employment rate (15-24 years; female)	15.8	18.6	16.8	22.4	12.4
Unemployment rate (15+)	15.9	15.7	18.4	11.7	24.1
Unemployment rate (15-24 years)	36.6	33.8	39.0	23.8	48.7
Unemployment rate (15-24 years; male)	32.5	31.3	36.7	20.6	50.1
Unemployment rate (15-24 years; female)	42.8	37.9	42.7	29.1	46.0

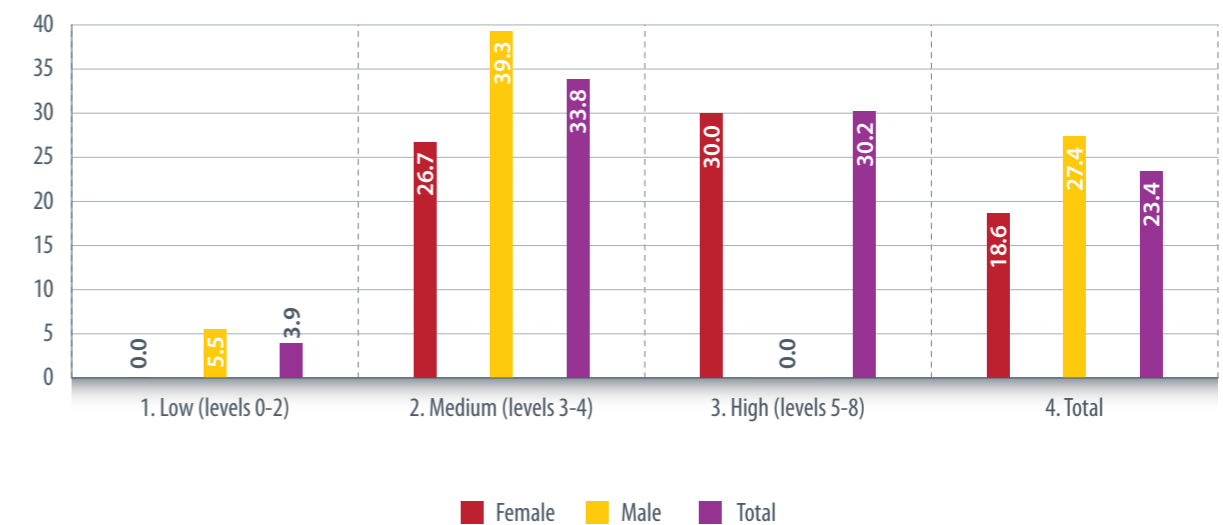
Source: Labour Force Survey (2019 and 2020) Agency for Statistics of Bosnia and Herzegovina.

Figure A1: Labour force participation rate by gender and education level, 15-24 age group, Bosnia and Herzegovina, 2019 q2 (%)



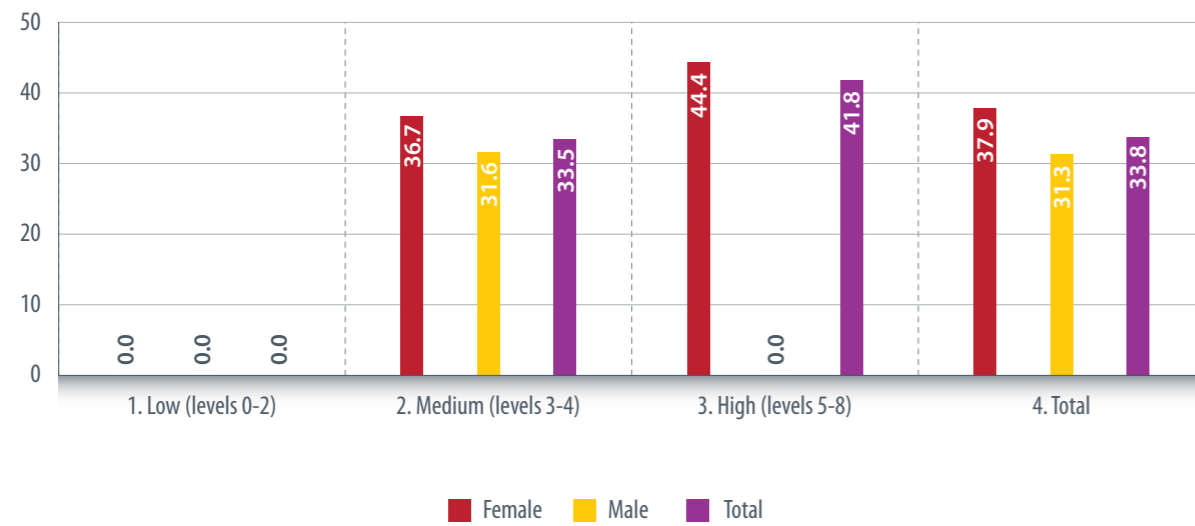
Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

Figure A2: Employment rate by gender and education level, 15-24 age group, Bosnia and Herzegovina, 2019 q2 (%)



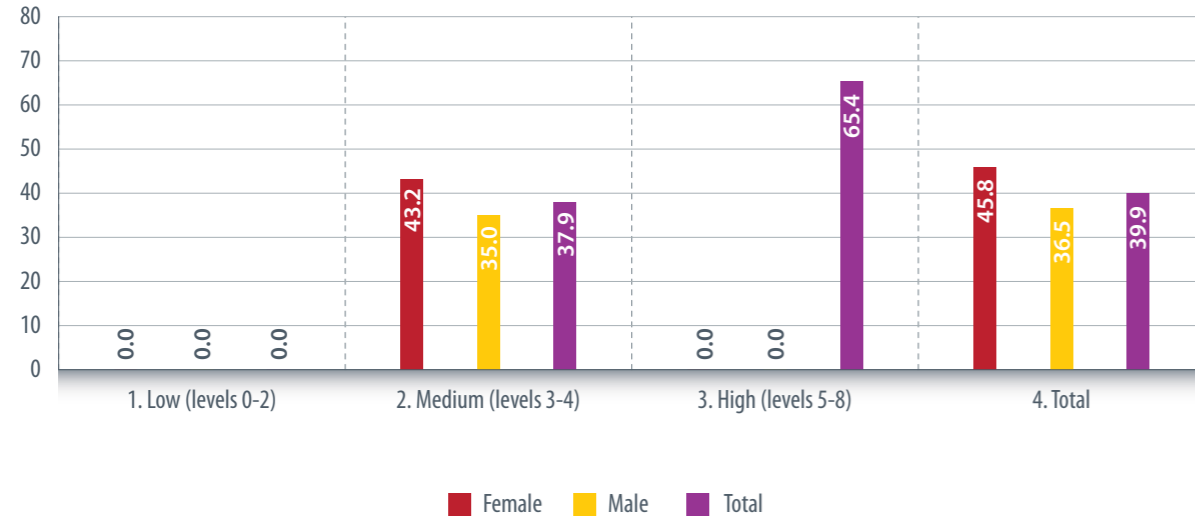
Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

Figure A3: Unemployment rate by gender and education level, 15-24 age group, Bosnia and Herzegovina, 2019 q2 (%)



Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

Figure A4: Temporary employment as a share of total employment by gender and education level, 15-24 age group, BiH, 2019 q2 (%)



Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

Table A2: Educational level of working age population, 2019 (%)

	Employment	Unemployment	Inactive persons	All youth	Unemployment rate (%)
Primary school and less	16.1	14.2	51.4	36.4	14.1
Secondary school and specialisation	68.0	74.1	43.2	54.1	16.9
College, university, masters, doctorate degrees	16.0	11.7	5.4	9.6	12.0
Total	100.0	100.0	100.0	100.0	

Source: Labour Force Survey (2019) Agency for statistics Bosnia and Herzegovina



STUDY ON
**YOUTH
EMPLOYMENT
IN
KOSOVO***

good.
better.
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Abstract

This Annex outlines the nature and challenges of the youth labour market in Kosovo*, among which the lack of job opportunities, weaknesses in the education system, widespread skill mismatches and skill gaps, lack of work experience of vocational education and training (VET) school and university graduates and lack of information about job vacancies have been identified as key factors holding back the integration of young people into the labour market. The Kosovo* youth labour market is characterised by high level of youth unemployment, large gender gaps in labour market participation and employment, high levels of disadvantage among low and medium educated young people, and a high share of temporary jobs creating a precarious situation for young people. It analyses existing youth employment measures that have been adopted by the government, showing that many existing measures are relevant to the creation of a Youth Guarantee, but need in some respects to be refocused on youth, scaled up, and appropriately financed. The Annex has mapped the main dimensions of the 'neither in employment, nor in education

or training' (NEET) phenomenon and made suggestions how policies towards NEETs could be improved. It has also identified the capacity issues in the main agencies that are responsible for implementation of youth employment policies and made some recommendations about what should be done to ameliorate the identified deficiencies. A comprehensive set of labour market policy measures has been outlined, building on European Union (EU) policy approaches to the Western Balkans and policy recommendations. A roadmap has been developed, tailored to local circumstances, to implement a Youth Guarantee in Kosovo* to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan for Kosovo*. The implementation of a Kosovo* Youth Guarantee would make a large contribution to eliminating social exclusion experienced by many young people living in Kosovo* today and in the future.

1 INTRODUCTION

Over the last two decades the economy of Kosovo* has been through a long process of transition to a private market economy as well as process of post-conflict reconstruction and development. In the process of privatisation, many of the links between the education system and the business sector were depleted or destroyed. This has led to the curriculum in the vocational education system to become outdated, along with the skills provided to young people who face a difficult entry to the labour market. The economy has grown strongly over the last decade at an average rate of 3.6% per annum, raising its total per capita GDP from 8.3% of the EU-28 average in 2011 to 12.2% in 2018.¹ Nevertheless, living standards are low and the capacity of the government to provide public services is weak. Many people have emigrated to more developed economies and the supply of remittances is high, amounting to as much as 15.8% of GDP.² This provides a support to the economy, but much of the revenue is spent on imported consumer goods rather than on developing the domestic economy. The economy has limited capacity to generate jobs, and employment has grown at just 2.5% per annum from 2012-2019.³ As elsewhere, this may change in the future as the digital revolution takes place diminishing the importance of distance in international trade



1 Eurostat online data. Real GDP growth rate average for 2009-2019.

2 Data from World Bank Development Indicators database. Kosovo* has the 13th highest inflow of remittances in proportion to GDP in the world, out of 221 economies for which data was available in 2019. For comparison the average remittance inflow in Central Europe & the Baltics accounted for just 2.1% of GDP, and an average of 9.7% for the Western Balkan economies as a whole (including Kosovo*).

3 Author's calculation from Kosovo* Agency for Statistics online data

4 See Kosovo* Agency for Statistics (KAS) online data; based on the Labour Force Survey. Q3 2020

5 The participation rate (or activity rate) is the proportion of the working age population who are in work or actively seeking work.

especially for services (Brynjolfsson and McAfee, 2014); it may also displace jobs and worsen the jobs crisis in all economies (Susskind, 2020). In this context, many young people find it hard to access the labour market and youth labour market policy is an urgent issue that needs to be better addressed.

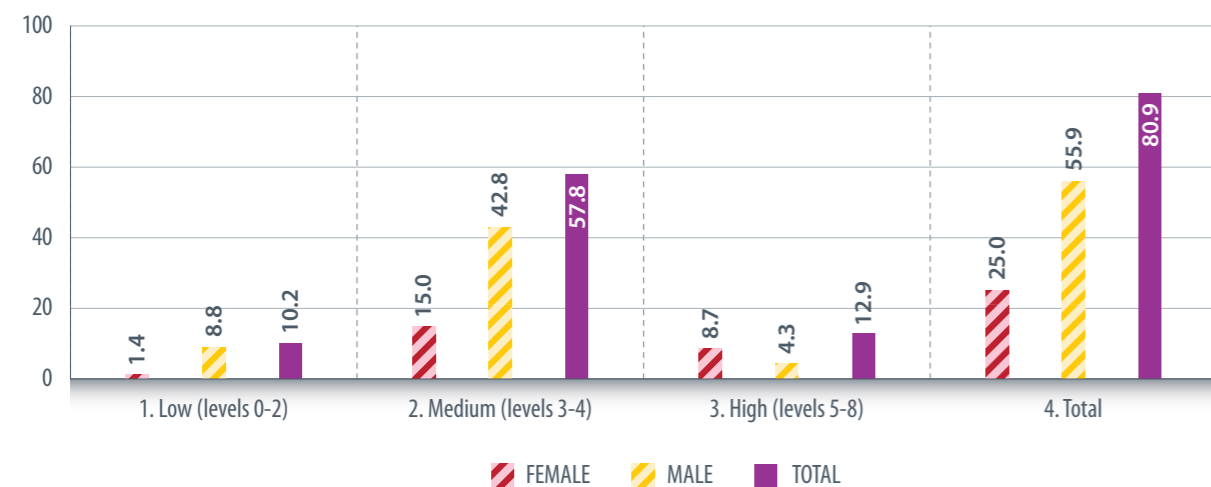
Among a total of 1.8 million inhabitants in Kosovo*, 1.2 million (66%) or about two thirds of them are in the working population aged from 15 to 64. Unusually, a large proportion (60%) of the working population is economically inactive.⁴ This high inactivity rate has a large component of gender bias, with 78.5% of the female working population being inactive compared to just 41.1% of the male population (Q3 2020 data). The labour market participation rate⁵ is very low, at just 40%, from which 24.6% are unemployed. Among women the participation rate is 21.5%, while among men it is 58.9%, indicating that the extremely low participation of women in the labour market is the key driver of the overall low participation rate. Consequently, significant gender differences in the Kosovo* labour market are reflected also in the employment rate where the latter is only 14.4% for working age females compared to 46.2% for males (Q3 2020 data).

1.1 Youth in the labour market

Kosovo* has a youthful population where the average age is 30.2 years old⁶. Almost one fifth (17.8%) of the population is aged between 15 and 24 years, and over one quarter (25.8%) is aged between 15 and 29 years.⁷ On the one hand this is an advantage, since it means that there is a large number of young people available to support the economy; on the other hand, the lack of jobs available for these young people may engender social and political costs. In the second quarter of 2019, the youth labour force, either in work or seeking work, was 80,900 young people in the 15-24 age group, of whom 55,900 were young men and 25,000 young women (see Figure 1). Most of

these had a medium level of education having completed upper secondary schooling. Some 41,200 of these young people had jobs, while 39,700 were unemployed. Three quarters of the employed youth (75.2%) had a medium level of education and had not attended university; unemployed youth had a similar profile with two thirds (67.5%) having a medium educational level. The unemployed youth are most likely those who have attended VET school and are unable to find work with the skills they had available to them; pupils who graduate from grammar schools (gymnasia) are most likely to continue their studies at university. Of the other unemployed youth, 15.2% had a low level of education (primary or less) and 17.3% had a tertiary education.

Figure 1: Labour force 15-24 age group by gender and educational level, Kosovo* 2019 Q2 (thousands)

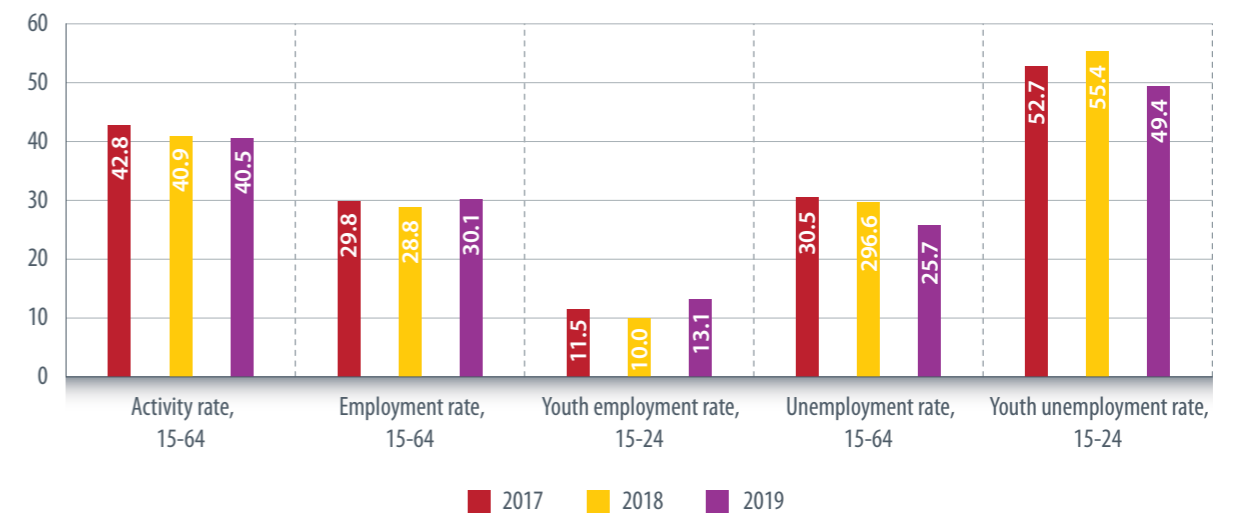


Source: World Bank Jobs Gateway in Southeastern Europe, online data

⁶ Statistical Yearbook of the Republic of Kosovo* 2020: <https://ask.rks-gov.net/media/5629/vjetari-final-2020-per-web.pdf>

⁷ Eurostat data on population, authors' calculation.

Figure 2: Labour market performance indicators, Kosovo* 2017-2019 (%)



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

The labour force participation rate (the activity rate) of all employees has fallen in recent years and by 2019 it was 40.5% (see Figure 2). However, there is a large gender difference in the activity rate with 30.1% of young men being active compared to just 14.1% of young women (see Figure A1 in the appendix). This gender difference is most pronounced among those with low or medium education; it disappears among highly educated young people. It is also noticeable that highly educated youth are very active in the labour market with an activity rate of 62.5%, while the activity rate of the medium educated is 32.9% and of the low educated is just 6.1%. For young people the activity rate was just 22.5% (see Figure A1). The labour market inactivity of less well educated young people implies that many will miss out on job opportunities and work experience, which may diminish their job prospects in the future should they wish to participate in the labour market at a later stage in their life course.

The youth employment rate changed little over the three years from 2017-2019, remaining at

a very low level of just over one in ten of the 15-24 age group in the labour force; in 2019 it was 13.1%, far below the overall employment rate. The employment rate for young men is far higher than for young women; in the second quarter of 2019 it was 18.2% for men and 5.8% for women (see Figure A2). Just as with the activity rate, the gender differences are concentrated among the low and medium educated. The highly educated had an employment rate twice as high as the medium educated (31.0% versus 15.3%), while hardly any low educated young people had a job, with an employment rate of just 1.8%.

The youth unemployment rate is extremely high with around one half of the age group in the labour force being unemployed. The unemployment rate is higher among young women (60.3%) than young men (44.1%).⁸ Moreover, long-term unemployment is common; more than one third (37.4%) of 15-19 year olds and almost two thirds (60.0%) of 20-24 year olds had been unemployed for more than 12 months.⁹ The youth unemployment rate is

⁸ Data from Kosovo* Agency for Statistics, online data from Labour Force Survey, 2019.

⁹ Kosovo* Labour Force Survey, 2019, Table 2.6

2020 DATA UPDATE (Q3 LFS data)

In Q3 of 2020, labour force participation rate declined to 40% from 41.9% in the same quarter of 2019, but increased when compared to Q2 of 2020 (33.2%). In Q3 of 2020, the unemployment rate stood at 24.6% (down from 27.2% in Q2 of 2020), practically unchanged from 24.5% in Q3 2019, while the employment rate in Q3 of 2020 was 30.1%, up from 24.1% in Q2 of 2020.

Youth unemployment in Q3 of 2020 stood at 46.9% (compared to 49.4% in 2019). The gender-based trends are reflected among young people as well, unemployment among young men (40.8%) was substantially lower than unemployment of young women (61%). In Q3 of 2020, more than one third (37.7%) of youth between 15 to 24 years old were neither in employment nor in education or training (NEET), this is an increase when compared to 2019 data, when the NEET rate was 32.7%.

high for two main reasons: firstly the labour market provides few job opportunities, and secondly the education system fails to prepare young people with appropriate skills for entry into the labour market. The high unemployment rate and the lack of quality education have pushed young people to leave the economy in large numbers. Figure A3 shows that there is little gender variation in unemployment rates for highly educated young people, at 50.5% overall, while the medium educated had an unemployment rate of 53.7% (higher for women than for men) and the low educated had an unemployment rate of 70.2% (again, higher for women than for men).

According to the Council of the European Union, youth unemployment and 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 (Council of the European Union, 2020). Furthermore, in Kosovo*, research conducted by the Ministry of Culture, Youth and Sport (2019) shows that unemployment is more prevalent among

young people with poor parents with a low level of education from rural areas.

University graduates have as difficult an entry to the labour market as other young people. While the unemployment rate of all graduates in the labour market was 19%, that of recent graduates who had graduated from university within the previous three years of the survey was 49% (Gashi and Bartlett, 2016). Key challenges facing university graduates include the limited cooperation between universities and employers, lack of career guidance support, lack of prior work experience opportunities and employers' dissatisfaction with the relevant skills of university graduates. In consequence, even those graduates who did manage to find a job were often employed in a job whose requirements were below their skill level, a problem that affected as many as 53% of recent university graduates (Gashi and Bartlett, 2016: 50).

Relatively few young people are self-employed, either as entrepreneurs in the sense of setting up a business as an entrepreneur capable of creating jobs for others or in the more traditional

role of craftsman, working on their own account as a sole trader or a farmer. The highest share of self-employment is found among the less educated and medium educated young men, of whom 12.8% and 9.7% respectively are self-employed; however, there are virtually no young women with low or medium education who have set up as self-employed. Among the highly educated youth, only 5.9% of employees are self-employed, possibly working mostly as entrepreneurs, with only minor gender differences. Youth employment policies should therefore strive to encourage more young people into self-employment and entrepreneurship.

Young people are adversely affected by temporary employment, with about four out of every five young people having a temporary job (see Figures A6). This phenomenon is broadly based with little difference between education levels or gender, with the exception of less educated young women, only half of whom have a temporary job. Relatively few young people work on a part-time basis, with only about one in twenty having a part-time job, with little variation across education level or gender (see Figure A5). The only exception is for people with a low level of education, of whom about one in ten have a part-time job. This all suggests that youth employment policy should seek to support a greater proportion of young people into permanent job positions, given the exceptionally high incidence of precarious temporary contracts among this group of workers.

1.2 The impact of COVID-19

The economy of Kosovo* plunged into recession in 2020 due to the Covid-19 pandemic-related lockdown and travel restrictions. Based on quarterly data for 2020, the provisional estimate of annual GDP contraction is 3.9%¹⁰. The key drivers of recession were severely contracting exports and investment, which dropped by 29.4% and 18.8%, respectively¹¹.

In line with declining economic activity, job growth was negative in Kosovo* in 2020. Notwithstanding employment losses, the simultaneous decline in labour force participation, combined with policy measures to safeguard jobs, limited the increase in the unemployment rates.

In March and April 2020, a Fiscal Emergency Package was adopted to reduce the effects of the COVID-19 emergency on the economy. The Package provides for a monthly payment of €130 for people registered as unemployed at the Employment Agency, who are in difficult social conditions and who are not already beneficiaries of social assistance payments; this measure was not only for young people but for all people which are registered as unemployed in Employment Office.¹²

It seems likely that this measure may have led to an increase in registered jobseekers at the employment office. Data from the Employment Agency show a substantial increase in the number of registered unemployed youth in 2020, from 7,150 in January, 2020 to 23,790 in April, 2021 with most of the increase coming in the second quarter of the year; by December,

10 EC 2021 report, https://ec.europa.eu/info/sites/default/files/economy-finance/tp048_en.pdf

11 EC 2021 report, https://ec.europa.eu/info/sites/default/files/economy-finance/tp048_en.pdf

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

2020 the numbers had fallen to 17,986.¹³ According to the Labour Force Survey there were 36,400 unemployed youth in the third quarter of 2020.¹⁴ Comparing this to the 17,000 unemployment registrations in Q3 of 2020, it can be seen that only about 48% of young people register with the Employment Agency. This suggests that young people would be willing to engage with the public employment services, given the right incentives, but otherwise feel that these services do not have much to offer them. For this reason, the prospect of an improved and targeted activation programme through the introduction of a future Kosovo* Youth Guarantee could offer the required incentive to ensure the more regular registration of currently unregistered young people who are out of employment, education and training. During COVID-19 pandemic, youth unemployment shot up from 46.4% in Q1 to 54.1% in Q2 but fell back to 46.9% in Q3.¹⁵ Thus, it appears that the first wave of the COVID-19 pandemic was particularly hard on young people, and easing of restrictions during the summer months led to a V-shaped recovery. The proportion of young people not in employment, education or training (NEET) increased from 29% in Q1 to 36.1% in Q2, increasing further thereafter to 37.7% in Q3.¹⁶ Thus, the COVID-19 crisis was particularly harsh for the NEET population who did not benefit from the seasonal recovery.

The Emergency Package also provided a wage subsidy for companies that hire new workers on a labour contract of one year or more in the amount of EURO 130 per worker per month for the first two months of employment.¹⁷ This could be further developed and scaled up under a Kosovo* Youth Guarantee.

In addition, in August, 2020 Kosovo* adopted an extended program of support, the Programme of Economic Recovery¹⁸ with the goal to contribute to economic recovery and stabilization. As part of this Programme, EURO 67 million (Measure 3) is planned for employment measures, with a specific focus on groups of workers with a lower probability of finding employment during the crisis, including young people. Youth is also targeted in Measure 7 of the Programme where EURO 5 million fund will offer support for youth employment.

Considering youth as the most precious potential, the government acknowledges that this category has been disproportionately hit by the pandemic and therefore needs to be supported in order to increase youth activity rate. Economic support is planned to be distributed during 24 months and consists of: *a) granting EURO 30 million for innovative start-ups created by youth (with one single initiative being funded up to EURO 10,000); b) disbursing EURO 8 million to cover half of the financial cost for companies that engage young people for internships for 12-month period.*¹⁹

¹³ Regional Cooperation Council Employment Observatory database.

¹⁴ Kosovo* Agency for Statistics, Labour Force Survey Q3 2020, Table 2.2.

¹⁵ Kosovo* Agency for Statistics, online data.

¹⁶ Kosovo* Agency for Statistics, online data.

¹⁷ See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/3/socio-economic-measures-for-the-coronavirus-crisis-in-kosovo>

¹⁸ https://mf.rks-gov.net/desk/inc/media/FEC082F0-53E1-46B9-BC9B-5F23C29920CE.pdf?fbclid=IwAR2c6uVrwnmK8WtMFk-NO-eNLCi4Heol25BQoP_Ydmq-wc131NTAfh2XVv6Q

¹⁹ The policy foresees as a protection measure for youth exploitation that companies will benefit only if they do not use such program to substitute the existing employees with the new interns.

1.3 Key challenges facing the youth labour market

The weakness of the labour market and the high level of inactivity among young people and the working population in general pose numerous challenges to policymakers in Kosovo*. Among the greatest challenges are lack of jobs available for young people, lack of comprehensive support for youth entrepreneurship and self-employment, high gender disparities in the labour market, as well as problems of skills mismatch and skill gaps in the labour market. In this section we identify some of these key challenges which will inform the development of a Road Map of policies and improve the situation of young people in Kosovo*.

1.3.1 Lack of jobs

As indicated in the introduction, despite a relatively strong growth performance of the economy, the number of jobs in Kosovo* has grown rather slowly over the last decade. In 2019 Q2, Kosovo* generated 16,600 new jobs (year on year), with jobs created in industry and agriculture, but fell in the service sector – “other services,” in particular²⁰.

Part of the challenge for youth employment is the deficiency of labour demand in relation to labour supply. Raising the demand for labour especially for young people would therefore seem to be an essential component of youth employment policies. Various approaches can be taken to increase the demand for labour. This may include a number of measures to stimulate

²⁰ World Bank and wiiw: Western Balkans Labour Market Trends 2020

²¹ Kosovo* currently has three incubator centres: Innovation Center Kosovo*, UNICEF Innovations Lab Kosovo*, and Innovation Center Gjakova (see Rovčanin, 2019).

domestic entrepreneurship, reduce the costs of doing business and attract foreign investment; however, these policies go beyond the scope of youth employment policies as such. More direct intervention in the labour market could involve the use of wage subsidies, at least up to the level of the minimum wage for young people, currently standing at EURO 130 per month. This would incentivise employers to take on young workers whose productivity is below this level. Recent research has shown that increasing the minimum wage would reduce the demand for labour (World Bank, 2020). By inference, effectively removing the minimum wage constraint for eligible employers of young people through a targeted youth wage subsidy should increase the demand for labour.

1.3.2 Barriers to youth entrepreneurship

Although micro and small enterprises make up the bulk of businesses in Kosovo*, they have difficulty in developing into medium sized companies. A key problem is that commercial banks do not finance start-ups during their first 6–12 months of operations and have almost stopped servicing microenterprises (World Bank, 2018). An additional constraint is the limited scope of support and advisory services, especially the shortage of incubation space and the limited support for growth-oriented start-ups (Lajqi et al., 2019).²¹

1.3.3 Weak educational system especially in VET programmes

The educational system in Kosovo* is relatively weak. Despite expenditure on education of 4.5% of GDP (similar to the EU average), performance of students is under par by international comparisons. The Organisation for Economic Co-operation and Development's (OECD) Programme for International Student Assessment (PISA) tests carried out in 2018 show that 15 year olds in Kosovo* perform least well in the Western Balkans, with scores in Reading standing at 353, Mathematics 366, and Science 365 compared to Western Balkans averages of 402, 414 and 421 respectively. A major cause of poor educational performance is lack of teaching materials. As many as 86% of pupils in Kosovo* are taught in schools where the lack of educational materials poses a severe hindrance to learning (OECD 2019), while poor physical infrastructure is holding back 47% of pupils. Consequently, Kosovo* has the worst performance in the region on PISA tests, with 78% reaching below level 2 for reading skills, compared to an average of just 23% in the OECD countries. Moreover, about one tenth of young people also leave school early, failing to progress beyond compulsory education level to upper secondary education; in 2018 some 9.6% of the population aged 18-24 were early school leavers with, at most, lower secondary education. The education system is therefore failing to equip school leavers with the requisite skills required by a modern labour market.

High quality education and the availability of appropriate training can contribute to youth employment by providing young people with the suitable skills demanded by employers. Currently, more than four-fifths of the

unemployed young people have low or medium level of education.²² This is a major concern for the government, as these young people might choose to emigrate to EU countries, if no job opportunity is offered to them. In addition, more than half (54%) of young people in Kosovo* are often unable to work in their chosen profession (FES 2020). Only just over one quarter (27%) of young employees work in their chosen profession, indicating a high level of mismatch between labour force qualifications and labour market needs. Women have a higher tendency to work in their profession than men (FES 2020). Employers' experience substantial skill gaps, with especially among young people and new entrants to the labour market (World Bank, 2019: 10).

1.3.4 Lack of work experience

Quality education should provide opportunities for early exposure to the labour market in order to mitigate the lack of work experience. This can be done through internships or apprenticeships. Internships are available for young people in both the private and public sector. However, these opportunities are only for a limited duration, meaning that after the internship ends, the young person risks becoming unemployed. Internships are mostly held in the public sector; private employers have difficulty finding qualified candidates as the education system does not adequately prepare students for the work environment with appropriate skills.

In Kosovo* about 44%²³ of firms report that inadequately educated workforce constrains them from offering internships/apprenticeships to young people, thus keeping youth in a vicious circle of not getting more work experience

and further decreasing their opportunities for future employment. An academic background or experience written in the CV is not sufficient for employers. Respondents from the business community say that it has often been more convenient for them to recruit an inexperienced person for a vacancy than a qualified school leaver or university graduate, as the latter are typically unprepared for the job.

According to the Skills Towards Employment and Productivity (STEP) Survey conducted in Kosovo* (World Bank, 2019a), skill and experience gaps were among the major labour constraints reported by firms respective to potential growth. In this WB study, 40% and 50% of firms reported that general education does not adequately prepare students for the workplace – either in terms of up-to-date knowledge or soft skills (World Bank, 2019a)²⁴.

Similarly, survey data from a 2019²⁵ survey of 744 businesses operating in the seven geographical regions of Kosovo* highlight that among companies that hired employees over the last three years, around a third report they faced difficulties in the recruitment of appropriate candidates. Companies were particularly likely to report difficulties in hiring craft and related trade workers, plant and machine operators, and assemblers, services and sales workers, and professionals. Lack of experience is the top reason cited for difficulties in hiring across occupational groups. This is closely followed by a lack of skills in most occupations. Shortage of qualified specialists in marketing, sales, and design makes it harder to compete in export markets, where new product development and placement are vital. Firms distrust the education and VET systems to train people with

the required skills. Hiring is mostly informal and connections based – close to two thirds of firms reported recruiting from informal channels, for professional/ technical jobs. The second most popular hiring channel is making job offers to experienced people from other firms. Only 17 percent of firms reported being in regular contact with educational/technical institutions to hire professional/technical staff, and only 7 percent in the case of non-technical staff.²⁶

1.3.5 Lack of information on job vacancies

One of the challenges to increasing youth employment relates to the need to increase information about job vacancies and also the capacity to manage effectively information about job vacancies.

Young people lack information from their educational institutions about labour market opportunities, and are not well served by career guidance services. One of the reasons for this is lack of cooperation between educational institutions and private business sector. Therefore, schools and universities should work more closely with the business sector, so that young people are prepared for a faster transition to the labour market when they complete their education.

A survey of companies in Kosovo* highlighted that companies in Kosovo* hire mainly through recommendations and family connections. Companies who have hired through public announcements have stated that they have published the vacancy announcement on company premises (52%), newspapers (15%),

²⁴ <https://openknowledge.worldbank.org/bitstream/handle/10986/31720/Kosovo-Skills-Towards-Employment.pdf?sequence=4&isAllowed=y>

²⁵ [Employment-and-Labour-Market-Analysis-ENG.pdf \(yesforkosovo.org\)](https://openknowledge.worldbank.org/bitstream/handle/10986/27173/ACS21442-WP-PUBLIC-ADD-SERIES-KosovoJDWEB.pdf?sequence=1&isAllowed=y)

²⁶ <https://openknowledge.worldbank.org/bitstream/handle/10986/27173/ACS21442-WP-PUBLIC-ADD-SERIES-KosovoJDWEB.pdf?sequence=1&isAllowed=y>

²² Data for 2019 q2 from World Bank/WiiW Jobs Gateway for Southeastern Europe online data

²³ Data from Enterprise Surveys 2019, World Bank: Western Balkans Labour Market Trends 2020

job portals (47%), radio/TV (28%), social media networks (75%), and employment offices (14%). Social media networks continue to be an important tool to be used to announce vacancies. This is a result of the high use of internet among youth in Kosovo* and high use of social media networks. As a result, companies use these networks to announce new vacancies as they know that they might receive the desired audience. Job portals are also important as they are published online and job seekers check those websites.²⁷ Another

factor contributing to the information on job opportunities not reaching youth is that some employers do not have recruitment resources dedicated to hiring employees, therefore they tend to rely on informal channels as their tool to fill vacancies²⁸. This practise can reduce the circulation of information on job vacancies and can make youth more vulnerable compared to adults, who may find jobs via informal channels easier due to their greater professional and personal networks.

²⁷ <https://yesforkosovo.org/wp-content/uploads/2020/06/Employment-and-Labour-Market-Analysis-ENG.pdf>

²⁸ Job Creation and Demand for Skills in Kosovo* : What Can We Learn from Job Portal Data? 2020

2 STRATEGIC FRAMEWORK FOR EMPLOYMENT AND EMPLOYMENT POLICIES

2.1. Strategic framework for employment

Several ministries have adopted strategies and action plans to tackle the issue of youth unemployment and inactivity through various measures including the Office of the Prime Minister (OPM), the Ministry of Labour and Social Welfare (MLSW), the Ministry of Education, Science and Technology (MEST), the Ministry of Trade and Industry (MTI), the Ministry of Economic Development (MED), and the Ministry of Culture, Youth and Sport (MCYS). From time to time other ministries are involved in youth policies.

- ▶ The **National Development Strategy (NDS) 2016-2021** has been developed by the Office of the Prime Minister.²⁹ It emphasises the importance of linking

education and training with the labour market. The NDS has defined several general priorities and measures in the field of employment and education, to increase employment and improve the employability of young people. It supports an improved quality of teaching in primary and secondary education to strengthen the skills of youth for the labour market. It also supports professional internships for young people.

- ▶ The **Sector Strategy on Employment and Social Welfare 2018-2022** has been developed by the MLSW.³⁰ It proposes measures to improve the public employment services and to increase the coverage and efficiency of active labour market measures (ALMP). The **associated Action Plan for Increasing Youth Employment**³¹ had a budget of €17.4 million for 2018-2020 focused on youth employment and harmonising vocational education and training with labour market

²⁹ See: http://www.kryeministri-ks.net/repository/docs/National_Development_Strategy_2016-2021_ENG.pdf and <https://kryeministri-ks.net/wp-content/uploads/2019/02/First-Report-on-the-implementation-and-results-of-the-National-Development-Strategy-2016-2021.pdf>

³⁰ See: <https://mpms.rks-gov.net/en/mpms-lanson-strategjine-sektoriale-2018-2022-dhe-planin-e-veprimit-per-punesimin-e-te-rinjve/>

³¹ The Action Plan was drafted in 2017 by an inter-ministerial group consisting of representatives of ministries related to employment, education and training. The group was composed of representatives of the following ministries: Ministry of Labor and Social Welfare (MLSW), Ministry of Education, Science and Technology (MEST), Ministry of Culture, Youth and Sports (MCYS), Ministry of Trade and Industry (MTI), The Ministry of Economic Development (MED), the Ministry of Agriculture, Forestry and Rural Development (MAFRD), the Ministry of Finance (MoF), the Ministry of European Integration (MEI) and the Office for Strategic Planning (SPO) of the Office of the Prime Minister

demands.³² It aims to provide career guidance and counselling services and increase of the quality of practical teaching at school and professional practice outside school. It also aims to develop youth entrepreneurship. An assessment report on the Action Plan recommended that MLSW and MEST should push forward the adoption of the Administrative Instruction on Dual Learning and promote cooperation between VET schools and businesses to link the curricula to the labour market demand for skills (KEEN, 2019).

- ▷ The **Kosovo* Education Strategic Plan (2017-2021)** has been developed by the MEST.³³ Its focus is on improving the relevance of school programmes to labour market needs, the development of a VET specific core curriculum, the provision of high quality work experience and professional practice, providing career guidance and counselling, and ensuring the further development of the Centres of Competence for vocational training. The plan envisaged that VET schools would sign cooperation agreements with companies to provide work-experience placements for VET students in the form of internships.³⁴
- ▷ The **Professional Practice Strategy 2013-2020** was developed by MEST.³⁵ It aimed to increase the number of employers providing places for work-based learning combined with financial and non-financial incentives. It also aimed to increase the

number of VET students participating in work-based learning, while ensuring that this is appropriate to their needs and abilities, combined with additional support for the qualifying VET students involved. Furthermore, it aimed to ensure that work-based learning would meet the required occupational standards and quality assurance frameworks, and that vocational skills achievements would be recognised with appropriate certification.

- ▷ The **Kosovo* Skills Vision 2020** has been developed by OSP/PPM, MEST, MLSW. It proposes measures to harmonise vocational education and training with labour market needs, promote entrepreneurship and innovation and reform and modernise employment services according to labour market needs.
- ▷ The **Private Sector Development Strategy 2018-2022** has been developed by the MTI. It proposes measures to provide support for the development of technical innovative and managerial skills for new and existing entrepreneurs. It proposes the continuous improvement of access to funding, including providing entrepreneurship grants.
- ▷ The **Information Technology (IT) Strategy** has been developed by the MED.³⁶ It aims to enhance entrepreneurship in the IT field, including the framework of incentive conditions for entrepreneurship in IT. It emphasises that IT sector could play an important role in reducing youth unemployment in Kosovo*.

32 See: <http://kosovoprojects.eu/wp-content/uploads/2020/02/Implementation-of-MLSW-Sectorial-Strategy-in-2018-and-2019.pdf>

33 See: Kosovo* Education Strategic Plan (2017-2021) Strategic Objective SO6. See: <https://masht.rks-gov.net/uploads/2017/02/20161006-kesp-2017-2021-1.pdf>

34 The Vocational Education Division of the MEST is responsible for the development of vocational education policies within the school system.

35 See: <https://masht.rks-gov.net/uploads/2015/06/a-strategija-e-pp-ne-kosove-2013-2020-eng.pdf>

36 See: https://stikk.org/wp-content/uploads/2018/11/Kosovo*_IT_Strategy_V01-00_29-06-2016.pdf

- ▷ The Youth Strategy 2019-2023 of the MCYS is based on government priorities and youth needs.³⁷ It aims to encourage co-operation between youth organisations, as well as between central and municipal bodies to strengthen youth policies and programmes. Among its strategic

objectives is the aim to prepare young people for the labour market by providing career counselling and information about job opportunities and develop guidelines for youth entrepreneurship backed up by start-up grants for young entrepreneurs.

Table 1: Summary of youth employment policies

Policy area	Measures targeted at youth	Non-targeted measures available to youth
Joined-up policymaking and implementation involving multi-agency work	Youth Strategy 2019-2023	National Development Strategy 2016-2021; Action Plan for Increasing Youth Employment
Wage subsidies, social insurance relief, and tax incentives for employers who take on young people	..	COVID-19 Fiscal Emergency Package; Regulation No. 01/2018 on ALMPs
Vocational training programmes for inactive and unskilled youth, including developing digital skills	Kosovo* Education Strategic Plan (2017-2021)	Information Technology Strategy; Regulation No. 01/2018 on ALMPs
VET reform involving improving the quality of education in vocational secondary schools	National Development Strategy 2016-2021; Kosovo* Skills Vision 2020	..
Work-based traineeships and apprenticeships	..	Regulation No. 01/2018 on ALMPs
Unpaid internships and work experience placements	National Development Strategy 2016-2021; Professional Practice Strategy 2013-2020	..
Youth entrepreneurship programmes	Kosovo* Skills Vision 2020; Youth Strategy 2019-2023	Private Sector Development Strategy 2018-2022; Regulation No. 01/2018 on ALMPs
Career guidance and counselling	Kosovo* Education Strategic Plan (2017-2021); Youth Strategy 2019-2023	Regulation No. 01/2018 on ALMPs
Improving public employment services for youth	Kosovo* Skills Vision 2020	Sector Strategy on Employment and Social Welfare 2018-2022 (and Action Plan); National Development Strategy 2016-2021

37 See: https://www.mkrs-ks.org/repository/docs/Strategy_for_Youth_2019-2023.pdf

2.2 Employment policies and measures

The Employment Agency of the Republic of Kosovo* (EARK) is the central authority that coordinates the implementation of ALMPs across the economy. According to MLSW regulation on active labour market measures (ALMM) (No. 01/2018)³⁸, following ALMMs have been implemented in 2019. Although these measures are general and not directly targeted to youth, except internships, youth are able to participate:

- 1. Wage subsidy** creates employment opportunities for the unemployed by subsidizing the employer for the salary of the unemployed to recruit them for at least 12 months. The subsidy payments to the employer are equal to the 50% of the gross monthly salary for a period of 6, 9 or 12 months within one-year employment contract, but the subsidy cannot be lower than the minimum monthly wage.
- 2. On-the-job training** offered to the unemployed registered at EARK, with the priority given to those on the risk to become long-term unemployed. Training is provided on the basis of an individual training plan, which is a formal document that defines in a structured manner the knowledge, skills and competences that should be offered to the unemployed during the on-the-job training. The beneficiary is entitled to receive a financial compensation allowance to cover the training costs, which is not lower than 70% of minimum wage.
- 3. Vocational training** is offered free of charge to unemployed and registered

jobseekers who are unemployed. Different types of vocational training are offered: (i) the institutional training provided by the network of Vocational Training Centres (VTCs) within the scope of the EARK; (ii) combined "VTC-enterprise" training when a part of the training, mainly the theoretical part, is provided directly in the VTC, while the practical part is directly in the enterprise; (iii) Training contracted by accredited external providers.

- 4. Practice at work** or internships are offered to registered unemployed graduates from higher education institutions, VTCs and other vocational training accredited by NQA. The beneficiary may receive compensation in the form of monthly financial assistance not lower than the amount of the minimum wage.
- 5. Self-employment and entrepreneurship promotion** includes different forms of assistance provided to the registered unemployed persons. These include: (i) training for basic business skills; (ii) assistance to the preparation of a sustainable and viable business plan; (iii) financial support through the provision of grants to start a business; (iv) mentoring and counselling to manage the business for a certain time. In order to receive the grant, the applicant is required to submit a business plan. The winner receives the financial support in the form of a start-up grant of up to €6,000. At the same time, the winner benefits the mentoring and business counselling for 12 months. Under the entrepreneurship promotion measures following services are provided: (i) advanced trainings for business skills; (ii) assistance for the preparation of a sustainable and viable business plan; (iii)

38 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=8366>

financial support through the provision of grants to start a business; (iv) mission and counselling to manage the business for a certain period. The participants are required to compete for the grant based on the business plan submission, and the winner receives financial support in the form of start-up grant of up to €10,000 with the candidate participation of at least 20% of the amount provided by the measure. At the same time, a winner may benefit from mentoring and counselling for 6 months.

- 6. Public Works** are offered to registered unemployed with the priority given to those who are in middle and high risk to become long-term unemployed. The measure is implemented in the cooperation with municipalities and public enterprises for the projects aiming to maintain and rehabilitate municipal and public spaces.

The total budget allocated for employment and vocational training services for 2019 year is EURO 8 million, which is a 110% increase compared to 2018.³⁹ A recent study published by GIZ (2019)⁴⁰ shows that most schemes are focused on entrepreneurship and skills-related trainings. The Table 2 shows the structure of ALMP measures and beneficiaries provided by the employment offices:

Vocational Training Centres (VTC) which provide professional training services on practical knowledge and skills for unemployed and jobseekers in order to better match the labour market needs are part of the EARK. Currently, there are 7 VTCs across Kosovo* that offer training services for 30 different professions.⁴¹

Table 2: Beneficiaries and structure of ALMP measures

Programmes	2015	2016	2017	% 2017	2018	% 2018	2019	% 2019
Internship	188	434	728	8%	1,101	12.7%	2,705	23.4%
On-the-job training	281	951	478	5%	493	5.7%	420	3.6%
Self-employment	49	54	35	0.4%	390	4.5%	214	1.9%
Wage subsidy	498	474	713	8%	336	3.9%	445	3.9%
Vocational training	4,055	6,736	5,979	68%	5,497	63.2%	6,603	57.2%
Out of which at VTCs	3,811	6,641	5,612		5,300		6,281	
Combined – at VTC and enterprise	244	95	367		197		322	
TOTAL implemented	6,936	7,687	8,806	100%	8,694	100%	11,536	100%

Source: EARK (as cited in GIZ, 2019)

39 <https://yesforkosovo.org/wp-content/uploads/2020/06/Employment-and-Labour-Market-Analysis-ENG.pdf>

40 See also: <https://yesforkosovo.org/wp-content/uploads/2019/12/Report-ENG.pdf>

41 <https://apr.k.rks-gov.net/Content/TrainingCenters/Index>

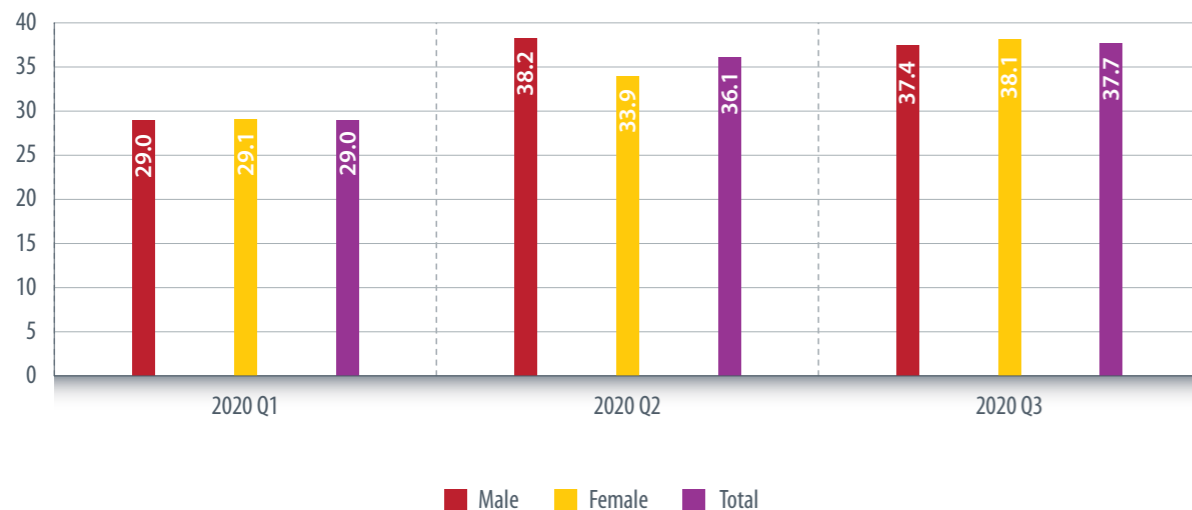
3 MAPPING THE SITUATION OF NEETs

Kosovo* has a high proportion of young people who are neither in employment, nor in education and training (NEETs) who are often unwilling to accept a position offered to them because of their societal values and high reservation wage associated with the receipt of remittances from abroad. In 2019, the proportion of NEETs in the 15-24 age group (the NEET rate) was 37.7%.⁴² This picture has not changed much over time, and from 2015-2019 there was an annual average of 107,000 NEETs, reaching 110,000 in 2019. Such a large number of young people who are detached from the education system and the labour market is

concerning, since they may eventually become unemployable and remain unemployed on a long-term basis having not acquired the skills needed to ensure their sustainable integration into the labour market.

In 2020, the proportion of NEETs was similar among young women and young men, exhibiting a greater gender neutrality than in the case of the activity rate and unemployment rate (see Figure 3).⁴³ This may indicate that the greater inactivity and unemployment of young women (as seen in Figures A1 and A3) is offset by their greater uptake of educational opportunities.⁴⁴ The NEET rate is higher among

Figure 3: NEET rate 2020 by quarter, Kosovo* (%)



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

⁴² It should be noted that the NEET rate is lower than the overall inactivity rate since many young people attend education institutions and are therefore not "out of education or training".

⁴³ Data from Kosovo* Agency for Statistics, online data from Labour Force Survey.

⁴⁴ In 2019 there were 4,459 female students registered to study at public universities in Kosovo* and 2,928 male students (KAS, 2019, Table 13.1)

those with medium level of educational attainment compared to those with low or high educational levels. This point will be explored in more detailed further below in this section. Interviews conducted with NEETs found that, due to limited job opportunities, many aim to move abroad (typically to Germany) since they believe they are unlikely to find a job in Kosovo*. One young person (NEET) stated:

"...my only way right now is just to get out of here, if you don't have family members, friends or people you know that have positions anywhere in government you would not have a good chance to get a job in your profession. I spent four years in the University to be a teacher, and what I get is to work in a supermarket for €200 8h-11h a day and 6 days a week. I think it is absurd".

As indicated above, there are many early school leavers in Kosovo*, comprising about one tenth of the youth cohort. These young people have left school at or before the end of compulsory education at around the age of 15. In the second quarter of 2019, there were 117,200 young people with a low level of education, meaning that they had left the education system after the end of primary education or before.⁴⁵ Given that there were 110,000 NEETs in 2019 it is likely that most were young people with a low level of education.

3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

NEETs are among the vulnerable groups in the Kosovo* sectoral strategy for labour and social welfare. The Action Plan on Youth Employment has included the NEET rate as an indicator for measuring the degree of access of youth to labour market opportunities. Nevertheless, stronger efforts to integrate non-registered NEETs in the labour market to reduce the high level of youth unemployment would be appropriate.

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 age groups should be developed such as for those aged 15-19, 19-24, and 25-29. For the 15-19 age group, special 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

⁴⁵ World Bank / WIIW Jobs Gateway in Southeastern Europe database

between the Centres for Social Work and the Employment Agency. 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 the Employment Agency and as well as business start-up advice and loans for those with a viable business plan.

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

The development of a future Youth Guarantee programme in Kosovo* is predicated on an ability to identify and reach the group of unregistered NEETs and encourage them to register with the Employment Agency so that they can benefit from the envisioned Kosovo* Youth Guarantee. One of the government's priorities is to promote employment among young people and the Employment Agency has made "Increasing the effectiveness of active labour market measures and employment services" one of its main objectives in the 2019-2021 employment policy. Youth employment measures are intended to become more "client-centred" and sensitive to the preferences and needs of young people to enhance their effectiveness. Measures should also be aligned with international best practice and incorporate design features that have been shown to be effective in youth development

programmes globally. 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 Employment Agency units can be deployed, especially in remote rural areas. For marginal ethnic groups such as Roma, a mediator service can be especially important to engage with displaced and marginalised young people. 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). All this will require moving beyond a narrow focus on enhancing skills and employability and instead adopting a more comprehensive "whole person" approach that also fosters peer-to-peer engagement and age-appropriate communication. This "how" often matters more than the "what". Sound monitoring and evaluation of the measures is also important.

4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES

The main institution engaged in the provision of policy measures to improve the situation of youth on the Kosovo* labour market is the Employment Agency which provides job search services, active labour market measures including vocational training through seven Vocational Training Centres. Making employment interventions sensitive to the needs of young people requires quality staff. Hence, improving employment outcomes for young people will be contingent on adequate recruitment and staff development to ensure they are in tune with young people's realities (World Bank, 2020).

4.1 The Employment Agency

The role of the Employment Agency, which operates under the MLSW, is to implement employment and vocational training policies and to record and report labour market data. The Employment Agency focuses directly on young jobseekers and offers them vocational training through its training centres and it also serves as a bridge between jobseekers and employers. The Employment Agency has local

Employment Centres located in all municipalities and 7 Vocational Training Centres located in the main regions of Kosovo*.⁴⁶

In 2018, young people in the 15-24 age group made up about 20% of all registered unemployed and 23% of participants in other active labour market programmes (ALMPs).⁴⁷ This suggests that young people are an important target group for the Employment Agency. However, more could be done for this age group to support young people's transition to employment. For example, the Employment Agency can develop a better understanding of young people and design its services and measures through a youth lens. Promoting employment requires a policy mix to strengthen the demand for workers (a strong business environment and adequate sectoral policies), the quality of labour supply (education, health, and an enabling environment to work), and adequate policies to facilitate matching between labour supply and demand. This is where relevant ministries, Employment Agency and other service providers can play an important role, fostering young people's transition to work through targeted support measures. MEST and MLSW can cooperate better in order to identify the sectors that have potential in the future as well as prepare young people through appropriate vocational training courses.

⁴⁶ Prishtina, Prizren, Peja, Mitrovica, Ferizaj, Gjilan, and Gjakove

⁴⁷ Data based on RCC ESAP internal collection of PES data

5 A ROAD MAP FOR YOUTH EMPLOYMENT IN KOSOVO*

Youth employment policies have been developed in Kosovo* on a piecemeal basis, with different Strategies developed by a variety of Ministries and other government institutions. Experience from the EU and around the world identifies a number of essential components of effective policies in this field. These are summarised in Box 1:

Box 1: Essential components of effective youth employment policies

- Joined-up policies involving multi-agency work
- Job creation: Wage subsidies for businesses who employ young people
- Youth entrepreneurship programmes
- Self-employment incentives
- Training programmes for inactive and unskilled youth
- Apprenticeships and work-based training
- Developing the digital skills of young people
- Career guidance, information and networking
- Outreach programmes to NEETs
- Building the capacity of public employment services
- Monitoring and evaluation

Several of these policies have already been partially implemented in Kosovo* as identified in section 2 above. There remain several gaps that need to be filled to enable a coordinated and coherent policy approach to addressing the youth employment problem. These could best be addressed by implementing a Youth Guarantee along the lines that has been suggested by the European Commission for the EU member states, with appropriate modifications taking into account Kosovo*'s level of development and extent of progress in the EU accession process.

This section presents the roadmap for Youth Guarantee in Kosovo*, and while this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Kosovo* Youth Guarantee Implementation Plan.

5.1 A Youth Guarantee for Kosovo*

In order to establish a youth guarantee scheme in Kosovo*, the first step should be to appoint a Youth Guarantee Coordinator as a focal point in either the MLSW or the MEST at Assistant Minister level. This person would provide leadership for the design and implementation of the guarantee package and would champion the swift introduction of the measures in Kosovo*. Other relevant ministries and agencies should be involved in a Kosovo* Youth Guarantee

Steering Group, which is the inter-ministerial task force to establish youth guarantee. It is consisted of relevant institutions including the Ministry of Education, Science and Technology (MEST), the Ministry of Trade and Industry (MTI), the Ministry of Economic Development (MED) and the Ministry of Culture, Youth and Sport (MCYS), the Employment Agency (EARK), as well as representatives of the social partners and youth organisations.

Effective cooperation and integration with social partners, representatives of young people's association and youth clubs, Centres for Social Work, and the Employment Agency will be crucial for successful implementation of the Kosovo* Youth Guarantee. The Employment Agency (EARK) needs to establish effective communication with schools and other providers of training and education. Intensive cooperation with employers is also vitally important. Therefore, formal partnerships should be developed with employers who are willing to offer jobs, work-experience training opportunities and apprenticeships to young people within the framework of the Kosovo* Youth Guarantee. Partnered employers will benefit from public subsidies but will also be regulated to ensure that the jobs they offer are decent high quality jobs and that their training provision and apprenticeship schemes offer added value to each involved young person's human capital. Cooperation with institutions working with young people, such as Centres of Social Work, schools and universities, youth organisations and NGOs that operate within the youth sector is essential in order to inform and encourage young people to register with the Employment Agency as soon as possible after they complete schooling or graduating from university, or if they are in a NEET situation.

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48 In the EU, each member state has appointed such a Coordinator, the list of whom appears in EC (2020).

49 See also: Republika Slovenija (2016) Youth Guarantee Implementation Plan 2016-2020, Ljubljana: Ministrarstvo za Delo, Družino, Socialne Zadeve in Enake Možnosti

The responsibility of the Youth Guarantee Coordinator will be to ensure that effective coordination and partnerships are implemented across all relevant policy fields relevant to the integration of marginalised youth in Kosovo*.⁴⁸ The Youth Guarantee Coordinator should begin with the creation of a Youth Guarantee Implementation Plan for 2021-2017, aligned to the IPA III timetable. The main objective of the Youth Guarantee will be faster activation of young people in the labour market. Special intensive Youth Guarantee measures will be developed for the long-term unemployed and inactive persons who would nevertheless consider working or further education or training if the opportunities were available. Guidance from the European Council (2020) suggests that the Youth Guarantee should be organised in four phases and the zero phase (preparatory) where four phases are: mapping, outreach, preparation and offer.⁴⁹

5.2 Phase 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 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.

5.3 Phase 1: Mapping and institutional design

The public employment services should further develop mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Research should be carried out to identify the different needs of the various categories of young people, including those already at school, early school leavers without a job or inactive, graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates who do not have a job, especially young women graduates

without work or who would like to start their own business but face financial or other barriers to doing so.

Policies to address youth employment have a cross-cutting nature and should be designed and implemented jointly by governmental institutions at central, regional and local level, the private sector, the business sector, NGOs and youth associations. In order to implement the Youth Guarantee, the Employment Agency will need to forge more intensive partnerships with the business sector, youth organisations, Centres for Social Work, local self-government authorities, and private job agencies. Employment Agency should collaborate with NGOs and businesses to maximise effective identification of needs of the labour market. Businesses should also be involved in the design of youth employment policies as they can define labour market demands and could hire the unemployed youth and NEETs.

5.4 Phase 2: Outreach to unregistered NEETs

In order to get an offer of employment, continued education, apprenticeship or traineeship with the Kosovo* Youth Guarantee scheme, a young person among the eligible categories should be obliged to register with the Employment Agency, and for some categories it is necessary to do some work prior registration with the Employment Agency, which may include work with social services and NGOs. The capacity of the Employment Agency to reach out to encourage greater numbers of young people to register for the Kosovo* Youth Guarantee will need to be further developed. 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 youth from ethnic and other marginalised groups such as Roma, and members of the Serbian communities in Kosovo*. 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.

5.5 Phase 3: Operational preparation

The Youth Guarantee should ensure that all young people are supported by Employment Agency to access the labour market through the provision of high quality public employment services, including the provision of labour market information on vacancies, and improved career counselling and guidance services, as well as 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, more intensive measures of active employment policy should be provided, as well as the opportunities for further education and skills development. Additional interventions should address young people’s preferences and personal development needs, for instance through age-appropriate communication, peer-to-peer learning, positive adult-youth relationships, and support to goal management.

After registering with the Employment Agency, all eligible young people in the target group will be provided with information and basic career counselling by a Youth Guarantee Counsellor. An initial career counselling session will aim to identify the specific needs of the client, their employability, interests and competences. This will lead to an agreement on the client’s employment targets and follow-up activities, including the type of offer that would provide the best match to the identified needs. The counsellor will check the job search skills of the client and agree an individual plan to improve their skills. For those who have completed profiling and are ready for the employment, an appropriate support will be provided, including the creation of a high-quality CV and profile in relevant job portals and providing job referrals to employers who are partnered to the Kosovo* Youth Guarantee. Young people enrolled on the Kosovo* Youth Guarantee will be provided with information on possibilities and opportunities for training, education or realisation of their business ideas.

After three months of unemployment, another round of career counselling needs to be provided which will involve checking the effectiveness of the activities already carried out and the job or training application documents, including the profiles in the job portal. A further agreement on activities to be carried out under the Kosovo* Youth Guarantee will be drawn up after an intensive set of job-search or training/apprenticeship application activities have been agreed. Such activities will comprise intensified career counselling, the creation of new employment objectives and intensified job search activities, and inclusion in a group workshop on career management skills provided by Employment Agency. In this phase, the measures of the Youth Guarantee will introduce a greater focus on opportunities for education and training that are available, with

the aim to increase the client's employability. Training will be adjusted to specific target groups and individual needs in connection with the needs of employers who are partnered with the Kosovo* Youth Guarantee. Job referral will be continued as well as other methods of presentation to employers.

After four months of unemployment and/or after conclusion of different forms of training the client would be offered a more intensive service and additional measures of support within the Kosovo* Youth Guarantee scheme. The intensified services will include in-depth career counselling and/or enrolment in a group learning the career management skills provided by specialised private consultants. The measures would also include more intensive incentives for employers (employment subsidies, co-financed traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups. Young jobseekers will also be provided with a similar set of incentives to join together to start up their own individual or cooperative businesses.

5.6 Phase 4: Offer

The final phase of the Youth Guarantee design should be developed in two stages: a pilot phase in selected local authority areas. This pilot study should be carefully monitored and evaluated to see which measures are most effective. The Youth Guarantee should then be redesigned on the basis of the evidence gathered, and in a second phase rolled out to the entire economy. Young people can be assisted into work by a mix of youth labour market measures that may include subsidised employment which offers income and work experience, support

for entrepreneurial start-ups, specific training for the needs of the labour market, paid apprenticeships within specific businesses, and youth career guidance services. Such services should be designed to be sensitive to the specific needs and preferences of young people (World Bank, 2020). For these measures to be successful, it is crucial that they are implemented with a good understanding of the key target groups and should adopt a youth-centred approach addressing specific barriers to employment in local labour markets.

5.6.1 Creating jobs

In order to bring the most disadvantaged youth and NEETs into the labour market, job creation schemes should be based on wage subsidies for private sector employers offering low wage jobs for young jobseekers registered with Employment Agency who have only primary education qualifications or less, or are secondary VET school graduates. The wage subsidy should be a flat rate subsidy equivalent to the minimum wage of €130 per month, thus eliminating the distorting effect of minimum wages on the demand for labour and increasing youth labour demand. This measure has already been introduced as a short-term response to the COVID-19 emergency but should become a permanent feature of youth employment policy in order to create jobs for disadvantaged young people. The two month limit on the job subsidy should be extended significantly, to at least one year period. Other parallel measures including promoting entrepreneurship and reducing the costs of doing business in general, targeted towards youth entrepreneurs should also be designed and implemented.

5.6.2 Providing entrepreneurial and self-employment opportunities

The creativity and innovativeness of young people should be supported by a combination of measures including incubator services and financial support to innovative youth entrepreneurs.⁵⁰ It should build upon the measures introduced through the Kosovo* Skills Vision 2020, the Youth Strategy 2013-2020 and the Private Sector Development Strategy 2018-2022. Business incubators for youth entrepreneurs should be established as not-for-profit social enterprises, with a focus on young women, NEETs and marginalised groups. Young entrepreneur networks, mentoring schemes and business incubators should be established, including for young women and marginalised youth. Youth entrepreneurship programmes should be developed and supported by training and mentoring by professional entrepreneurs, in partnership with the Employment Agency, chambers of commerce and employer associations.

Start-up grants and loans should be provided to young entrepreneurs to set up new private businesses, cooperatives and social enterprises jobs. These should be backed up with targeted business advisory services and training and mentoring support. The relevant authorities should engage with the European Bank for Reconstruction and Development to finance programmes for youth entrepreneurship through micro-loans, financial support for vocational skills development and business advice in line with the EBRD Economic Inclusion Strategy.⁵¹ The Western Balkan Enterprise Development and Innovation Facility⁵² should be

engaged to provide support, advisory services, and low-cost finance for youth enterprise start-ups. The IPA III funding can support the introduction of the Youth Guarantee. In addition, IPA III funding can finance employment creation and entrepreneurship programs. Moreover, of relevance is the WB Investment Framework in the context of funding opportunities.

5.6.2.1 Enabling self-employment

Self-employment of young crafts persons as sole proprietors should also be supported through start up grants and mentoring support and training.

5.6.3 Apprenticeship and work-based learning

Kosovo* has 59 VET schools for 15-18 year olds within the upper-secondary level of education (ISCED 3), attended by about 56% of students. VET secondary schools in Kosovo* offer two main types of work-based learning programmes: work-based learning in VET schools' own workshops, and professional practice in enterprises. Part of public expenditure on education should be reallocated to the provision of better equipment and teaching materials in vocational schools (VET schools), whose graduates have the most difficulty in entering the labour market. Furthermore, the Kosovo* Education Strategic Plan (2017-21) focuses on improving the relevance of VET school programmes to labour market needs, the development of a VET specific core curriculum, the provision of high-quality work experience and professional practice. However, according to the Strategy for Professional Practice in Kosovo* (2013-2020) many VET students do

⁵⁰ See Shiroka-Pula et al. (2018)

⁵¹ See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

⁵² See: <http://www.wbedif.eu/about-wbedif/>

not participate in work-based learning and VET programmes are not designed through genuine working partnerships between VET schools and employers.⁵³

Therefore, VET schools should be supported to partner with the business sector to develop work-based training programmes for secondary school students.⁵⁴ The quality of professional practice outside school should be enhanced by developing partnerships between employers and vocational schools. This should be designed to introduce work-based training schemes through which VET students spend part of the course in practical training in a business environment (so-called “dual education”). In this way students will gain work experience while still at school and will learn practical skills relevant to the labour market. Work-experience placements should be supported through subsidies to employers. At the same time, and in parallel, the quality of education provision at VET schools should be improved, including through provision of adequate teaching materials, broadband infrastructure and up-to-date computer equipment for practical instruction. This is particularly important since the PISA study demonstrated that a lack of teaching materials and infrastructure and equipment is holding back learning opportunities for a large proportion of school pupils in Kosovo*.

A graduate apprenticeship programmes should be fully supported by partnerships between universities the business sector and through business-university collaboration agreements to ensure the quality of the training and work experience that is provided. The current unpaid internship programme should be converted

to fully-financed graduate apprenticeship programme. The programme should be designed for eligible companies who employ more than 50 workers, with finance provided through an apprenticeship levy on such companies.

5.6.3.1 Traineeship

Training sessions of short duration should be provided to NEETs for immediate labour market integration including digital and green skills, entrepreneurial skills and career management skills. These can be provided by the specialised VET schools (called Centres of Competences - in Building and Construction, and in Commerce, Administration and Trade) which operate under responsibility of MEST and Municipal Directorates for Education, as well as by other training providers in the private sector. Pathways for reintegration of NEETs into education and training should be developed, including second chance education programmes for early leavers from education and training and low-skilled young people.

5.6.3.2 Digital agenda

More investment in digital learning infrastructure and technology should be made in schools and tertiary education institutions.⁵⁵ The measures envisaged in the existing Information Technology Strategy should be further develop and scaled up. Relevant authorities should engage with the EU’s Digital Agenda for the Western Balkans⁵⁶ to provide Digital Opportunity Traineeships to students and young people and to provide NEETs with training in digital skills. The EU Code Week

should be further promoted to young people in Kosovo*.

5.6.3.3 Monitoring and evaluation

All youth labour market measures and employment programmes implemented by Employment Agency, other institutions and special programmes for NEETs including outreach programmes should be regularly monitored and evaluated. The Youth Guarantee

implementation plan should be regularly monitored by a working group in which representatives of all sectors responsible for the Kosovo* Youth Guarantee implementation would participate. The providers of the measures would report to the working group on a regular basis on the implementation of the measures under the Kosovo* Youth Guarantee scheme.



⁵³ MEST (2104) Strategy for Improvement of Professional Practice in Kosovo*, 2013-2020, p. 12

⁵⁴ These measures should be coordinated with the MEST, MLSW, the Agency for Vocational Education and Training and Adult Education (AVETAE) and the Council for Vocational Education and Training and Adult Education (CVETAE) and employers’ associations and chambers of commerce.

⁵⁵ Provision of broadband internet connections to all schools is an aim of the Kosovo* Education Strategic Plan 2017-2021.

⁵⁶ See: https://ec.europa.eu/commission/presscorner/detail/en/IP_18_4242

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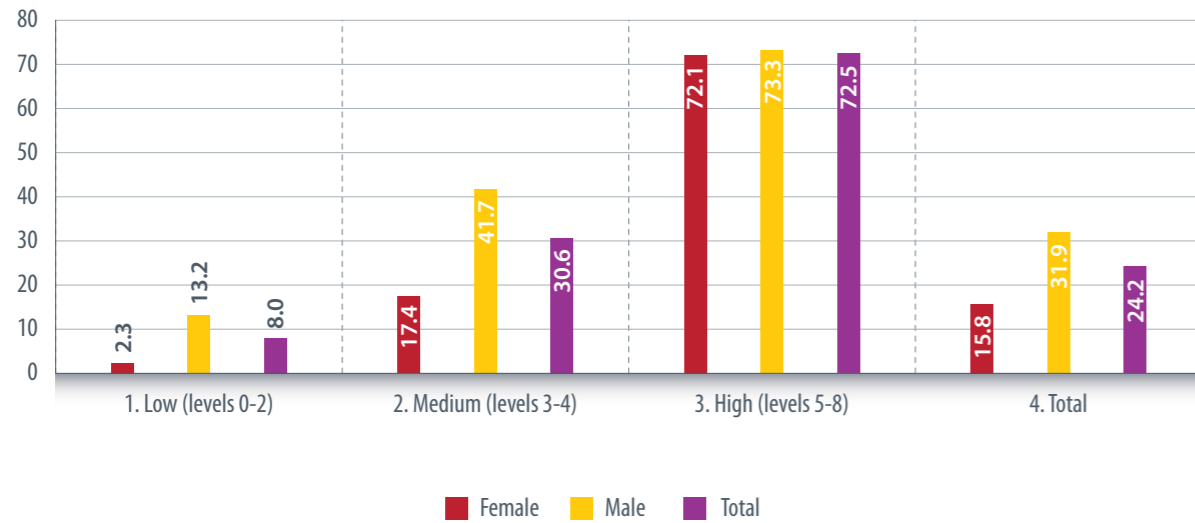
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7 APPENDIX

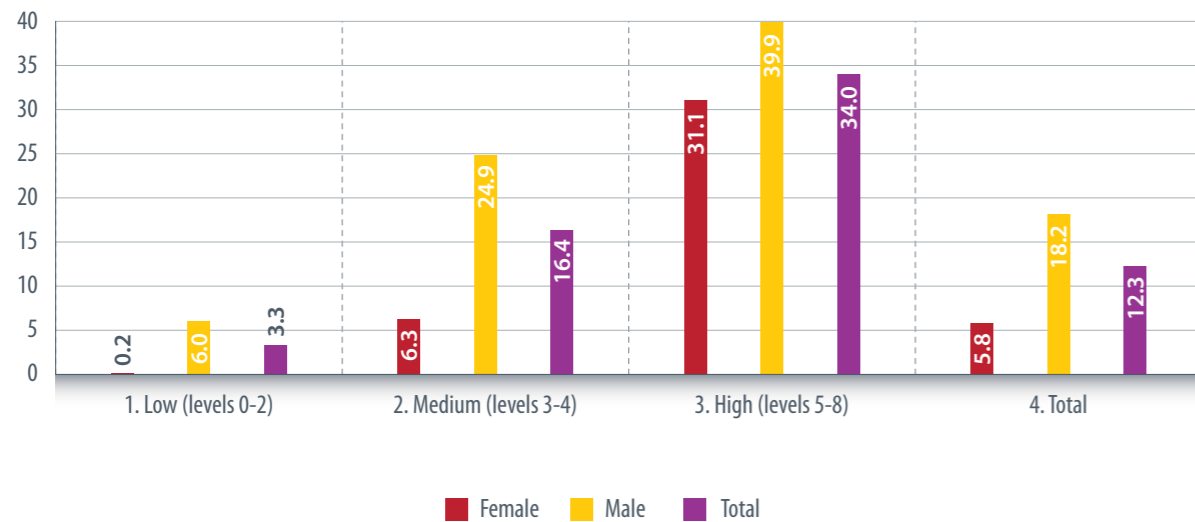
This appendix shows the main labour market performance indicators for 15-24 age group in Kosovo* in the second quarter of 2019. The Figures are constructed from data in the World Bank/WiiW Jobs Gateway for Southeastern Europe online database.

Figure A1: Labour force participation rate by gender and educational level, 15-24 year olds, Kosovo* 2019 Q2 (%)



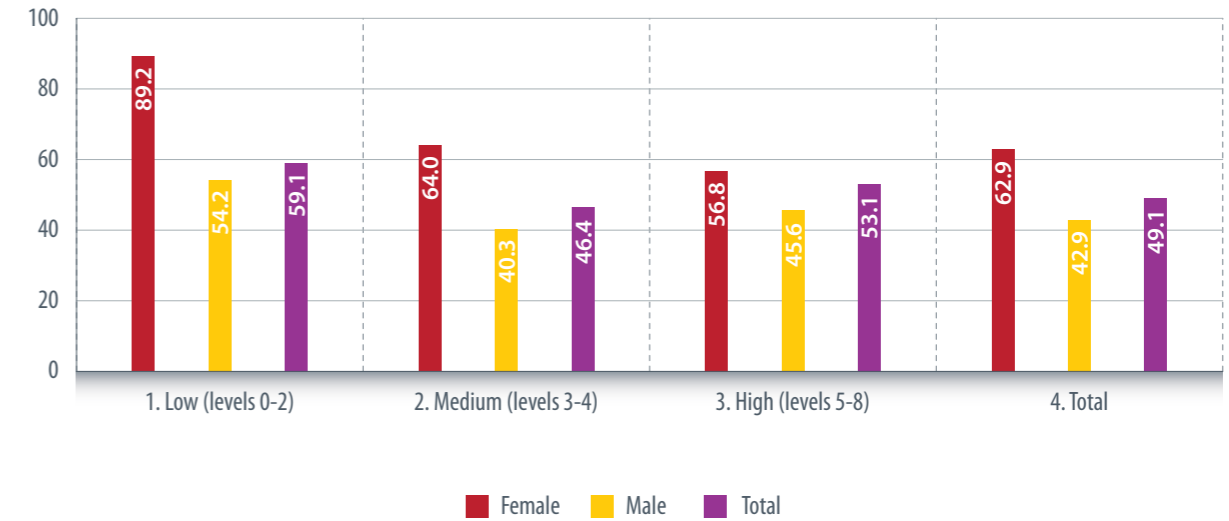
Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online database

Figure A2: Employment rate by gender and educational level, 15-24 year olds, Kosovo* 2019 Q2 (%)



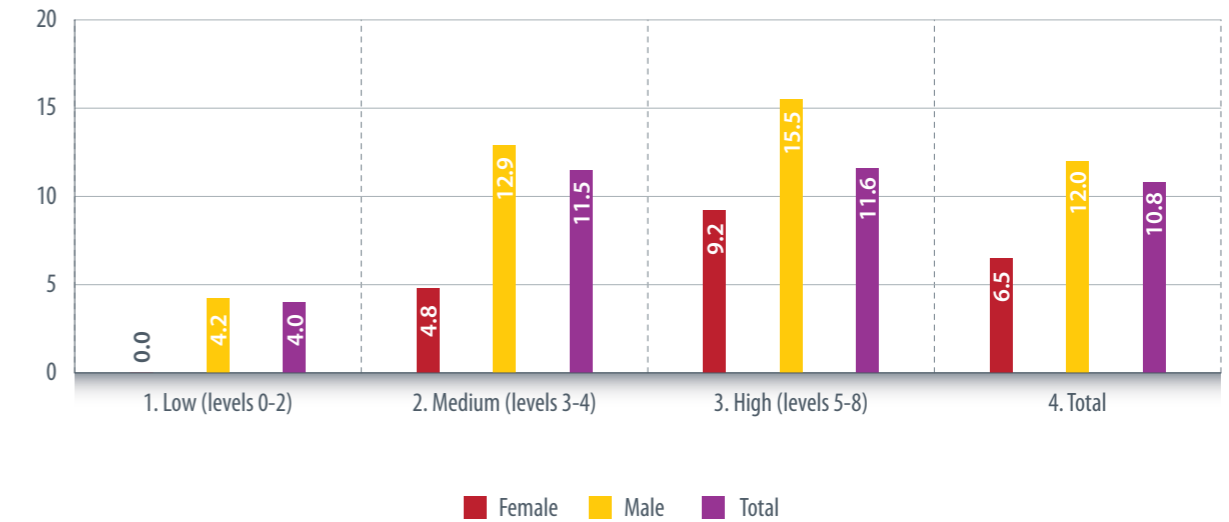
Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online database

Figure A3: Unemployment rate by gender and educational level, 15-24 year olds, Kosovo*, 2019 Q2 (%)

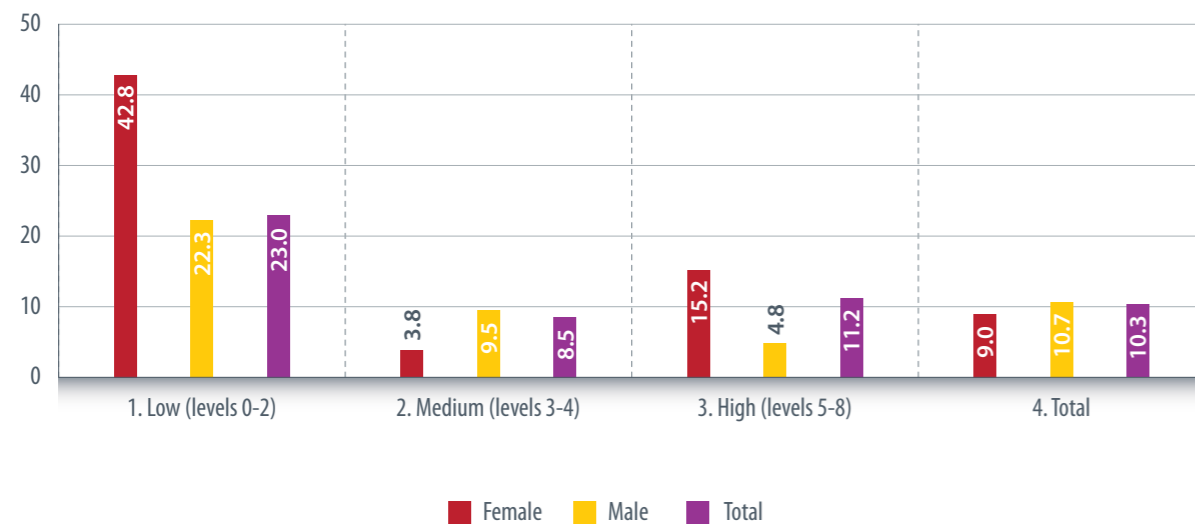


Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online database

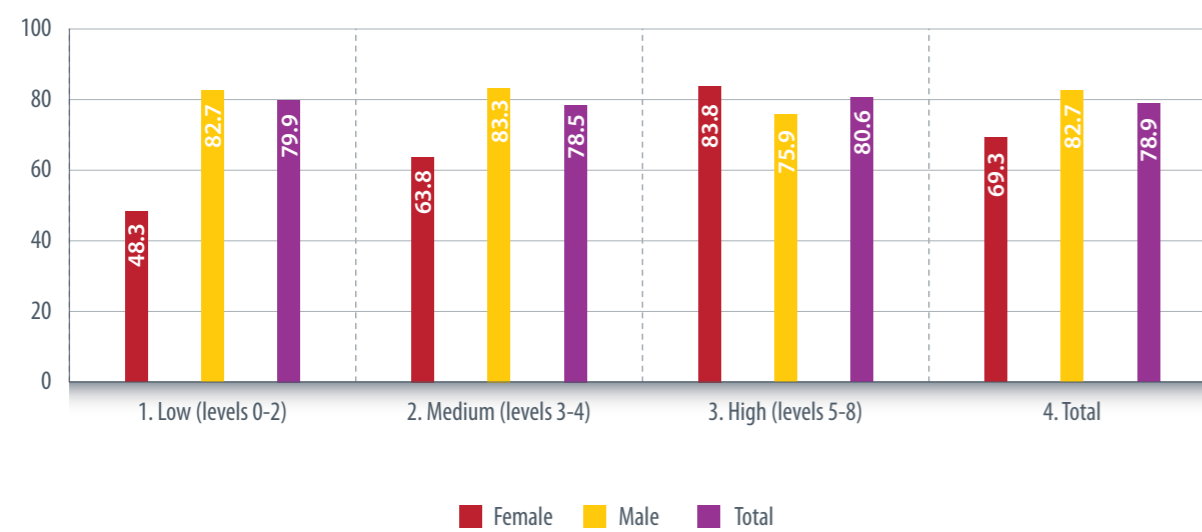
Figure A4: Self-employment share in total employment by gender and educational level, 15-24 year olds, Kosovo*, 2019 Q2 (%)



Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online database

Figure A5: Part-time employment share in total employment, 15-24 age group, Kosovo*, 2019 Q2 (%)

Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online database

Figure A6: Temporary employment share in total employment, 15-24 age group, Kosovo*, 2019 q2 (%)

Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online database



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Abstract

This Annex outlines the nature and challenges of the youth labour market in Montenegro, among which lack of suitable jobs in the private sector, the lack of an entrepreneurial culture, the lack of appropriate skills held by young people, the preference for secure public sector jobs, and the perceptions of unfair recruitment practices have been identified as key factors holding back the integration of young people into the labour market. The Montenegrin youth labour market is characterised by a high level of youth unemployment, large gender gaps in labour market participation especially for the less well educated youth, and a high share of temporary jobs creating a precarious situation for young people. The Annex analyses the existing youth employment measures that have been adopted by the government and identifies several weaknesses including the narrow range of appropriate policies. One of the major policies, the Programme of Professional Training of Persons with Acquired High Education, focuses exclusively on the better of young people who have attended tertiary education. Policy generally neglects the disadvantaged groups and the NEETs. However, some of existing measures are relevant to the

creation of a Montenegrin Youth Guarantee, but need to be adapted, improved and scaled up. The Annex has mapped the main dimensions of the NEET phenomenon and made suggestions how policies towards those who are Neither in Employment nor in Education or Training (NEETs) could be improved. It has also identified the capacity issues in the main agency responsible for implementation of youth employment policies. A comprehensive set of labour market policy measures has been outlined, building on European Union (EU) policy approaches to the Western Balkans and policy recommendations. A roadmap has been developed, tailored to local circumstances, to implement a Youth Guarantee in Montenegro to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan for Montenegro. The implementation of a Montenegro Youth Guarantee would make a significant contribution to eliminating social exclusion experienced by many young people living in Montenegro today.

1 INTRODUCTION

The economy of Montenegro enjoyed strong economic growth over the period since 2015 to 2020, due to a thriving tourism sector, and large public investments in roadbuilding. However, the labour market suffers from structural problems determined by the nature of economy, which is aimed mostly towards services and lacks heavy industry which could utilize skilled workers and highly educated professionals. The biggest branch of industry is tourism, in which as much as 24% of GDP is generated through tourism and tourism-related activities (World Travel and Tourism Council, 2018). The supply of people for this sort of work does not meet the demand generated, especially during the seasons. Many of the seasonal workers come from neighbouring economies – the reason being that many Montenegrins find these positions unattractive or consider them to be not paid enough, resorting to managerial positions within the industry, which are by definition not capable of absorbing all Montenegrin workforce. On the other hand, other sectors which can offer work in Montenegro are also faced with problems, especially the fields of high-tech, information technology (IT) and engineering. The COVID-19 pandemic has weakened the economic outlook. Due to the collapse of tourism revenue, the economy has experienced a major economic shock and a 27% decline in real GDP in the third quarter of 2020 (MONSTAT, 2020).

1.1 Youth in the labour market

In January 2020, Montenegro had a population of 621,873 persons of which just over one in ten (12.8%) was aged 15-24 and one in five (19.1%) was aged 15-29 years; somewhat above the respective shares in the EU-27.¹ Montenegro has a slowly ageing society, as the share of youth aged 15-24 in total population has declined from 14.4% in 2009, giving a fall over the decade of 1.6 percentage points, similar to that in the EU-27.

In 2019, the working age youth population aged 15-24 was 85.6 thousand, of whom 32.7 thousand had only a “low” level of education having completed compulsory primary education or less, and 47.4 thousand had a “medium” level of education having completed upper secondary school or post-secondary non-tertiary education.² Relatively few members of this age group, just 5.5 thousand, had completed tertiary education. In 2019, some 54.3 thousand of these young people were inactive; many of them were attending school or university, but many others were neither in employment, education or training. More than half of the inactive youth had a low level of education (56.3%) and over two fifths had a medium level of education (43.7%), while there were no inactive young people with a tertiary education due to a graduate internship programme described below.

¹ Montenegro Office of Statistics online data.

² Montenegro Office of Statistics Labour Force Survey 2019

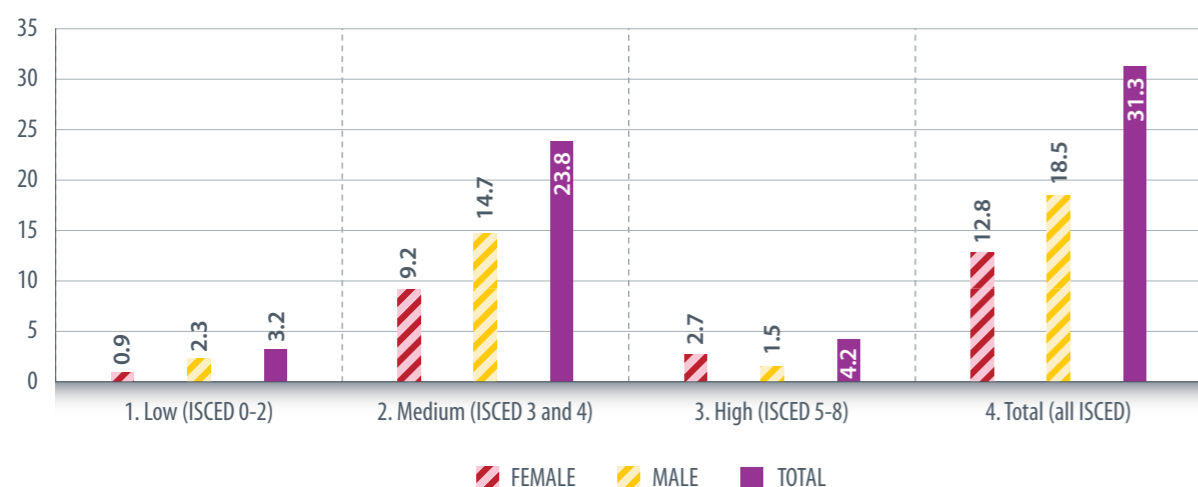
The labour force participation rate of young people (the activity rate) is very low; in 2019, it was just 36.5% of the working population (up from 32.9% in 2018 – see Figure A1).³ There was a large gender difference in the activity rate in 2019, with 41.6% of young men being active compared to just 31.1% of young women (see Table A1). This gender difference was most pronounced among those with medium education: the activity rate for these young men was 58.2% whereas for young women it was just 41.1%.

In 2019, the youth labour force, either in work or seeking work, amounted to 31.3 thousand young people aged 15-24 years (up from 28.2 thousand in 2018), of whom 18.5 thousand were young men and 12.8 thousand were young women (up from 17.0 thousand and 11.1 thousand respectively in 2018 - see Figure 1).⁴ Most of the young people in the labour force had a medium level of education, having completed upper secondary schooling. Some 23,400 of these young people had jobs, while 7,900 were unemployed. Most of these employed youth (15

thousand) had a medium level of education and had not attended university. Unemployed youth had a similar profile with seven thousand having a medium educational level. The unemployed youth are most likely those who have attended VET school and are unable to find work with the skills they had available to them; pupils who graduate from grammar schools (gymnasia) are likely to continue their studies at university.

The youth employment rate increased substantially over the three years from 2017-2019, although it is still less than one half of the 15-64 age group; in 2019 it was 27.3% (up from 23.2% in 2018), far below the overall employment rate of 56.0% (see Figure 2). The employment rate for young men is somewhat higher than for young women; in 2019 it was 30.9% for young men and 23.5% for young women (see Figure A2). Compared with other Western Balkan economies, the gender difference is not large. The highly educated had a higher employment rate than the medium educated (60.0% versus 37.6%), while few low-educated young people had a job, with an employment rate of just 6.9%.

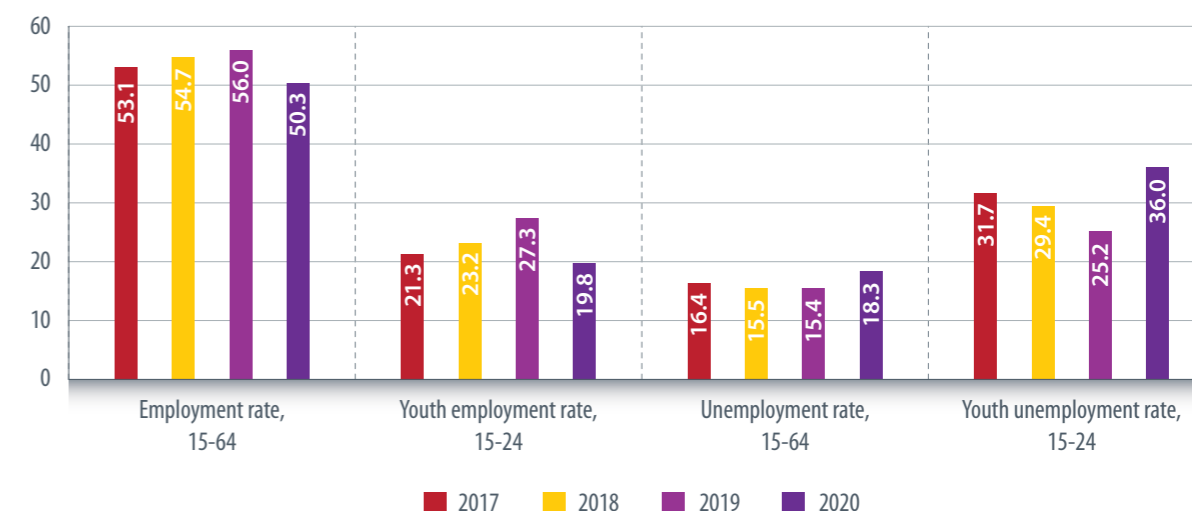
Figure 1: Labour force by gender and educational level, 15-24 years, Montenegro 2019 (thousands)



Source: World Bank Jobs Gateway in Southeastern Europe, online data

³ Montenegro Office of Statistics Labour Force Survey 2019
⁴ Montenegro Office of Statistics Labour Force Survey 2019

Figure 2: Labour market employment indicators, Montenegro 2017-2020 (%)



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

The youth unemployment rate has been falling in recent years, but at 25.2% in 2019 is still high (see Figure 2) and substantially higher than the overall unemployment rate of 15.4%, a difference that is relatively mild compared to other economies in the region. However, gender differences in youth unemployment rates are large, and in favour of young women rather than young men. Among those with a medium level of education the unemployment rate of young men is 36.5%, while that of young women is 23.6%.

Fewer than one in ten (7.4%) young people are self-employed, either as entrepreneurs in the sense of setting up a business as an

entrepreneur capable of creating jobs for others or in the more traditional role of craftsman, working on their own account as a sole trader or a farmer.

When young people do find work, it is often in precarious jobs that are either part-time, temporary or both. In Montenegro, unlike some other economies in the region, few (7.4%) young people work on a part-time basis. Young people are also adversely affected by temporary employment, with three quarters having a temporary job (see Figure A4). These forms of precarious employment are broadly based, with little difference between education levels or gender. This suggests that youth

2020 UPDATE

In 2020, the employment rate for working-age population (15-64) declined to 50.3% after a three years period of rising trend (in 2019 at 56%). The unemployment rate for the same age group increased to 18.3% (in 2019 at 15.4%). As for the youth population aged 15-24, the employment rate fell significantly to 19.8% (compared to 2019 at 27.3%), while the youth unemployment rate increased significantly to 36.6% (compared to 2019 at 25.2%).

2 YOUTH EMPLOYMENT MEASURES

The Ministry of Education, Science, Culture, and Sports is a ministry which was established after the Parliamentary election of 2020. At the first session of the elected Government of Montenegro on December 7th 2020, a Decree on the organisation and manner of work of the public administration was adopted. This Decree has significantly changed the organisation of the public administration. In 2016, now former ministries, the Ministry of Education and the Ministry for Youth and Sport developed the “Strategy for Youth 2017-2021” (Strategy) which has been implemented over the last four years. This Strategy stated that the average transition from education to employment would last 10 months (for those with university diploma) and 23 months for those without one. The Strategy also focused on the high NEET rate. The Strategy proposed an improvement of informal training sessions, a reorientation of the high school and university education towards more practical problems, a decrease in early school leaving and the promotion of youth employment. This Strategy was implemented through respective series of Action Plans (2017–2020). Most of its activities have been directed towards the support of the already existing institutional measures within high schools and universities.

The Ministry of Finance and Social Welfare is a newly formed Ministry which inherited the competences of the former Ministry of Finance and partially of the former Ministry of Labour and Social Welfare. The newly established Ministry of Economic Development mostly

inherited the competencies that are outlined in the National Strategy for Employment and Human Resources Development (2016-2020) as well as the **White Book (2016)**, the latter specifically targeting the problem of youth unemployment. In 2017, a “White Book” (ILO & Ministry of Labour and Social Welfare of Montenegro, 2017) was published in which several recommendations were outlined, including suggestions for the diversification of public education and its better orientation towards the needs of the market. The White Book suggests various other measures such as setting up an information system for young people to assist their choice of career and provide them with informal education and trainings. Second-chance courses aimed at curing skill-mismatch were proposed, as well as incentive mechanisms for employers towards the young. Few of these suggestions have been implemented by the relevant institutions or the bodies concerned.

At the end of 2019, a project titled “Self-employment Grants Programme” was launched by the Employment Agency of Montenegro (EAM). The “Self-employment Grants Programme” in the amount of EURO 3.5 million, is a direct grant, awarded to the Employment Agency of Montenegro and represents a part of the EURO 18 million worth EU-MNE Programme for Employment, Education and Social Welfare financed through the EU pre-accession funds (IPA II). This programme is open to all categories of people, while youth are designated as a target

group of specific importance. Through this programme, unemployed people can acquire a one-time grant ranging between EURO 3,000 and EURO 7,500 for their business idea. The conditions to apply to this programme are that the applicants must:

- ▷ be officially registered as unemployed for at least 4 months continuously, prior to the call for applications
- ▷ directly responsible for the implementation of the idea
- ▷ have the ability to demonstrate the capacity to manage a business idea for which the project proposal is submitted, experience is not mandatory but desirable criteria
- ▷ have an attractive and high-quality business plan
- ▷ successfully complete the course for self-employment.

All those who fulfil these criteria can apply, but some categories have been identified to be of priority, youth (those who are not older than 35 at the time of submission), but also women and long-term unemployed. Those who are not officially registered as unemployed, and those who have not been unemployed for at least four months continuously, cannot apply to this programme. Neither can apply those who have been convicted of crime in the period two years prior to the call for applications. A candidate who fulfils formal criteria can start the application process, which involves a mandatory three-day info-motivational workshop. After completing the workshop, the candidate can submit an application for a grant, along with a business plan. During the evaluation process, through the business plan the candidate must convince the grant approval committee that his/her business idea is sustainable and that

it can create more employment. Additional points are awarded for prior experience or facilities that support the proposed business. Accepted applicants proceed to an additional three-day specialized training after which an agreement can be signed providing 80% of the approved grant, with the additional 20% paid after completion of the final report. A self-employment coordinator for each town has been appointed, to guide all those interested in self-employment through the process. Being funded through IPA, the Programme is limited to three annual cycles, and is not a long-term measure.

The Programme of Professional Training of Persons with Acquired High Education is a work-experience programme that was launched by the then Ministry of Education in 2013 (now Ministry of Education, Science, Culture and Sports) with the annual budget execution ranging between EURO 7 million (in 2018) and EURO 8.8 million (in 2013⁸). It is by far the largest active labour market policy in Montenegro. Every person who joins the Programme receives nine payments of 50% of average gross salary in Montenegro. This programme aims to link new university graduates with the labour market and establish a smooth transition from education to employment. Applicants must have either completed a 3-year course (180 ECTS) or a 4-year course (240 ECTS), depending on the specific university and be registered at the PES. Regardless of whether the course has been completed in due time, or later, the new graduates are provided with an opportunity to carry out an internship in a sector of their choice for 9 months duration, during which they receive a payment from the government amounting to 50% of the average gross monthly salary. The engagement provided under this programme is not considered to be employment but is rather a *sui generis*

8 <http://www.skupstina.me/index.php/me/sjednice/zakoni-i-drugi-akti> (Laws on budget execution, Budget programme 3861)

mode of engagement. Therefore, no social security benefits are to be paid. Despite this, candidates are given the opportunity to pass a special exam necessary to work in public administration, which requires 12 months of working experience. In order to apply to this programme, a graduate must officially register at the employment service. This process is not complex and can be done in two days. Afterwards, the applicant chooses from a list of potential employers where the professional training will take place. The employers must also register into the programme, and do not need to pay anything to the future intern, as all expenses are covered by the government. Once the contract is signed, the intern is obliged to perform the duties foreseen by the employer, and every month he/she must file a report on his duties, which needs to be ratified by the employer. If the ratification is successful, he/she will be paid the foreseen amount by the government. This programme lasts 9 months, starting on 15th of January and ending on 15th of September. The Programme provides young graduates with an opportunity for an initial breakthrough into the labour market.

In line with the Law on Brokerage in Employment, the active employment policy measures are: 1) adult training and education; 2) employment incentives; 3) direct creation of new jobs; and 4) entrepreneurship incentives.

It is important to highlight that the EAM does not implement the adult training and education programmes directly, rather in line with the needs of the unemployed, the funds are awarded to select service providers.

In addition to the four categories above mentioned, the Employment Agency of Montenegro implements following services for labour market and employment brokerage: 1) provision of information on possibilities and conditions for employment; 2) counselling for increasing employability and employment; 3)

career guidance; 4) profiling of the unemployed; 5) development of individual employment plans; 6) work-based and social integration.

Informal training sessions are part of counselling to increase employability and employment and are preparation for labour market in general or for specific jobs that are in line with jobseekers statement. In addition, the EAM can organise trainings for young unemployed persons based on existing official education programmes, this implies that there is a need to expand the offer of current programmes. Examples include programmes to acquire advanced IT skills and other soft skills that can be attractive to young persons.

In addition, the Employment Agency of Montenegro implements “The Training for independent work”, whose goal is to enable young unemployed persons of III and IV level of education, without work experience, training for independent work. Another programme is “On the job training in real work” which enables acquisition of new knowledge, skills and competencies needed to perform certain jobs. This programme is a priority for young unemployed people without occupations. Furthermore, the Employment Agency of Montenegro implements the programme “Stop the grey economy” which is intended for young highly educated people, whose goal is to raise the level of knowledge, skills and competencies of these people, as well as the fight against the informal economy.

Montenegro has introduced a system of **dual education** for three year VET schools (ETF, 2020). The dual VET system requires a student (his parent or guardian) to agree to an individual ‘contract of education’ with a prospective employer. The students enrolling in dual VET are 15-year-olds who have graduated from the primary school. The contract regulates the duration of the work-based learning, the amount of practical training and knowledge

that the employer will provide to the student, the schedule of practical training during the school year, the rights and duties of the student, the duties of the employer, the student’s monthly remuneration during practical training. In the school year 2019/20, the majority of schools (64%) implemented programmes they had offered in the previous years, but 36% of schools started to implement new dual VET programmes.

Support for youth entrepreneurship is provided by the **Ministry of Economic Development** through its Directorate for Development of Small and Medium Enterprise (SMEDD), which provides training and mentoring to SMEs and has a special interest in promoting youth entrepreneurship. The SMEDD offers informative and advisory services, entrepreneurship training, mentoring services, and organises participation in business fairs. Business support services are available through the **Investment and Development Fund (IDF)**, which offers young entrepreneurs training on financial literacy and business plan development, information on financing

opportunities, and loans to SMEs (Janusevic and Kosovic, 2020). A priority measure “Improvement of financial support to the sector of small and medium-sized enterprises” was part of the “Economic Reform Programme 2017”. Under this measure, the government was to provide €120 million through the IDF to finance young entrepreneurs and others through short- and long-term loans with a grace period of five years and a loan repayment period of 15 years. Interest-free loans have been offered to students in higher education who want to start their own business, supplemented by a training programme. The government has also launched a number of campaigns aimed at promoting an entrepreneurship culture, for example the ongoing **Smart4all** project, **Social Impact Awards**. These measures support young people to create their own business ideas and generate self-employment and a culture of entrepreneurship. A successful involvement by local self-government in the provision of infrastructure for youth entrepreneurship is the Business Start-Up Centre Bar in the municipality of Bar.

Table 1: Summary of youth employment policies

Policy area	Measures targeted at youth	Non-targeted measures available to youth
Joined-up policymaking and implementation involving multi-agency work	Strategy for Youth (2017-2021)	Strategy for Employment and the Development of Human Capital (2016–2020)
Wage subsidies, social insurance relief, and tax incentives for employers who take on young people	..	..
Vocational training programmes for inactive and unskilled youth	..	..
Work-based training	Dual education model for VET schools	..
Unpaid internships and work experience placements	Programme of Professional Training of Persons with Acquired High Education	..
Youth entrepreneurship programmes	Ministry of Economic Development Business Stimulating Programme	Ministry of Economic Development Business Stimulating Programme
Assistance to self-employed youth	Programme of self-employment grants	..
Career guidance and counselling	Strategy for Employment and Human Resources Development(2016–2020)	..

Source: National Employment Service, Annual Work Report 2019

3 MAPPING THE SITUATION OF NON-REGISTERED NEETS IN MONTENEGRO

The working definition of “youth” in Montenegro covers those aged between 15 and 29, while NEETs are most often defined as those in the range between 19 and 24. According to the Labour Force Survey carried out by the Montenegrin Statistical Office (MONSTAT, 2020), in 2019 the NEET rate (15-24) was 17.3%, while NEET rate (15-29) was 21.3%. For 15-24 year olds, the NEET rate was slightly higher among young men than young women (18.8% and 15.8% respectively). The NEET rates for 15-29 year olds showed no gender differences.

Some able-bodied young people are not willing to take jobs that are low paid or because they are considered socially undesirable. This phenomenon has been demonstrated by the field study, but is also visible in the statistics, especially when we compare the lower number of females compared to male NEETs, despite the fact that the number of unemployed women is greater than that of men. The reason behind this may be the patriarchal gender role assignment and the belief that a man must be “the head of the house” and thus perform only jobs which are worthy of a man, and those jobs are most of the times not services, hard labour and so forth. A large proportion of NEETs can be found in the northern part of the economy, which is the least developed region. Few jobs are available in the north, since it lacks the administrative and tourism potential of other regions. The unemployment rate in the north is four times

as high as the rate in the central region and ten times as high as in the coastal region.

3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

The problem with the existing government measures (especially for the Individual Employment Plan) is that they suffer from strong administrative formalities. All existing programmes require NEETs to register with the Employment Agency of Montenegro. For various reasons, many NEETs fail to register as unemployed, as there is no legal obligation to register.

Montenegro is in need of a linking platform between the unemployed and the employees. Most of the time, a job application is made through informal channels that are not open to public. Despite this being contrary to the employment law, no sanctions are applied. A clear and transparent platform, which would be easily accessible, does not exist. The platforms that exist – such as zaposli.me and mladiinfo.me – are third-party platforms. An online platform

should be created, through which each jobseeker would be able to rank themselves within a standardised form – according to which a matchmaking process would be carried out once a new job is created. This platform would link parties to a meeting, while the job offer would still be under the control of the employer. Such a platform would be mandatory for all public services and be easily navigable. This might solve the problem of mismatch and lack of communication between the employers and the employees.

A “no-questions asked” set of courses and workshops, which would enable people employed in the informal sector to quickly gain an official recognition of their capabilities would also be useful. These workshops should be tailored in a way which would provide the candidates with a clear picture of what they can gain if they enrol and should provide two to three months of training for a previously defined job position. The first part of the course would be the reporting of the needed job positions by the companies. This reporting would be free of many formalities, but it would carry with it the obligation of the reporting employer to hire a candidate during the period of three months. In the meantime, the first month would be reserved for promoting this offer and finding a suitable candidate with the other two months being directed towards training. The aforementioned training sessions could be spread and standardized as some form of regular VET courses.

An alternative, which would benefit high-skill jobseekers, would be to make formal modes of employment more attractive to employers and young people by cutting the tax rate which needs to be paid, which would provide incentive to both parties to register. Considering the situation, one option would be to establish an integrated datacentre, which would help better track the trends in the market place

and the unemployed youth, in order to define strategies that can be best implemented.

A more flexible approach to the problem of NEETs should be taken by the Montenegrin institutions, one which would be less burdened with legal prerequisites and more with achieving a specific goal. Thus, an additional campaign aimed to encourage self-employment should be conducted in order to nurture the spirit of entrepreneurship, but also additional incentives should be planned in order to make employment more attractive to both employees and employers. As the main measure, more budget resources should be allocated for grants and workshops (especially in the IT sector).

3.2 Tailored outreach mechanisms to identify and assist the most vulnerable NEETs

The most vulnerable NEET groups in Montenegro can be identified as:

- ▷ Those without higher (university) education
- ▷ Persons with disabilities
- ▷ Roma population
- ▷ Those with criminal convictions

In addition, NEETs residing outside the central and coastal regions, and those in the Northern part and rural areas can also be considered as vulnerable.

Most vulnerable NEETs are young people with disabilities. The Employment Agency of Montenegro has developed a special programme aimed at employing these groups, subsidizing potential employers of such people,

both in equipment and salaries. However, people in this group are unable to perform many of the jobs which are offered as these jobs have not been accommodated for their disabilities. One recommendation is that under the supervision of the Employment Agency of Montenegro, special courses in digital services (website maintenance, programming, social media, PR, or translation) could be developed for young people with disabilities.

Additional disadvantaged groups are ethnic minorities, especially Roma, a set of measures have been implemented to increase their

possibilities of employment, however, the fact remains that members of this minority are both underrepresented in tertiary education and in employment.

NEETs without tertiary education are also in a need of a better response because most resources allocated in combating youth employment are directed towards university graduates. It would be better to allocate part of these resources to those without tertiary education in order for them to achieve a business of their own.

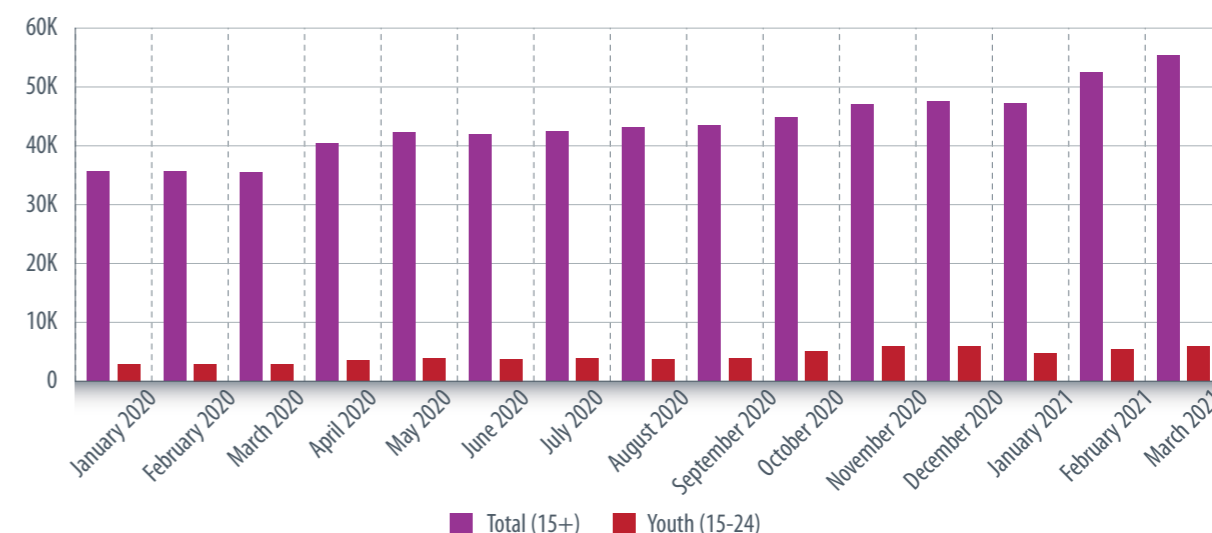
4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES

As a result of 2020 elections, an incoming Government of Montenegro was formed on 4th December 2020 and the Decree on the organisation and manner of work of the government/public administration was adopted on 7th December, 2020. This Decree has significantly changed the organisation of the government/public administration and reduced the number of ministries from 17 to 12. The unified **Ministry of Education, Science, Culture and Sports** has been set up and the former Ministry of Labour and Social Welfare has been dissolved and most of its competences have been transferred to the **Ministry of Finance and Social Welfare and the Ministry of Economic Development**. The **Ministry of Public Administration, Digital Society and Media** has been set up and has outlined the digital transformation of society as one of its main principles.

4.1 Employment Agency of Montenegro

Policies on youth employment fall under the direct jurisdiction of the Employment Agency of Montenegro (Zavod za zapošljavanje Crne Gore), whose primary tasks are mediation services, and support services for the unemployed. The reduction of long-term youth unemployment is one of its top priorities. In early 2021, the EAM had 315 employees out of whom only 84 are counsellors. The other colleagues are employed in the Central Service as specialized advisors, administrative workers and managers. In specific areas with lower density, a counsellor may have a caseload under 100 cases, and in some areas, over 1000 cases. This unevenness in caseload puts pressure on the uniformity of work and also on quality of service provided. In March 2021, there were 55,283 persons registered as unemployed with the PES, of this figure, 5,930 were youth aged from 15-24. Compared to January 2020, when these numbers were 35,609 and 2,898 for the 15-64 and 15-24 age groups respectively, this is a significant increase; the stock of registered unemployed is 1.5 times higher than in January 2021 for the 15-64 age group, and twice times higher for youth.

Figure 3: Registered unemployed at Employment Service Agency, January 2020 – March 2021



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

The active employment measures focus largely on employment subsidies and on these two fifths (42.0%) of the total expenditure was made. The next priority were the public works/public sector jobs on which one quarter of the budget was spent (26.1%). This was followed by training (10.2%) and self-employment/start-ups (7.8%). Just over one tenth of the budget was spent on other activities.

The Employment Agency of Montenegro (EAM) provides informal training sessions as part of counselling for increasing employability and employment. These measures require the candidate to be officially registered with the Agency. The main instrument used is the “**Individual Employment Plan**”, which is prepared by an assigned expert who creates a profile of the unemployed person, which is matched against suitable job offers. The individual employment plan is based upon personal needs and characteristics of the unemployed, and represents a result of the agreement between the unemployed person and the EAM counsellor. Each activity in the individual employment plan is voluntary and

results from mutual agreement. The plan includes obligations of the unemployed person to attend meetings with the employment manager and attend informal training sessions as a preparation for job search and presentation to employer with the aim of the development of skills for labour market. In case the unemployed person misses any of these arrangements, he or she is removed from the register of unemployed people. Therefore, the person is obliged to strictly follow the plan laid out to him by the employment advisor.

These measures are of general character and are available to all those who are unemployed regardless of their age status. In addition, there are programmes that contain the age restriction such as “Stop to grey economy”. Many jobs in the private sector are out of reach of this Agency, which are mostly offered through informal channels such as newspapers and websites. Also, there is no adequate labour market needs analysis upon which the measures should be based.

The application process for the Programme of Professional Training of Persons with Acquired

High Education, which was started by the Ministry of Education in 2013 (now Ministry of Education, Culture, Science and Sport) is highly digitalized and cost-effective, requiring little to no paperwork. It has been estimated that during nine years during which this programme has been running, approximately EURO 55 million have been allocated to this

programme from the budget⁹. Considering that no substantive personnel infrastructure is needed to keep this programme running, and that most of the work concerning its operations is left to the direct parties involved (the employer and the employee), the programme has relatively low overhead.



⁹ Laws on Budget Execution for years 2013, 2014, 2015, 2016, 2017, 2018 and 2019; <http://www.skupstina.me/index.php/me/sjednice/zakoni-i-drugi-akti>

5 A ROAD MAP FOR YOUTH EMPLOYMENT IN MONTENEGRO

Montenegro entered 2021 with a changed government, marked with strong discontinuity with previous policies. The rationale of the new reorganisation of ministries was to develop institutions that would be led by experts, in order to develop modern public administration capacity. Education reforms have been announced, and among other, these should better equip youth with practical knowledge

and ensure stronger quality control over education outcomes. The active labour market policies and other measures addressing youth and NEETs have not been adequately financed in relation to the size of the problem. Experience from the EU and around the world identifies a number of essential components of effective policies in this field. These are summarised in Box 1.

Some of these policies have already been partially implemented in Montenegro as identified in section 2 above. There remain several gaps that need to be filled to enable a coordinated and coherent policy approach to addressing the youth employment problem. These could best be addressed by implementing a Youth Guarantee along the lines that has been suggested by the European Commission for the EU member states, with appropriate modifications taking into account Montenegro's level of development and extent of progress in the EU accession process.

This section presents the roadmap for Youth Guarantee in Montenegro, and while this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan of Montenegro.

Box 1: Essential components of effective youth employment policies

- Joined-up policies involving multi-agency work
- Job creation: Wage subsidies for businesses who employ young people
- Youth entrepreneurship programmes
- Self-employment incentives
- Training programmes for inactive and unskilled youth
- Apprenticeships and work-based training
- Developing the digital skills of young people
- Career guidance, information and networking
- Outreach programmes to NEETs
- Building the capacity of public employment services
- Monitoring and evaluation

5.1. A Youth Guarantee for Montenegro

In order to establish a youth guarantee scheme in Montenegro, the first step should be to appoint a Youth Guarantee Coordinator as a focal point at the level of the Director General. This person would provide leadership for the design and implementation of the guarantee package and would champion the swift introduction of the measures in Montenegro. Other relevant ministries and agencies should be involved in a Montenegro Youth Guarantee Steering Group, which is the inter-ministerial task force to establish youth guarantee. It is consisted of relevant institutions such as the Ministry of Education, Science, Culture and Sport (MoESCS), public employment service, as well as representatives of the social partners and youth organisations.

The responsibility of the Youth Guarantee Coordinator will be to ensure that effective coordination and partnerships are implemented across all relevant policy fields relevant to the integration of NEETs and marginalised youth in Montenegro.¹⁰ The Youth Guarantee Coordinator should begin with the creation of a Youth Guarantee Implementation Plan for 2021-2027, aligned to the IPA III timetable. The main objective of the Youth Guarantee will be faster activation of young people in the labour market. Special intensive Youth Guarantee measures will be developed for the long-term unemployed and inactive persons who would nevertheless consider working or further education or training if the opportunities were available. Guidance from the European Council (2020) suggests that the Youth Guarantee

should be organised in four phases and the phase zero, four phases include: mapping, outreach, preparation and offer.¹¹

5.2 Phase 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 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



¹⁰ In the EU, each member state has appointed such a Coordinator, the list of whom appears in EC (2020).

¹¹ See also: Republika Slovenija (2016) Youth Guarantee Implementation Plan 2016-2020, Ljubljana: Ministarstvo za Delo, Družino, Socialne Zadeve in Enake Možnosti

academic experts from universities and think tanks as well as from NGOs operating in the field of youth employment and youth policy.

5.3 Phase 1: Mapping and institutional design

The Employment Agency of Montenegro should further develop mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Rapid research should be carried out to identify the different needs of the various categories of young people, including those already at school, early school leavers without a job or inactive, graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates who do not have a job, especially young women graduates without work or who would like to start their own business but face financial or other barriers to doing so. A decision should be taken to define the target group as either youth aged 15-24 or aged 15-29, with the strong recommendation to focus on the 15-29 age group.

In order to implement the Youth Guarantee, the Employment Agency will need to forge intensive partnerships with the business sector, youth organisations, Centres for Social Welfare, local self-government authorities, and private job agencies. It is worth highlighting, that within the IPA project “Local Employment Initiatives” that is implemented under the SOPEES Programme, the Local Employment Partnerships have already been established in 21 municipalities of Montenegro and these can be further strengthened with focus on Youth Guarantee goals.

Effective cooperation and integration with social partners, representatives of young people’s association and youth clubs, Centres for Social Work, and the Employment Agency of Montenegro will be crucial for successful implementation of the Montenegro Youth Guarantee. The Employment Agency of Montenegro needs to establish effective communication with schools and other providers of training and education. It is worth highlighting that since 2011, the EAM in cooperation with the Ministry of Education has been implementing a programme for career guidance in primary and secondary schools. Within this programme, the role of market institutions is presented to the students, these activities should be strengthened through the curricula, as well as other partnerships developed that can advance Youth Guarantee objectives.

Intensive cooperation with employers is also vitally important. Therefore, formal partnerships need to be developed with employers who are willing to offer jobs, work-experience training opportunities and apprenticeships to young people within the framework of the Montenegro Youth Guarantee. Partnered employers will benefit from government subsidies but will also be regulated to ensure that the jobs they offer are decent high quality jobs and that their training provision and apprenticeship schemes offer added value to each involved young person’s human capital. Cooperation with institutions working with young people, such as Centres of Social Welfare, schools and universities, youth organisations and NGOs that operate within the youth sector is essential in order to inform and encourage young people to register with the Employment Agency of Montenegro as soon as possible after they complete schooling or graduating from university, or if they are in a NEET situation.

5.4 Phase 2: Outreach to unregistered NEETs

In order to get an offer of employment, continued education, apprenticeship or traineeship with the Montenegro Youth Guarantee framework, a young person among the eligible categories should be obliged to register with the NES, and for some categories it is necessary to do some work prior registration with the NES, which may include social services and NGOs. The capacity of the Employment Agency to reach out to encourage greater numbers of young people to register for the Montenegro Youth Guarantee will need to be further developed. Outreach programmes should be developed for the hard-to reach NEETs as described above in section 3.2. These may be young people with low skills who have only completed primary compulsory education, or youth from ethnic and other marginalised groups such as Roma. 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.

5.5 Phase 3: Operational preparation

The Youth Guarantee should ensure that all young people are supported by the Employment Agency of Montenegro to access the labour market through the provision of high quality public employment services, including the provision of labour market information on vacancies, and improved career counselling and guidance services, as well as 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, more intensive measures of active employment policy should be provided, as well as the opportunities for further education and skills development. Additional interventions should address young people's preferences and personal development needs, for instance through age-appropriate communication, peer-to-peer learning, positive adult-youth relationships, and support to goal management.

After registering with the Employment Agency, all eligible young persons (aged 15-29) should be provided with information and basic career counselling by a Youth Guarantee Counsellor. An initial career counselling session will aim to identify the specific needs of the client, their employability, interests and competences. This will lead to an agreement on the client's employment targets and follow-up activities, including the type of offer that would provide the best match to the identified needs. The counsellor will check the job search skills of the client and agree an individual plan to improve their skills. For those who are ready for the employment, an appropriate support will be provided, including the creation of a high-quality CV and profile in relevant job portals and providing job referrals to employers who are partnered to the Montenegrin Youth Guarantee. Young people enrolled on the Montenegrin Youth Guarantee will be provided with information on possibilities and opportunities for training, education or realisation of their business ideas.

After three months of unemployment, another round of career counselling needs to be provided which will involve checking the effectiveness of the activities already carried out and the job or training application documents, including the profiles in the job portal. A further agreement on activities to be carried out under the Montenegrin Youth Guarantee will be drawn up after an intensive set of job-search or training/apprenticeship application activities have been agreed. Such activities will comprise intensified career counselling, the creation of new employment objectives and intensified job search activities, and inclusion in a group workshop on career management skills provided by the Employment Agency. In this phase, the measures of the Youth Guarantee will introduce a greater focus on opportunities for education and training that are available, with the aim to increase the client's employability. Training will be adjusted to specific target groups and individual needs in connection with the needs of employers who are partnered with the Montenegrin Youth Guarantee. Job referral will be continued as well as other methods of presentation to employers.

After four months of unemployment and/or after conclusion of different forms of training the client would be offered a more intensive service and additional measures of support within the Montenegrin Youth Guarantee scheme. The intensified services will include in-depth career counselling and/or enrolment in a group learning the career management skills provided by specialised private consultants. The measures would also include more intensive incentives for employers (employment subsidies, co-financed traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups. Young jobseekers will also be provided with a similar set of incentives to join together

to start up their own individual or cooperative businesses.

5.6 Phase 4: Offer

The final phase of the Youth Guarantee design should be developed in two stages: with a pilot phase in selected local authority areas. This pilot study should be carefully monitored and evaluated to see which measures are most effective. The Youth Guarantee should then be redesigned on the basis of the evidence gathered, and in a second phase rolled out to the entire economy.

Young people can be assisted into work by a mix of youth labour market measures that include subsidised employment which offers income and work experience, support for entrepreneurial start-ups, specific training for the needs of the labour market, paid apprenticeships within specific businesses, and youth career guidance services. Such services should be designed to be sensitive to the specific needs and preferences of young people. For these measures to be successful, it is crucial that they are implemented with a good understanding of the key target groups and should adopt a youth-centred approach addressing specific barriers to employment in local labour markets.

5.6.1 Creating jobs

In order to bring the most disadvantaged youth and NEETs into the labour market, job creation schemes should continue to be based on wage subsidies for private sector employers offering low wage jobs for young jobseekers who have been registered with the Employment Agency of Montenegro and who have only primary

education qualifications or less or are secondary VET school graduates. The concept of wage subsidies has been accepted and applied in response to the COVID-19 pandemic, but not specifically targeted at youth with the exception of the subsidy for new employment creation. The measure should be incorporated into the Youth Guarantee and targeted at employers who hire young workers in low-wage sectors. It should be made available to all youth who have been registered with the Employment Agency, irrespective of their educational achievement. The wage subsidy should be a flat rate subsidy equivalent to the minimum wage, thus eliminating the distorting effect of minimum wages on the demand for labour and increasing youth labour demand.¹² Another parallel measure which could be undertaken is for government to fund the social security contributions for all the employers who employ someone for a first time, in duration of a year or more, in this way providing a great incentive to businesses to employ young people and to young people and NEETs to register with the Employment Agency.

5.6.2 Providing entrepreneurial and self-employment opportunities

The development of youth entrepreneurship should be supported by the development of business incubator services and financial support to youth entrepreneurs. The current measures are not cost effective and favour those who have graduated from university, and who are already in a privileged position. The economic structure in Montenegro provides for many vacancies in services and agriculture sectors, and a programme of government-

funded self-employment grants should be developed in these sectors to which each young citizen could apply. Its design could be based on the existing self-employment project (There is a reasonable likelihood that this measure will continue in future.). Young people would submit an idea, admit their capabilities (which could also be to an extent asserted through the database we suggested) and they would potentially receive a government grant whose spending would be supervised. This way, many young people who chose to pursue a career in small business would get a chance to employ themselves. It would also promote the culture of start-ups and individual initiative. These grants would however be one-time grants, with the possibility of a second-chance grant in the cases the failure of the first business idea can be justified by objective circumstances. Developing this mechanism of government-grants would specifically target the population in North Montenegro, considering it could serve as an incentive for serious agricultural production. All these measures could be additionally supplemented by the informal training courses which could be carried through the proposed online platform or in person (but popularised through the online platform and other media).

5.6.3 Apprenticeship, traineeships and work-based learning

The reform of the too-rigid educational system should proceed with a set of optional and mandatory modular courses which the students would take according to their own design and combination. A special place should be paid to real practical knowledge which could be generated through actual work with

in the field concerned. Therefore, the students could, considering the fact that the education system is accustomed to Bologna standards, be offered work-based learning opportunities which would last a couple of weeks in exchange for points through which they could pass their exams. Such courses could be seen as substitutes to essays, lecture attendance and so on. Instead of being available after graduation from a university, internships should be offered to students while at university, so that students would gain points through which they could pass various exams.

5.6.4 Career guidance and job search assistance

Montenegro is a small economy which is relatively well linked. Considering the fact that as many as 93.3% of students access the internet on a daily basis (Juventas 2019), most of their activities are centered on social networks and media. A permanent online platform for employment and education should be developed, through which young people can familiarize themselves with various professions and educate themselves about them. This platform would also unify the supply and demand of work. It would be therefore necessarily linked with the relevant agencies which would track the currents on the market and provide a relatively up-to-date picture of them. It could be designed as a social network, and it could be advertised and propagated

throughout the school system and it could be run by the Employment Agency with the help of experts in digitization and the cooperation of various educational facilities. Through this platform, the **Individual Employment Plan** would be guided in a manner much more attractive to young people than the current one. The core of the problem is the fact that even the potential which the Employment Agency possesses in the status quo is not valorised properly. The reason is that it is out-dated and too slow for the demands of the modern market. The development of a platform which would be run by a special new office in the Employment Agency would be a crucial step in solving, at least to a degree, the problem of youth unemployment. This platform could be then integrated with high-school and university servers to provide each citizen with a profile, based on which an assessment could be easily made. But also, this platform would contain data extracted from the employers, which would provide users with up to date information on the basis of which they could adjust their career choice and informal trainings. This platform should be open to different versions of online training sessions which would be shaped on the basis of labour market needs as well as the preferences of the candidates. If such a platform were to be developed, and advertised within schools and universities, the younger generations would become accustomed to developing a more proactive stance towards employment opportunities.

¹² For the economic argument in support of wage subsidies as an efficient way to create jobs and prevent poverty among low wage workers see Phelps (1997).

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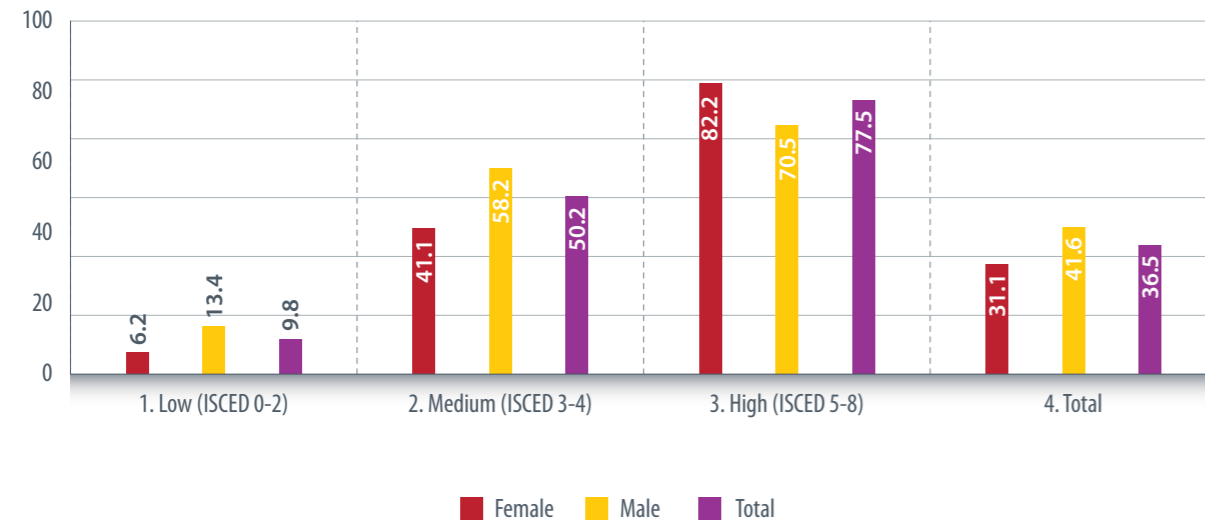
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7 APPENDIX

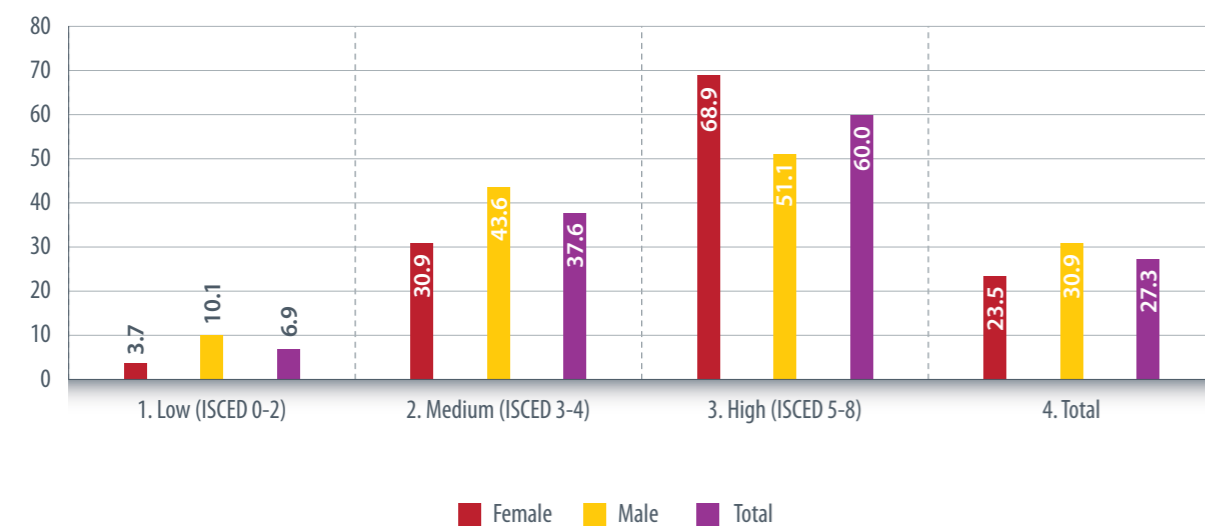
This appendix shows the main labour market performance indicators for 15-24 years age group in Montenegro in 2019. The Figures are constructed from data in the Eurostat online database.

Figure A1: Labour force participation rate by gender and education, 15-24 age group, Montenegro 2019 (%)



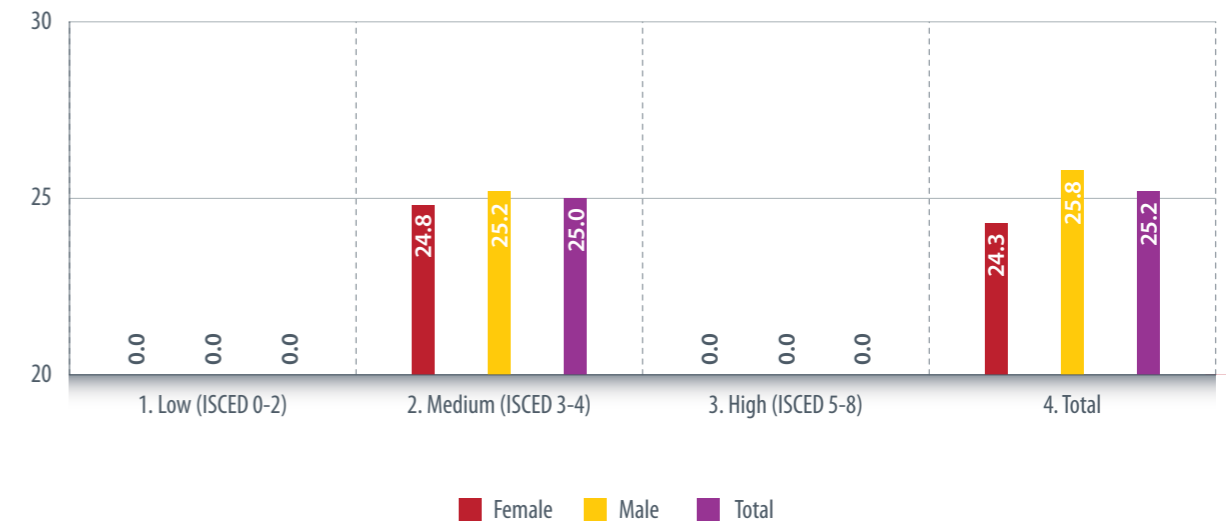
Source: Eurostat online database

Figure A2: Employment rate by gender and educational level, 15-24 age group, Montenegro 2019 (%)



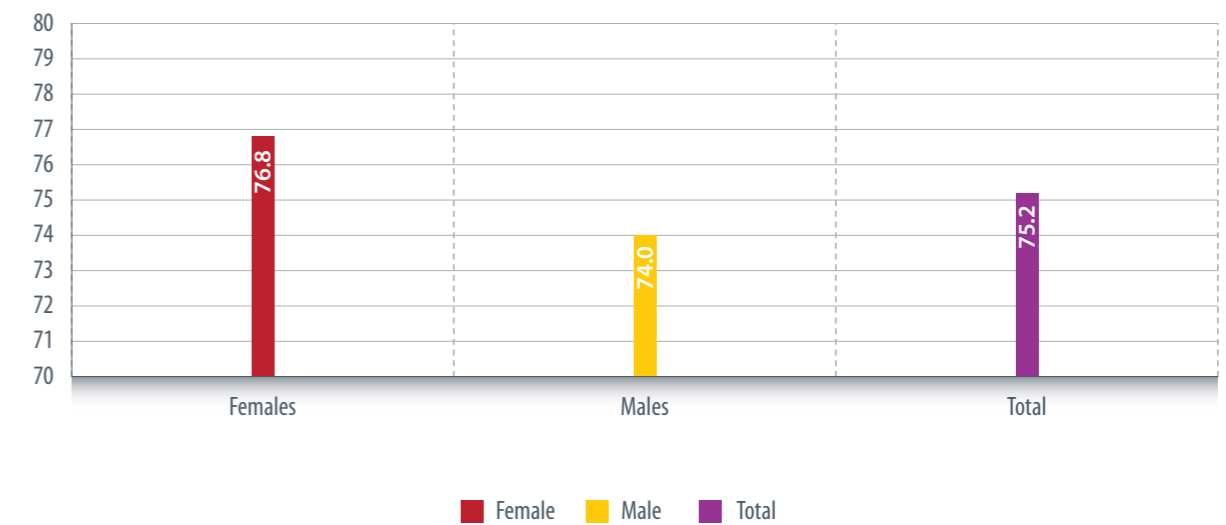
Source: Eurostat online database

Figure A3: Unemployment rate by gender and educational level, 15-24 age group, Montenegro 2019 (%)



Source: Eurostat online database

Figure A4: Temporary employment share of all employment by gender, 15-24 age group, Montenegro 2019 (%)



Source: Eurostat online database



STUDY ON
**YOUTH
EMPLOYMENT**
IN THE
REPUBLIC OF
NORTH
MACEDONIA

good.
better.
regional.

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Abstract

This Annex outlines the nature and challenges of the youth labour market in North Macedonia. Although the youth unemployment rate has declined in recent years it remains elevated and many unemployed young people face long-term unemployment, reflecting substantial skills mismatches. The youth labour market is also characterised by large gender gaps in labour market participation and employment, while the participation and employment rates are especially low for young people with a low level of education. Many young people are employed in precarious jobs, leaving them vulnerable to the effects of the economic downturn due to the COVID-19 pandemic, and at risk of poverty and social exclusion. The high level of emigration of young people is problematic for future economic development. The chapter analyses the existing youth employment measures, focusing on the Youth Guarantee that has been introduced in North Macedonia. This has led to a substantial increase in the proportion of young people subject to active employment policy measures, which need to be further scaled up to reach out to the most disadvantaged youth and appropriately financed. The Annex maps the main dimensions of the phenomenon

of young people neither in employment, nor education or training (NEET) and makes suggestions about how policies towards NEETs could be improved. It also identifies the capacity issues in the main agencies responsible for implementing youth employment policies and makes some recommendations about what should be done to ameliorate the identified deficiencies. A comprehensive set of labour market policy measures is outlined, building on experience with the already adopted Youth Guarantee pilot programme and similar measures in the EU. A roadmap is presented, tailored to local circumstances, to enhance the Youth Guarantee in North Macedonia to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the plans for enhancement of Youth Guarantee Implementation Plan for North Macedonia. The enhancement of the existing Youth Guarantee would make a major contribution to eliminating the social exclusion experienced by many disadvantaged young people living in North Macedonia today and in the future.

1 INTRODUCTION

Over the last three decades, North Macedonia has been through a long process of transition. Due to the rapid privatisation of most of the industrial sector in the late 1990s, many of the links between the education system and the business sector were disrupted. Consequently, the curriculum in the vocational education system became outdated, along with the skills provided to young people who face a difficult entry to the labour market. The economy has grown strongly in recent years, raising GDP per capita from 14.0% of the EU-27 average in 2011 to 16.7% in 2018.¹ In 2019, GDP grew by 3.6%, which led to the creation of many new jobs and a reduction in the unemployment rate which, however, is still one of the highest in Europe. Youth unemployment has been recognised by the European Union as one of the key priorities to be addressed.

In spite of structural deficiencies and supported by fiscal stimulus, the labour market was improving before the onset of the COVID-19 crisis. Job creation was buoyant in 2019, but in 2020 the number of jobs fell by 22,000 due to the economic effects of the COVID-19 crisis.² Many of the new jobs that have been created in recent years hinge on government support in the form of public sector employment, active measures or job subsidies. The labour force increased somewhat in 2019 as more women entered the labour market, but fell by

32,000 in 2020.³ Participation rates remain low especially for women, even though the gender gap has narrowed over the last five years. The employment rate has increased but remains low at 54.7% in 2019, while the unemployment rate continued its steady decline to reach 17.3% in 2019.⁴ Around 80% of unemployed are long-term unemployed, largely reflecting the skills mismatch (European Commission, 2020, p. 48). Educational level and field of study influence the length of unemployment, even after controlling for other factors.

1.1 Youth in the labour market

Youth unemployment and inactivity levels have remained stubbornly high in recent years, despite recent improvements in labour markets indicators. Low labour market participation, in particular among women, and low job creation are the main characteristics of the labour market. Inadequate earnings and unproductive work, lack of stability and security at work, unequal opportunities and treatment in employment, an unsafe work environment, and lack of voice through representation are also a concern (ILO, 2020). Among labour market challenges, the issue of youth unemployment



¹ In terms of purchasing power parity (adjusting for price differences) the relative GDP per capita in 2011 was 34.0% of the EU-27 average which increased to 37.5% by 2018. Eurostat online data [nama_10_pc].

² This compares the number of employees in the 15-64 age group in the fourth quarter of 2020 to the same period in 2019. Eurostat online data [lfsq_egan].

³ This compares the number of the active population in the 15-64 age group in the fourth quarter of 2020 to the same period in 2019. Eurostat online data [lfsq_agan].

⁴ Eurostat online data [lfsa_organ].

remains paramount. Despite recent progress, the economy continues to show very poor labour market outcomes, especially for young people, reflecting the challenges youth face to gain a foothold in the labour market. In this section we identify the main contours of youth labour market experience in North Macedonia.

1.1.1. Youth population

In January 2020, North Macedonia had a population of 2,076,255 persons of whom 249,692 (12.0%) were aged 15-24. This share was two percentage points above the respective share in the EU-27 (10.6%).⁵ North Macedonia has a slowly ageing society, with the share of youth aged 15-24 in total population declining from 15.7% in 2009, giving a fall over the decade of -3.7 percentage points, more than twice that in the EU-27 (-1.4%). The reduction in the share of youth in the population makes it all the more imperative that appropriate policies should be adopted to ensure that young people have the requisite skills and opportunities to engage with the labour market. Without this, the future prospects for a prosperous and competitive economy in North Macedonia will be reduced.

1.1.2. Youth- educational characteristics

In 2019, the youth population aged 15-24 was 252.3 thousand, of whom 104.3 thousand (41.3%) had only a “low” level of education having completed compulsory primary education or less, and 137.1 thousand (54.3%) had a “medium” level of education having completed upper secondary school or post-

⁵ Eurostat online data.

⁶ MAKSTAT Labour Force Survey 2019, online data.

⁷ MAKSTAT Labour Force Survey 2019, online data.

⁸ MAKSTAT Labour Force Survey 2019, online data

secondary non-tertiary education.⁶ Relatively few members of this age group, just 10.7 thousand (4.2%), had completed tertiary education. In 2019, about 171.1 thousand of these young people were inactive; many of them were attending secondary school or university, but many others were neither in employment, education or training. More than half of the inactive youth had a low level of education (54.8%) and over two fifths had a medium level of education (42.2%), while relatively few (two thousand) of this age group had completed a tertiary education. A major characteristic of this age group is therefore that many have only completed a basic level of education.

1.1.3. Labour force

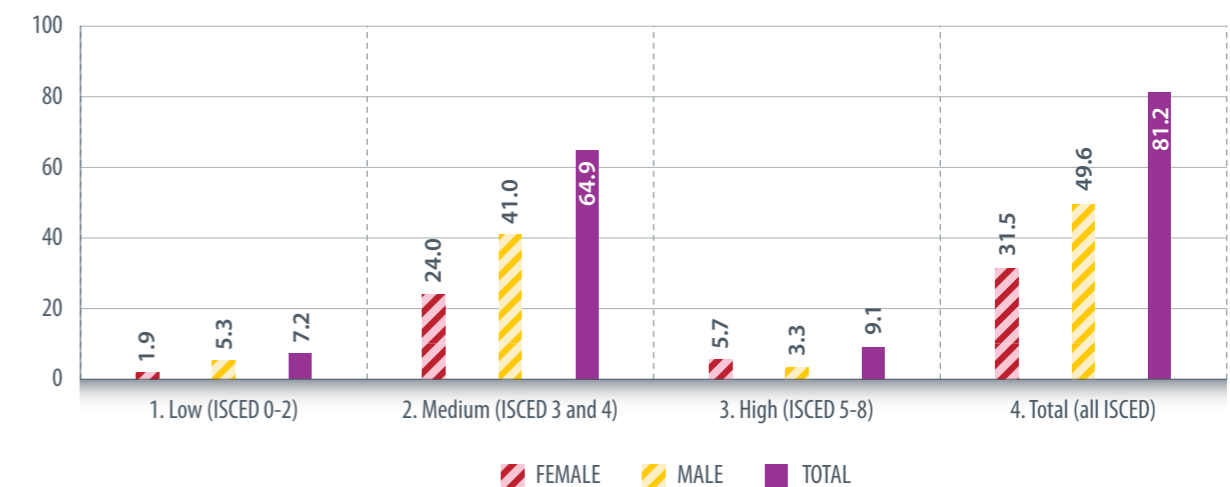
In 2019, the youth labour force, either in work or seeking work comprised 81.2 thousand young people aged 15-24 years (down from 82.5 thousand in 2018), of whom 49.6 thousand were young men and 31.5 thousand were young women (down from 54.3 thousand and 28.2 thousand respectively in 2018 - see Figure 1).⁷ The decline in the labour force may be due to demographic factors combined with extensive emigration of young people. In 2018, the great majority, more than three quarters (77.5%) of the young people in the labour force had a medium level of education, having completed upper secondary schooling.

The labour force participation rate (the activity rate) of young people is very low; in 2019, it was just 32.2% of the working population in 2019 (up from 31.8% in 2018 – see Figure A1).⁸ There was a large gender difference in

the activity rate in 2019, with 38.1% of young men being active compared to just 25.8% of young women. This gender difference was most pronounced among those with medium

education: the activity rate for these young men was 56.2% whereas for young women it was just 37.3% (the activity rate of all medium educated youth was 47.3% - see Figure A1).

Figure 1: Labour force aged 15-24 by gender and level of education, North Macedonia, 2019 (thousands)



Source: World Bank/WiiW Jobs Gateway in Southeastern Europe online data

In 2019, about 52.3 thousand young people had a job, while 28.9 thousand were unemployed.⁹ Most of the employed youth had a medium level of education and had not attended university; unemployed youth had a similar profile. The unemployed youth are most likely those who have attended VET school and are unable to find work with the skills they had available to them; pupils who graduate from grammar schools (gymnasias) are likely to continue their studies at university.

1.1.4. Labour market performance indicators

The youth employment rate increased by more than three percentage points over the three years from 2017-2019, although it is still less

⁹ MAKSTAT Labour Force Survey 2019, online data

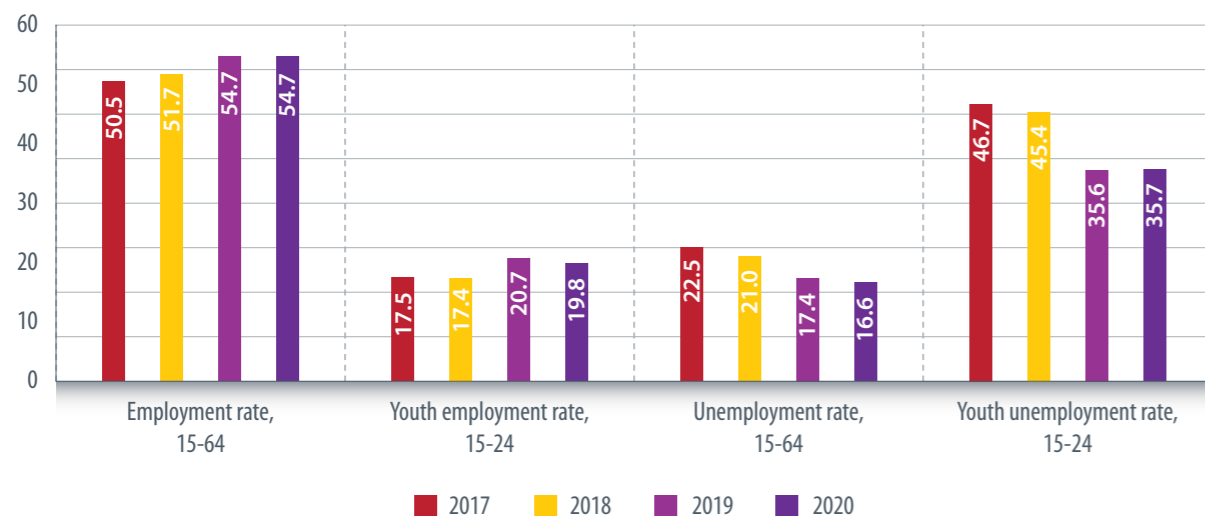
¹⁰ MAKSTAT Labour Force Survey online data.

than one third of the overall 15-64 age group; in 2019 it was just 20.7% (up from 17.5% in 2017), and far below the overall employment rate of 54.7%, itself a low number (see Figure 2). The employment rate is far higher for young men than for young women; in 2019 it was 25.4% for men and 15.8% for women.¹⁰ The highly educated had a higher employment rate than the medium educated (49.4% versus 30.6%), while few low-educated young people had a job, with an employment rate of just 4.7%. Consequently, in North Macedonia, the risk of not finding employment is far higher for low educated females than for high educated males.

2020 DATA UPDATE

In 2020, the employment rate for working-age population remained at the same level as in 2019 at 54.7%, while the unemployment rate decreased to 16.6% compared to 17.4% in 2019). In 2020, the youth employment rate decreased to 19.8% (compared to 20.7% in 2019), while the youth unemployment rate slightly increased to 35.7% after three years of a declining trend (35.6% in 2019).

Figure 2: Labour market performance indicators, North Macedonia 2017-2020 (%)



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

The high levels of youth unemployment place North Macedonia as one of the least successful labour market performers in the Western Balkans. Youth unemployment has slowly but steadily declined in recent years, dropping by over 12 percentage points between 2015 and the first quarter of 2020, to 34.9%, largely on account of emigration, but also supported by the government's Youth Guarantee scheme. Low-educated women are the most affected by youth unemployment, albeit in absolute numbers they are a small share. Differences in youth unemployment rates by gender,

educational level and field of specialisation persist even after controlling for differences in other characteristics. Youth unemployment (15-29 years) in 2019 was higher among women than among men (32.5% vs. 28.6% of the active young population).

1.1.5. Self-employment, family workers and entrepreneurs

Hardly any (1.5%) young people were identified as self-employed in the 2019 Labour Force

Survey, working on their own account as a sole trader.¹¹ In contrast, more than one in ten (13.6%) young people worked as unpaid family members, with an especially high proportion of young men; more than one quarter (26.6%) of all male employees held this role. This suggests that the NEET category (neither in employment, nor in education and training), should be expanded to take into account these unpaid family workers. On the other hand, there were a number of young people who were working as "employers", i.e., had set up their own business as entrepreneurs and were employing others. The Labour Force Survey identifies 604 young people holding this employment status, mostly young men (540 men), accounting for 1.9% of all people in employment.

1.1.6. Precarious employment

When young people do find work, it is often in precarious jobs that are either part-time, temporary or both. In North Macedonia, although few young people work on a part-time basis, temporary contracts are common with more than one third (34.7%) having a temporary job (see Figures A4). These forms of precarious employment are broadly based, with little difference between education levels or gender. This suggests that youth employment policy should seek to support a greater proportion of young people into permanent, more secure, job positions. Young people in these types of precarious employment have a high risk of poverty and social exclusion (Gerovska Mitev, 2020).

1.1.7. Transition from education to work

Finding a stable job takes a young person on average 31 months (2.5 years) from the time of graduation. The grim prospects for youth represent a challenge, as prolonged spells of unemployment and inactivity in these early years negatively affect subsequent labour market outcomes. A longer job search period implies a lower likelihood of getting a job (Mojsoska-Blazevski, 2020). Furthermore, employees that experience a longer job search have a lower probability of being employed in a matched position, irrespective of their education level. However, youth with tertiary education are affected the least, whereas the duration of the job search affects those with only elementary education are less likely to get a matched job position than others.

Women are more likely to transition into inactivity after leaving school. After controlling for other characteristics, the expected probabilities of women entering inactivity after leaving school are considerably higher than for men. Regional disparities in youth employment are striking, with some regions showing youth employment rates considerably lower than the national average. Graduates from Science, Technology, Engineering and Mathematics (STEM) have seen significant improvements in unemployment in recent years, despite the general high levels of youth unemployment.

1.1.8. Migration

The high levels of youth unemployment can be both the cause and consequence of massive emigration of skilled youth (Petreski, 2021). Based on census data from destination economies, current emigrants from North

¹¹ MAKSTAT Labour Force Survey online data

Macedonia constitute 25% of the population, and the number has been rising over the past 10 years, constituting an estimated 32% of the economy's high-skilled workers. The new emigration includes many first-time migrants, mostly young people who leave to find work or study, often on a permanent basis. This also suggests that the concern about recent emigration is due to unease about the emigration of highly qualified labour and the anxiety around a "brain drain" (Ministry of Labour and Social Policy, 2019). However, more recent research has shown that emigration has been skewed towards people with a low level of education and, to a smaller but still substantial extent, people with a medium level of general education (Petreski, 2021). This largely invalidates the brain-drain hypothesis,

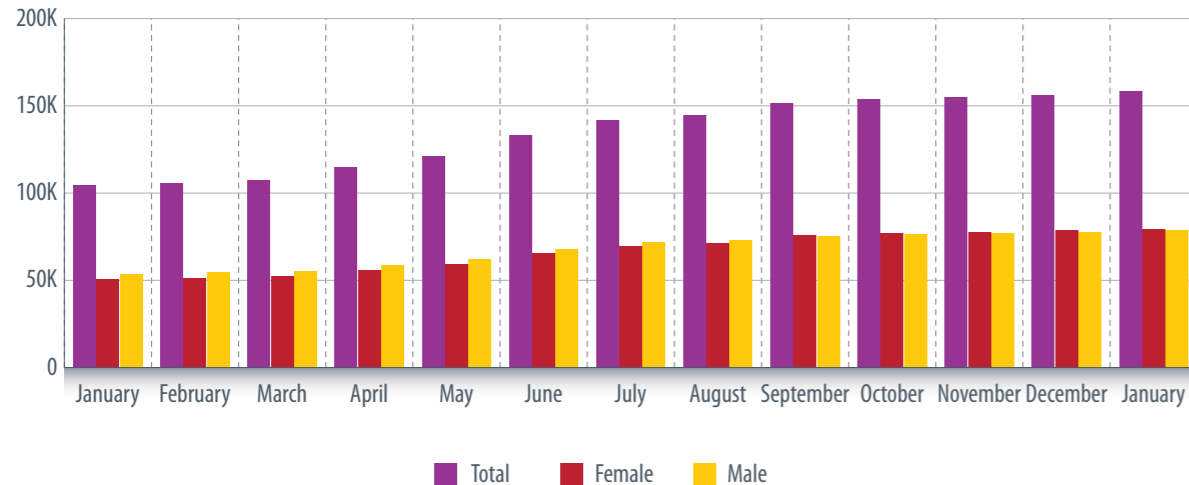
although particular occupations – most notably doctors, nurses and midwives – have exhibited intense emigration.

1.2 COVID-19 pandemic

The COVID-19 pandemic has hit the North Macedonian economy hard. After a strict lockdown in the spring, followed by a gradual reopening of the economy, social-distancing restrictions were tightened again to slow down contagion. Real GDP contracted by 4.5 percent in 2020.¹²

The number of registered jobseekers at the ESA (ESA) increased by 52% over the year, from 104,409 in January 2020 to 158,681 by January 2021.¹³

Figure 3: Registered unemployed at Employment Service Agency, January 2020 – January 2021



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

In response the government introduced a series of mitigation measures. These included, inter alia, subsidies on private sector wages and social security contributions for firms that maintain

employment. This was granted at MKD 14,500 per month per employee for April and May, for companies affected by the crisis or 50% of the cost of contributions for each employee.

¹² See: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#O> and EU Candidate Countries' & Potential Candidates' Economic Quarterly (CCEQ), https://ec.europa.eu/info/sites/default/files/economy-finance/tp048_en.pdf

¹³ RCC Employment Observatory database.

Financial support for the self-employed was granted at MKD 14,500 for April and May and other financial measures to support the private business sector.¹⁴

1.3 Key challenges facing the youth labour market

The weakness of the labour market and the high level of inactivity among young people pose numerous challenges to policymakers in North Macedonia. Among the greatest challenges are skill mismatch, lack of work experience, long-term unemployment and deterioration of skills, and the negative impact of political connections and clientelism.

1.3.1 Skill mismatch

Inadequate education outcomes, mismatch of skills with the needs of the labour market, apathy and disappointment of the youth are among the main reasons for high youth unemployment and emigration. An in-depth and substantial reform at all levels of the educational system is needed, based on quality analysis and consultation with all stakeholders, especially with youth. The education system should develop a vision and ability to adapt to the current and future needs of the labour market. Providing job opportunities that match the abilities of youth is an important means of reducing emigration (Rechica & Dimova, 2020).

¹⁴ See: <https://www.esap.online/observatory/measures/5/socio-economic-measures-for-the-coronavirus-crisis-in-the-republic-of-north-macedonia>

1.3.2 Lack of work experience

The main driver of high youth unemployment rates, despite higher levels of education compared to older generations, is their lack of general and job-specific work experience (Pastore, 2018). This phenomenon is called the "youth experience gap" and it generates an experience trap. 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 employment, nor in education and training (NEET) and their human capital depreciates and their productivity declines, which further decreases their likelihood to become employed and accumulate skills.

1.3.3 Long-term unemployment and deterioration of skills

Long-term youth unemployment leads to deterioration in young people's skills and knowledge as well as their self-esteem and motivation, and as a result their productivity decreases, as does their chance of finding a job (Mojsoska-Blazevski et al., 2017)

1.3.4 Political connections and clientelism

Young people believe that party members, loyalists and supporters are given preference when it comes to employment (Topuzovska-Latkovikj, et al., 2016). This opinion is in line with findings of Balkan Barometer 2020 Public

Opinion survey¹⁵ which identified that 46% of all respondents in North Macedonia tend to be “most concerned about nepotism in hiring”.



¹⁵ <https://www.rcc.int/balkanbarometer/results/2/public> (p.48)

2 YOUTH EMPLOYMENT MEASURES

The Programme of the Government of Republic of North Macedonia 2020-2024 states that the government will lead a youth policy that will be the core of employment policies. The main emphasis will be placed on measures to improve young people’s living standards and well-being, while young people will be assisted to find their first job.

The **Employment and Social Reform Programme 2020** (ESRP) was adopted in 2017, and a revised version has extended its application to 2022 (Ministry of Labour and Social Policy, 2020). The Ministry of Labour and Social Policy is the leading institution for the development of youth employment policies and coordinates the implementation of the ESRP. The following public institutions are involved in the design and implementation of youth employment and youth entrepreneurship policies (Government of the Republic of North Macedonia, 2017: 84):

- ▷ Ministry of Labour and Social Policy (main authority)
- ▷ Ministry of Education and Science
- ▷ Ministry of Information Society and Administration
- ▷ Ministry of Finance
- ▷ Ministry of Economy
- ▷ Employment Service Agency
- ▷ Centre for Vocational Education and Training



¹⁶ https://eacea.ec.europa.eu/national-policies/eurydice/content/legislation-42_en

- ▷ Centre for Education of Adults
- ▷ Agency for Promotion of the Entrepreneurship of the Republic of North Macedonia
- ▷ Centres for Social Work

The National Employment Strategy of the Republic of Macedonia 2016-2020¹⁶ is a key document, outlining the main challenges facing the labour market and the main strategic goals and objectives of employment policy. A special focus was placed on youth who face challenges due to high levels of unemployment, social exclusion, poverty, and discrimination. The Strategy targeted young people up to the age of 29 who are registered with the ESA for the first time. Various employment policies, measures and services for young people were implemented following a period of four months after their registration at the ESA. Preventive and curative approaches were combined and accompanied with strategies to reach out to young people with difficulties in the labour market. Finally, broad partnerships between public institutions at both central and local levels, social partners, youth and civil society organisations and the private sector have been established.

The government has dedicated increasing efforts to the employment challenges faced by young people (15-29 years old) over the last decade, and to the costs that youth unemployment imposes on the economy and society. The Youth Employment Plan developed

in 2011 is a coordinated action of government agencies, civil society organisations and the social partners.

Given the positive results of the initial Youth Employment Action Plan, the government adopted another action plan for the period 2016-2020. The **Action Plan on Youth Employment for 2016-2020**¹⁷ outlined three strategic objectives and a number of key outcomes for the employment of young people:

- ▷ Improve the matching of skills with labour market requirements by developing a comprehensive skills forecasting system; mainstream career education; improve the relevance of educational outcomes to labour market requirements; and deliver quality career counselling.
- ▷ Promote the private sector through a package of incentives including access to quality employment services for enterprises involved in infrastructure development projects; expanding business development services to assist enterprises to access funding opportunities; and extending the tax incentive system to promote youth employment.
- ▷ Ease and simplify the transition of youth to work by upgrading the human resource base in information technology; develop service lines for unemployed youth; improve the delivery of active labour market policies and introduce better services for employers.

The amount of funding for the Action Plan for Youth Employment was €30.9 million¹⁸ over five years (2016-2020). About 200,000 young people were targeted by the Action Plan interventions



¹⁷ http://dit.gov.mk/wp-content/uploads/2017/08/2016_Akciski-plan-za-vrbotuvanje-mladi-2016-2020-godina_MK-pv-.pdf

¹⁸ <https://national-policies.eacea.ec.europa.eu/youthwiki/chapters/republic-of-north-macedonia/17-funding-youth-policy>

which covered about 40% of the youth population in the 15-29 age group.

In the **Annual Operational Plan for Active Labour Market Programmes and Measures** several employment measures are outlined. The goal of the **Operational Programme 2020-2024** is to reduce unemployment by 3% each year, a target that has been achieved over the three years prior to the launch of the Programme. The following measures are available to young people up to 29 as one of the target groups of the Programme (Ministry of Labour and Social Policy, 2019):

- ▷ **Programme for Self-Employment:** The aim of this programme is to support the unemployed to start their own business.
- ▷ **Support for creating new jobs** to promote the employment of unemployed people in micro, small and medium enterprises, and social enterprises targeted on social goals.
- ▷ Support for the employment of people who are only **marginally involved in the labour market**.
- ▷ **Support for legal entities** to create new jobs for youth in micro, small and medium enterprises, social enterprises and civil society organisations.
- ▷ Support of employment of **disabled people**.

The Operational Plan has a budget of MKD 1.2 billion - an increase of MKD 150 million in comparison with previous year (Ministry of Labour and Social Policy, 2019). This amount is not exclusively intended for youth employment measures, but for employment measures for the whole working population.

The priorities set out in the **National Youth Strategy 2016-2025** are aligned with the priorities of the EU Youth Strategy: Investing and Empowering. The main target groups are unemployed youth, NEET groups and youth with disabilities. With the new **Law on Youth Participation and Youth Policies**, the participation of youth and youth organisations is guaranteed by the fact that young people sit at the same table with the institutions and participate in making decisions for young people. For the first time, definitions are given of who is a young person, what youth work is, what youth participation is, who youth workers are, what youth infrastructure development is, what youth policies are, who youth officers are, what a youth organisation register is, and what is a research centre with a guaranteed budget. Under the **Law on Internship** young people have the opportunity to gain practical work in companies for a period of six months and to be paid for it, and for employers to recognise the qualities of staff who will be permanently employed. In the first three months interns are entitled to a compensation of MKD 5,000, and in the second three months at the minimum wage (MKD 14,500).

Through the system of **dual education** young people are provided with a good quality job, and a sustainable income straight after graduating from high school. They spend about 70% of their time in practical classes directly in companies and receive a practical qualification at the end of their education.

Young farmers receive €20,000 incentive to engage in agriculture and produce a product that is attractive to the European market; previously, this amount was €10,000.

A **Youth Allowance** has been introduced, encouraging the employment of young people after graduating from high school. It is worth MKD 3,000 per month and is paid

to young people up to 23 years of age who have completed at least secondary education. About 4,000 young people have been covered through this measure.

The **European Youth Card** has been introduced, which reduces the costs of transport, sports, education and recreation for young people. It is valid in hundreds of locations. Apart from bringing savings and lower costs, the card will improve the social life and personal development of young people. It has over 5,000 users and is constantly growing. A personal income tax refund has been introduced for all new employees under 30 in the first two years of employment; the funds are sent directly to the account of the employee.

2.1 The Youth Guarantee Scheme

In 2018, the government introduced a Youth Guarantee modelled on the EU Youth Guarantee scheme. The measure allows young people up to the age of 29 who are neither in employment, nor in education and training (NEET) to receive a suitable job offer, to continue their education or to be involved in any of the active employment programmes and measures within a period of four months after their registration as unemployed persons at the ESA.¹⁹ It does not guarantee an actual job for young people, but it does guarantee that registered jobseekers in the NEET category will be able to participate in one of the measures provided by the ESA.

The Youth Guarantee has been a priority of the government. The Master Plan for the Youth Guarantee foresees EURO 40.7 million for implementation of measures for youth



¹⁹ See: <https://av.gov.mk/youth-guarantee.nspk>

employment. The youth guarantee requires strong policy coherence and coordination across the Ministries of Labour and Social Policy, Education and Science, and Finance. The implementation plan for the pilot phase pointed to specific labour market policies and institutions that had to be adapted to meet the specific commitments of the Youth Guarantee. The Youth Guarantee is applicable to young people who are registered for the first time as unemployed job seekers. After registration, they are interviewed by a job counsellor of the ESA who profiles their employability using a control questionnaire and prepares an individual employment plan. The plan defines the steps required to enable the individual to engage with an educational or training process (not in regular education) or to be involved in any of the active employment measures or services,

to increase employment opportunities or be offered suitable employment appropriate to the individual's level of education and skills. These steps involve group and individual counselling, provision of job search assistance, motivational trainings and involvement in any measure of active labour market policy available. In 2018, the Youth Guarantee was piloted in three employment centres: Gostivar, Strumica and Skopje. In 2020-2022 the Youth Guarantee has been expanded to the whole economy but will be refocused on three less developed regions (Polog, Northeast and Southwest plus Resen, where most NEETs live). It will be supported by the IPA II programme "EU for Youth". Under the programme, 30% of all participants in the active employment programs and measures are envisaged to be young people up to 29 years of age.

Table 1: Summary of youth employment policies

SERVICES	EMPLOYMENT	TRAINING	INTERNSHIP
<ul style="list-style-type: none"> ▷ Professional orientation and counselling ▷ Motivational training ▷ Individual and group counselling 	<ul style="list-style-type: none"> ▷ Subsidised employment ▷ Subsidised employment for youths with disabilities ▷ Self-employment 	<ul style="list-style-type: none"> ▷ Training for known employer ▷ Training for specific skills that are deemed on the labour market ▷ Training for specific skills that are deemed by employers' labour market 	<ul style="list-style-type: none"> ▷ Internship programmes for youths under the age of 29

Source: World Bank Group, 2019, p.24

The Youth Guarantee (YG) scheme is the most comprehensive and largest programme targeted at young job seekers in North Macedonia. It is led by the Ministry of Labour and Social Policy and implemented by the Employment Service Agency and supported by the National Youth Council of North Macedonia.

The following institutions are involved in the implementation of activities of the Youth Guarantee (EACEA, 2018):

- ▷ The **Ministry of Labour and Social Policy** is responsible for coordinating and monitoring the implementation

and specific interventions included in the implementation plan of the Youth Guarantee.

- ▷ The **Ministry of Education and Science** is responsible for accelerating educational reforms already planned at primary, secondary and high level; to introduce second-chance programmes for young people and adults that need to acquire recognised qualifications to advance in the education system or to enter the labour market; to establish and upgrade the Education Information System in order to monitor the students' success, to detect early school leavers.
- ▷ The **Centre for Adult Education** is responsible for expanding the opportunities for young beneficiaries of the Youth Guarantee to return to the education system and recognised qualifications.
- ▷ The **Centre for Vocational Education and Training** is authorised to develop standards of occupations and vocational courses and programmes for completion of education.
- ▷ The **Bureau for the Development of Education** is authorised to develop general education programmes in a short form for the needs of the implementation of the Youth Guarantee.
- ▷ The **Ministry of Local Self-Government** is responsible for coordinating the involvement of local authorities in the implementation of the Youth Guarantee-targeted interventions targeting young NEETs at the local level.
- ▷ The **Employment Service Agency (ESA)** is responsible for collecting and disseminating information on the labour market; employment counselling

and career guidance; setting up a job and administering passive and active programmes on the labour market. Within the Youth Guarantee, ESA is responsible for providing activation services and measures for integrating young people into the labour market (15-29) that will be registered in the Youth Guarantee.

In 2019, more than 20,000 young people were covered by the Youth Guarantee, of whom 52% were women. More than 6,000 young people were employed through the programme. The measure has had a positive effect on vulnerable groups, such as Roma, of whom 1,457 were included in the Youth Guarantee, with 212 of them finding a job at the latest count. In the first six months of 2020, 8,173 people were trained, of whom 1,971 became employed.

In May 2019, the ILO conducted a monitoring mission to assess the results of the pilot phase and recommended that the **Youth Guarantee Implementation Plan 2020-2022** should be extended to cover the entire economy. The key lessons learned from the experience with the Youth Guarantee were identified (Kovacs, 2019). This study found that, similarly to EU Member States, progress has been slower than expected with burdensome procedures for amending the law playing a role. The main danger to a successful Youth Guarantee is the practice of "creaming" whereby the measures are applied only to the most employable youth and not to those who are most detached from the labour market and not only the most employable youth. To deal with this risk, government has relied on well-established youth organisations to identify these young people who are hard to reach. However, this may prove to be a daunting task, since youth who need to be most supported on an activation path may be burdened by overwhelming personal circumstances such as substance abuse and homelessness.

3 MAPPING THE SITUATION OF NON-REGISTERED NEETS IN NORTH MACEDONIA

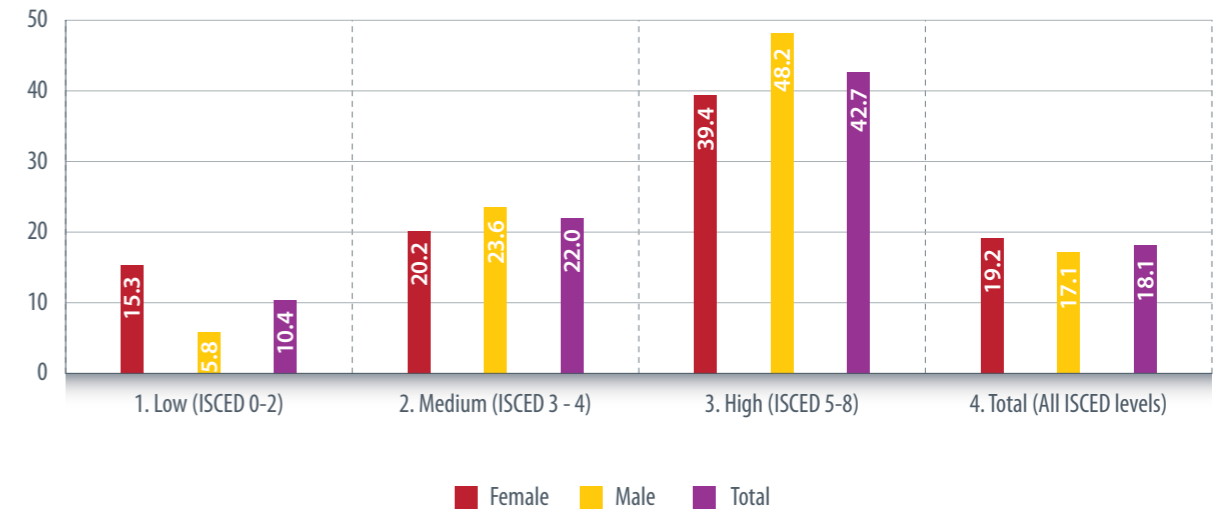
The NEET rate is the share of respective age group of young people who are neither in employment, nor in education and training. The age group are defined with reference to the group of young people aged 15-24 or the group aged 15-29, depending on context. Thus, NEETs are either (i) not employed (i.e., unemployed or inactive according to the International Labour Organization's/ILO definition) or (b) have not received any formal nor non-formal education or training in the four weeks preceding the respective Labour Force Survey.

The poor labour market situation of young people in North Macedonia is reflected in the high NEET rate (the share of NEETs in the respective population age group). In 2019, the NEET rate for 15-24 year olds was 18.1% and in 2019 for the age group 15-29 it was 24.5% (see Figures 4 and 5). Since the youth cohort of 15-24 years was about 250,000 in that year, this implies that the total number of NEETs is 45,250; for the 15-29 cohort of 412,000, the same calculation gives a total of 100,940 NEETs.

The NEET rate varies by gender and education level as well as the age group which is considered. For the 15-24 age group the female rate is higher than the male rate (19.2% and 17.1% respectively). Similarly, for the 15-29 age group the female NEET rate is higher than the male rate (28.3% and 20.9% respectively).

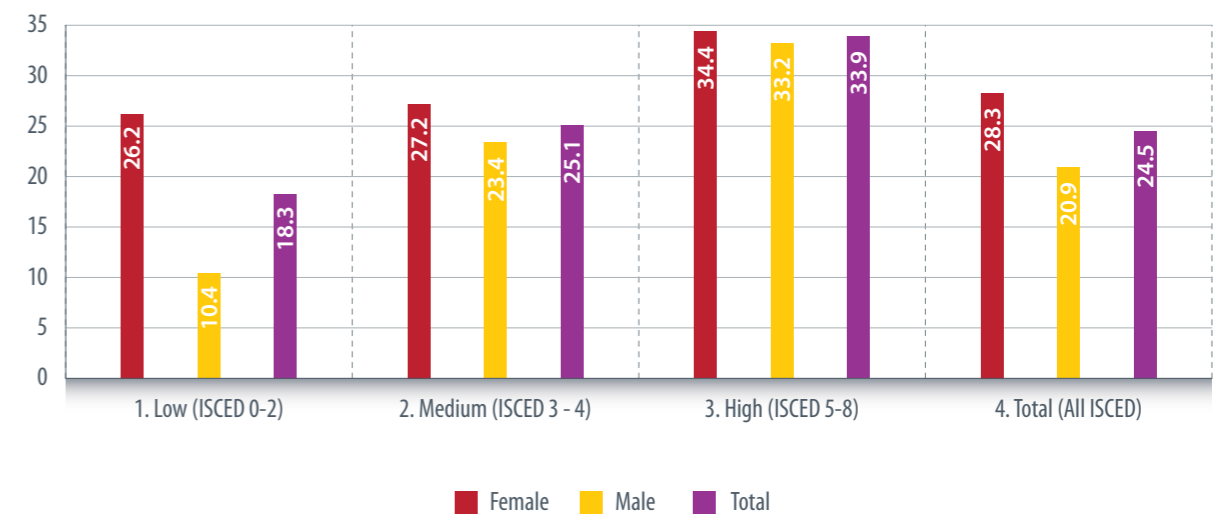
NEETs are a diverse group, including those who are seeking work but unemployed, and those who are inactive for various reasons including having family responsibilities. The unemployment rate of NEETs in both age groups has been falling for a number of years, reaching 12.7% for the 15-29 age group, and 8.9% for the 15-24 age group. In contrast the proportions of the NEET age groups who are inactive have risen over the decade albeit falling slightly over recent years, to reach 9.2% in 2019 for the 15-24 age group and 11.8% for the 15-29 age group.²⁰ The NEET rate has been fairly steady over the last decade but fell by 5 to 6 percentage points in 2019 following the introduction of the pilot Youth Guarantee.²¹

Figure 4: NEET rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



Source: Eurostat online database variable [EDAT_LFSE_21]

Figure 5: NEET rate by gender and education level, 15-29 years, North Macedonia 2019 (%)



Source: Eurostat online database variable [EDAT_LFSE_21]

Some of these inactive NEETs have no intention of working, a proportion that has held steady over the decade at 5.4% in 2019 for the 15-24 age group and 6.6% for the 15-29 age group. Due to this, latter "hard core" of those unwilling to work at all and do not wish to engage with

the labour market, policies should focus on those unemployed and inactive young persons who would "like to work" whether currently seeking employment or not, a proportion which amounted in 2019 to 12.7% of 15-24 age group and 17.9% of the 15-29 age group.²²

20 Eurostat online data

21 Eurostat online data

22 Eurostat online data

3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

In addressing the challenges related to youth employment, it will be crucial to further promote and strengthen the local approach and the involvement and active participation of all relevant stakeholders at local level. The capacities of institutions at local level should be strengthened, (including local self-government units, local social partners, Local Economic and Social Councils, and youth organisations) to design, implement and monitor targeted and tailored programmes and measures that would better correspond to the needs of local NEET youth to approach the labour market. With this approach it should be possible to improve the situation of young people and to contribute to increasing both the quantity and quality, of youth employment at the local level (Ministry of Labour and Social Policy, 2019: 36).

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

Lessons should be drawn from international experience especially those 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 units of the Employment Service Agency could be deployed, especially in remote rural areas. A survey of marginalised youth could 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, 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 thus be important to better understand the marginalised NEET groups so that support can be offered where appropriate and likely to achieve success. For some 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 in the labour market. Young women who have children but wish to re-engage in 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.

Figure 6: The Youth Guarantee outreach process



Source: (Swiss Agency for Development and Cooperation SDC, 2019), p. 5.

4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES

The **Employment Service Agency (ESA)** and the **Ministry of Labour and Social Policy** are responsible institutions for monitoring the implementation of the active measures for employment, in order to provide accurate information about their success. The source of funding for the youth employment measures and programmes is from the government budget for ESA (which is under the Ministry of Labour and Social Policy). In addition to its headquarters in Skopje, the ESA has 7 regional offices and 22 local offices. In total it has 414 staff to cope with a caseload of 245,643 registered jobseekers (the number of youth jobseekers is not known). Therefore, the crude caseload per staff member is 593. This is far in excess of the average caseload in EU public employment services of 140, and even above that in the regional peer countries of Croatia (169) and Slovenia (137). This suggests the need for a major expansion of employment agency staff, especially in the Job Guarantee, leads to a much larger number of young NEETs who come forward to register with the agency.

The ILO estimated that the introduction of a Youth Guarantee policy framework modelled on the one implemented in the EU would increase the stock of young unemployed eligible to receive a quality offer by 30%. Furthermore, if even only half of those outside the labour

market (but willing to work) would seek support at the ESA the agency would face an increase of about 70% of its workload compared to the baseline. While the ESA is a strong employment service, with qualified staff and adequate tools and procedures in place, extending coverage by this amount would require not only additional human and financial resources, but also a change in the service delivery system. The capacity of the ESA should therefore be strengthened by recruiting additional staff, especially in light of the increased and diversified workload created by the newly adopted policy measures. The criteria for participating in active labour market policies should be reviewed to ensure increased participation of vulnerable people, including Roma. (European Commission, 2020, p. 83)

The ESA has been making continuing efforts to increase the number, diversity, scope and quality of the services it provides to its clients, unemployed persons and employers. The ESA should further strengthen its own physical, IT and human capacities through activities to strengthen further the capacity to monitor and anticipate the labour market trends, planning, designing and implementing employment measures, improving the monitoring and evaluation and strengthening inter-institutional cooperation.

5 ROAD MAP FOR YOUTH EMPLOYMENT IN NORTH MACEDONIA

The implementation of the Youth Guarantee in North Macedonia is a stepping stone in the right direction. It now needs to be developed further in line with the aims and ambitions of the EU Enhanced Youth Guarantee (EC 2020).²³ Strong cooperation and engagement are expected from the government institutions, social partners, civil society organisations, as well as numerous international organisations, donors and development and support agencies, which would provide great contribution also to the practical implementation.

Several additional steps should be taken to improve the operation of the Youth Guarantee programme. These include the simplification of administrative barriers and providing the largest possible budget. In addition, several other changes are needed. The government needs to be more innovative and proactive in addressing the reasons behind long-term unemployment, offering better programmes for the inclusion of NEETs and vulnerable youth in the market.

For the success of the Youth Guarantee it is important that policymakers and front-line staff get to know young people and inform them what the youth guarantee is and how they can be a part of it. There is a need for better promotion of the active measures that are in place through success stories and public events in order to increase the motivation of youth and to restore their trust in the institutions.

²³ See also Duell, N. (2018)

Regular analysis and updating of the existing measures are also necessary in order to lead to jobs that will meet on the one hand the needs of the labour market, and on the other hand the interests of youth and their level of acquired knowledge and qualifications.

In addition, key reforms need to be costed and enacted before extending the coverage of the Youth Guarantee, and reliance on external funding to carry out these reforms should be avoided.

This section presents the roadmap for Youth Guarantee in North Macedonia, and while this roadmap is an important analytical input, this roadmap cannot replace or prejudice the plans for enhancement of Youth Guarantee Implementation Plan in North Macedonia.

5.1 An enhanced Youth Guarantee for North Macedonia

The first steps in designing and implementing the Youth Guarantee in North Macedonia have already been taken by the government, with the assistance of the ILO. This has generated much experience in the pilot project and the follow on project in three municipalities as described

above. The Ministry of Labour and Social Policy has acted as the Youth Guarantee Coordinator and has gained much experience in its localised design features and operational details. The YG has accompanied a substantial decline in youth unemployment and a 5% drop in the NEET rate. However, both the youth unemployment rate and the NEET rate remain elevated. In 2019 there were still 45,000 NEETs in the 15-24 age group and 116,000 NEETs in the 15-29 age group. Following the COVID-19 hit to the economy, it is likely that these numbers have only risen. The Youth Guarantee therefore needs to be scaled up and fully funded. Guidance from the Council of the European Union (2020) suggests that the Youth Guarantee should be organised in four phases: mapping, outreach, preparation and offer.²⁴

5.2 Phase 1: Mapping

The ESA should further develop its mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Rapid research should be carried out to identify the different needs of the various categories of young people, including those already at school, early school leavers without a job or inactive, graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates up to the age of 29 who do not have a job, especially young women graduates without work or who would like to start their own business but face financial or other barriers to doing so. Policies to address youth employment have a cross-cutting nature and should be designed

and implemented jointly by governmental institutions at central, regional and local level, the private sector, the business sector, NGOs and youth associations. In order to implement the Youth Guarantee, the ESA will need to forge more intensive partnerships with the business sector, youth organisations, municipalities, and private job agencies. The ESA should enhance collaboration with businesses and CSOs to maximise effective identification of needs of the labour market. Businesses should also be involved in the design of youth employment policies as they can define labour market demands and could hire the unemployed youth and NEETs. Collaboration and coordination with the civil society organisations should be enhanced by including (in a transparent way) the relevant/interested ones in the working groups, field and raising awareness activities.

5.3 Phase 2: Outreach to unregistered NEETs

In order to get an offer of employment, education or training with the Youth Guarantee framework, a young person among the eligible categories is obliged to register with the ESA. The capacity of the ESA to reach out to encourage greater numbers of young people to register for the Youth Guarantee needs to be further developed. Outreach programmes should be developed for the hard-to reach NEETs as described above in section 3.2. These may be young people with low skills who have only completed primary compulsory education, or youth from marginalised groups. An Outreach Strategy should be developed to identify the best way to involve partnerships



²⁴ See also: Republika Slovenija (2016) Youth Guarantee Implementation Plan 2016-2020, Ljubljana: Ministarstvo za Delo, Družino, Socialne Zadeve in Enake Možnosti

between the social services, employment services, community groups and youth NGOs to reach out to marginalised NEET groups.

5.4 Phase 3: Operational preparation

The Youth Guarantee should ensure that all young people are supported by the ESA to access the labour market through the provision of high-quality public employment services, including the provision of labour market information on vacancies, and improved career counselling and guidance services, as well as tools for independent career management. In order to implement the Youth Guarantee, the ESA will need to forge intensive partnerships with the business sector, youth organisations, Centres for Social Work, local self-government authorities, and private job agencies. Current prevention measures to tackle early school leaving by disadvantaged youth should be scaled up. 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, more intensive measures of active employment policy should be provided.

5.5 Phase 4: Offer

The current offer from the ESA to support registered youth into the labour market have



²⁵ For the economic argument in support of wage subsidies as an efficient way to create jobs and prevent poverty among low wage workers see Phelps (1997).

been designed and implemented in the pilot phase of the YG which has been introduced in North Macedonia. Many young people have been assisted into work by a mix of youth labour market measures. However, these measures have not yet been sufficiently robust to fully engage with the full extent of social exclusion in the youth labour market. In this section we take a closer look at the main sets of measures that have been implemented and consider options for enhancement.

5.5.1 Creating jobs

Job creation schemes should continue to be based on wage subsidies for private sector employers offering low wage jobs for young jobseekers who have been registered with ESA and who have only primary education qualifications or less or are secondary VET school graduates. Thus far, 1,412 jobseekers have been employed (out of which 768 are up to 29 years) under the wage subsidies measure; 621 jobseekers have been employed (out of which 387 are up to 29 years) with grants for employment. This has not been sufficient to make a significant inroad into the extent of youth unemployment and inactivity. Substantially more funds should be devoted to the wage subsidy programme which should be targeted at employers who hire young workers in low-wage sectors. It should be made available to all youth who have been registered with the ESA, irrespective of their educational achievement. The wage subsidy should be a flat rate subsidy equivalent to the minimum wage, thus eliminating the distorting effect of minimum wages on the demand for labour and increasing youth labour demand.²⁵ The concept of a wage subsidy has been implemented in response to

the COVID-19 pandemic (see above). This should be extended and made into a permanent support within the Youth Guarantee for young employees in eligible firms that cooperate with the ESA and the tax authorities. It should be applicable to low-wage sectors and businesses and paid at the minimum wage. By expanding the demand for labour, it would create new jobs for young people.

In addition, the ESA has supported jobseekers into community and public works programmes. To date, 610 jobseekers have been employed in community services and 419 (87 of whom are up to 29 years) employed in projects related to infrastructure and protection of the environment. These could be expanded with the involvement of local communities and institutions of local self-government.

5.5.2 Providing entrepreneurial and self-employment opportunities

The development of youth entrepreneurship should be supported by the development of business incubator services and financial support to youth entrepreneurs. The ESA support for self-employment has been successfully completed by 1,535 jobseekers (out of signed 2,148). Of them, 583 (out of 805) were up to 29 years; 547 of them developed a business plan and 482 of them registered a company. Self-employment has been supported through loans and contracts have been signed with 141 persons, of whom 41 are youth up to 29 years old. This has been supplemented with 35 credits for employment to small enterprises of which 14 were for persons up to 29 years old.

Youth entrepreneur networks, mentoring schemes and business incubators especially for young women and marginalised groups should be established. The financial institutions should be encouraged to engage with the European Bank for Reconstruction and Development to finance programmes to enhance youth entrepreneurship and youth skills development in enterprises through micro-loans, vocational and skills development and business advice in line with the EBRD Economic Inclusion Strategy.²⁶ Youth entrepreneurship programmes should be developed and supported by training and mentoring by professional entrepreneurs, through partnerships between the public employment services, chambers of commerce and other employer associations. Support for social entrepreneurs to establish business incubators for youth entrepreneurs, with a focus on women, NEETs and marginalised groups should be provided. These should be partnered with universities to provide training in finance and management skills. The Western Balkan Enterprise Development and Innovation Facility²⁷ should be engaged to provide support, advisory services, and low-cost finance for youth enterprise start-ups. The IPA III funding can support the expansion and enhancement of the Youth Guarantee. In addition, IPA III funding can finance employment creation and entrepreneurship programmes. Moreover, of relevance is the WB Investment Framework in the context of funding opportunities.



²⁶ See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

²⁷ See: <http://www.wbedif.eu/about-wbedif/>

5.5.3 Apprenticeship, traineeships and work-based learning

While training is supported through the current version of the Youth Guarantee programme, this support should be extended much more widely among vocational (VET) schools. The quality of education provision at VET schools should be improved, including through provision of adequate teaching materials and infrastructure and equipment for practical instruction. This is particularly important since the PISA 2018 study demonstrated that a lack of teaching materials is holding back learning opportunities for 65.3% of school pupils in North Macedonia and a lack of infrastructure and equipment is holding back learning opportunities for 36.5% of school pupils. These schools should be externally evaluated, following detailed self-evaluation reports. VET schools should be provided with updated infrastructure and especially with adequate up-to-date computer equipment and high-speed broadband connections. VET teachers should be supported to undergo continued professional development. The teacher training for VET teachers should be reviewed and improved. VET schools should be supported to develop close links with the business sector for the purpose of upgrading the curriculum and developing partnerships to support work-based learning through work experience programmes. Improved career guidance and counselling services should be developed within VET schools to assist their graduates' transition from school to work. The ESA has provided training at a signed-up employer. Out of 94 jobseekers who signed a contract for training, 47 are up to 29 years. Trainings for professional qualifications involved 96 clients (37 up to 29 years); trainings for bakers, confectionaries, locksmiths and mechanics were

successfully finished by 92 jobseekers (37 up to 29 years), additionally, 542 jobseekers (187 up to 29 years) finished trainings for other requested/published vocations. In addition, 193 jobseekers up to 34 years were involved in training for IT skills; 60 jobseekers up to 34 years were trained for advanced IT skills with co-financing; 624 (444 up to 29) were trained for basic IT skills. These trainings and internship programmes need to be upgraded and expanded.

The ESA also organised paid internships for 1,521 jobseekers up to 29 years of age. This is currently aimed at university graduates and should be expanded to cover all school leavers and NEETs through the provision of work experience. The programme should be expanded into a fully funded apprenticeship programme, which should be fully supported by partnerships between schools and the business sector and through business-university collaboration agreements to ensure the quality of the training and work experience that is provided. Funding for the apprenticeship programme should be based on an apprenticeship levy (for example at 0.5% of gross turnover) on medium sized and larger companies, who would in turn be eligible for support to implement apprenticeship programmes.

5.5.4. Career guidance and job search assistance

The ESA provides a career guidance services to young people as an integral part of the existing Youth Guarantee. This should be intensified when the jobseeker reaches the three-month mark in the job search. At this point, the programme participant should be offered a more intensive service and additional measures of support within the Youth Guarantee scheme. The intensified services should include in-depth career counselling or enrolment in a group

workshops devoted to learning the career management skills, which would be provided by specialised private consultants. Participants could be offered a voucher to cover the cost of such workshops and enabled to select the workshop of their choice. The measures would also include more intensive incentives for employers (employment subsidies, co-financed

traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups. Young jobseekers will also be provided with a similar set of incentives to join together to start up their own individual or cooperative businesses.

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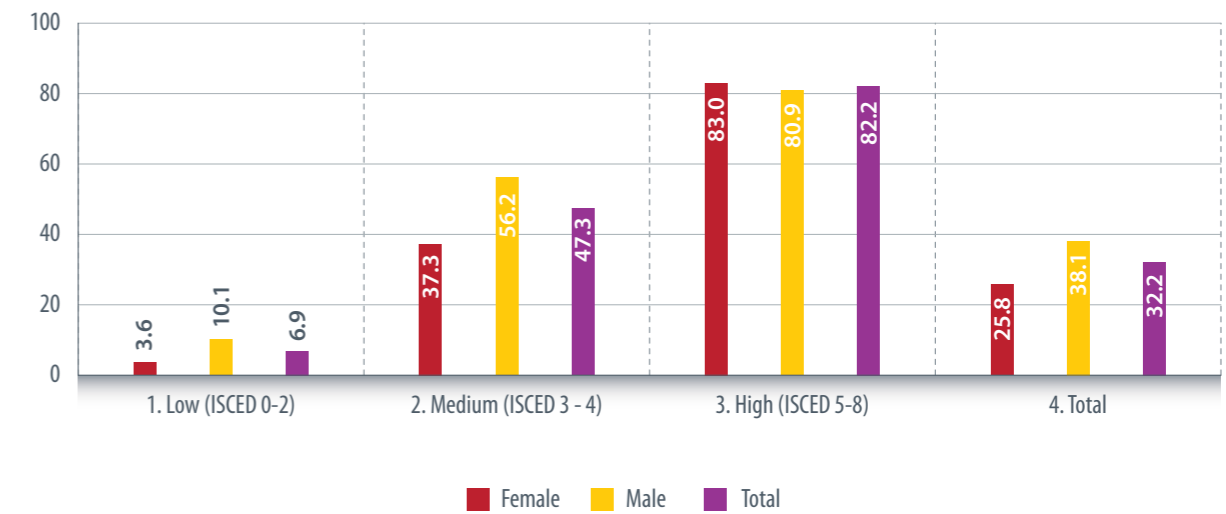
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7 APPENDIX

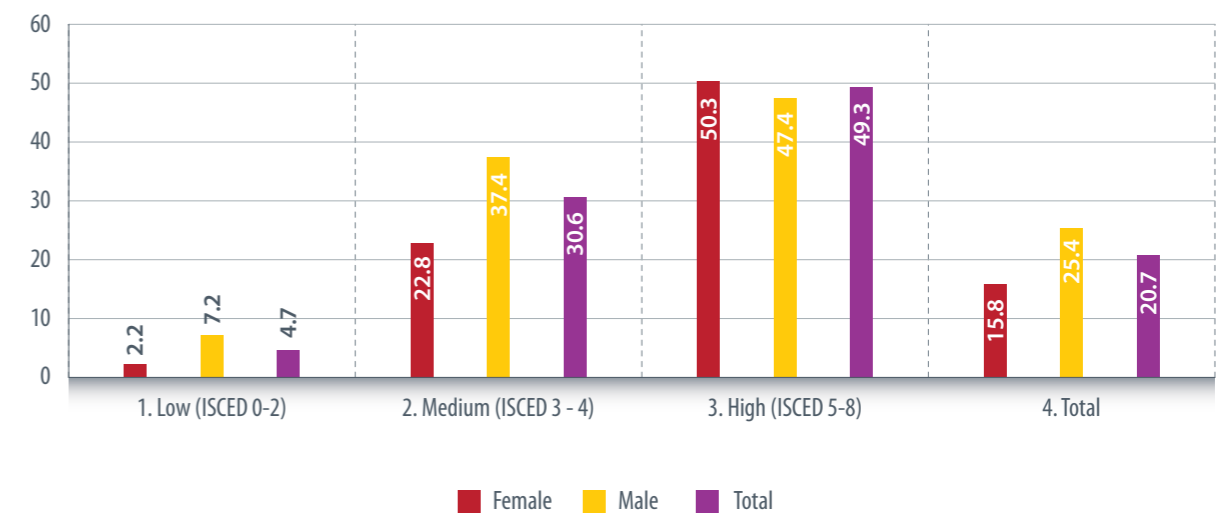
This appendix shows the main labour market performance indicators for 15-24 years age group in North Macedonia in 2019. The Figures are constructed from data in the Eurostat online database.

Figure A1: Labour force participation rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



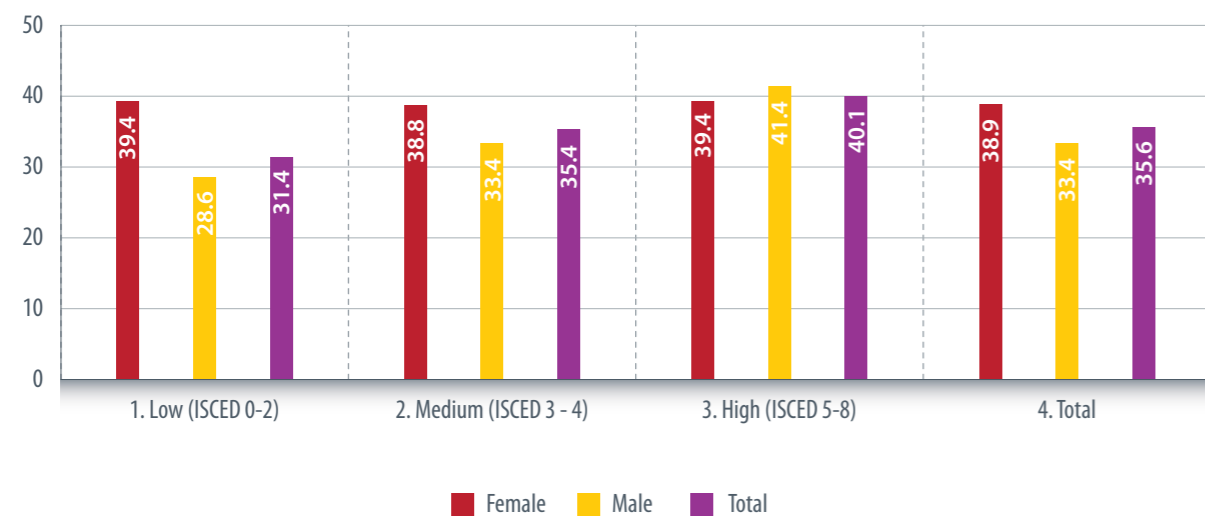
Source: Eurostat online database

Figure A2: Employment rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



Source: Eurostat online database

Figure A3: Unemployment rate by gender and education level, 15-24 years, North Macedonia 2019 (%)



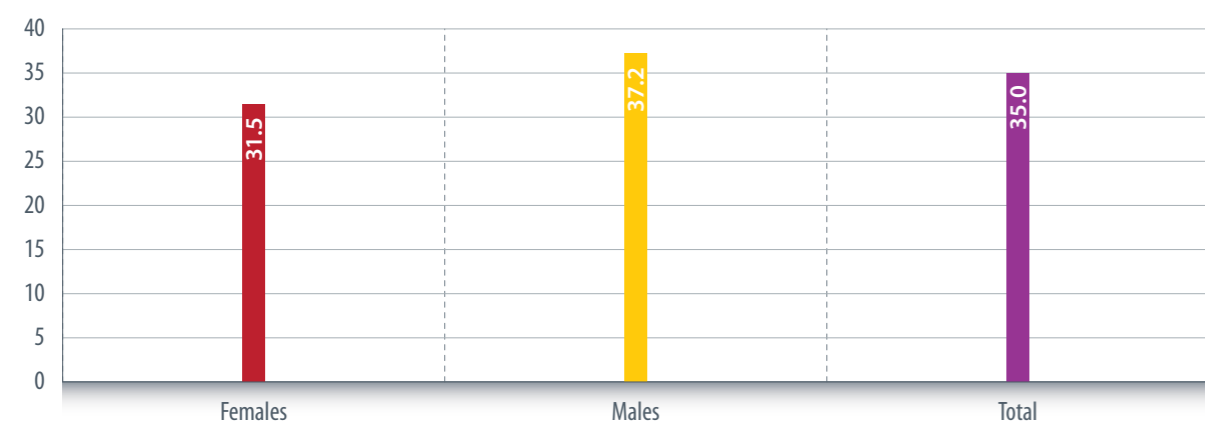
Source: Eurostat online database

Figure A5: Part-time employment share of all employment by gender, 15-24 years, North Macedonia 2019 (%)



Source: Eurostat online database

Figure A4: Temporary employees share to all employees by gender, 15-24 years, North Macedonia 2019 (%)



Source: Eurostat online database



STUDY ON
**YOUTH
EMPLOYMENT**
IN
SERBIA

good.
better.
regional.

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Abstract

This Annex outlines the nature and challenges of the youth labour market in Serbia, among which the lack of job opportunities, a lack of support for youth entrepreneurship, the prevalence of precarious employment of youth, poor educational provision and lack of infrastructure and teaching materials at secondary vocational education and training (VET) schools (attended by three quarters of upper secondary school pupils) leading to a mismatch of skills with labour market needs, and a revolving door of internships and a difficult transition from higher education to work of university graduates as well as the prevalence of informal channels of finding a job have been identified as key factors holding back the integration of young people into the labour market. The Serbian youth labour market is characterised by high level of youth unemployment, large gender gaps in labour market participation and employment especially for the less well educated youth, and a high share of part-time and temporary jobs creating a precarious situation for young people. The Annex analyses the existing youth employment measures that have been adopted by the government, showing that many existing measures are relevant to the creation of a Serbian Youth Guarantee, but need to be scaled

up and given a major and game-changing financial boost. The Annex has mapped the main dimensions of the “neither in education nor in employment or training” (NEET) phenomenon and made suggestions how policies towards NEETs could be improved. It has also identified the capacity issues in the main agencies that are responsible for implementing youth employment policies. A comprehensive set of labour market policy measures has been outlined, building on European Union (EU) policy approaches to the Western Balkans and policy recommendations. A roadmap has been developed, tailored to local circumstances, to implement a Youth Guarantee in Serbia to ensure that no young person is left without a job, or a place in education or training for more than four months after leaving school or university. While this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Youth Guarantee Implementation Plan for Serbia. The implementation of a Serbia Youth Guarantee would make a significant contribution to eliminating social exclusion experienced by many young people living in Serbia today improving their well-being and future life chances.

1 INTRODUCTION

The Serbian economy has experienced a remarkable recovery from the global financial crisis of 2008/9 which severely hit the economy at that time. By providing incentives to foreign investment, the economy has attracted a substantial amount of new investment in greenfield sites and in Free Zones where foreign companies have privileges as a part of business friendly environment. This has generated a substantial increase in employment in recent years. However, young people have not yet benefitted from this recovery and youth unemployment rates remain stubbornly high, although falling until the COVID-19 pandemic brought the recovery to a halt. The government has introduced innovative measures to support the economy, involving wage subsidies to the business sector to maintain employment. At the same time the Employment Strategy which has guided employment policy over the last decade has come to its end and new Strategy has been developed and adopted. This is an opportune moment to revisit youth employment policy and to engage with the Economic and Investment Plan for the Western Balkans and its flagship priority to introduce Youth Guarantee scheme to the region.

Most unemployed people have been searching for steady employment for more than six years. All regions around Belgrade show high unemployment rates, apart from the Belgrade area whose large population and centralisation have created a separate economy from that of the rest of Serbia. In conjunction with the fact that Serbia has an ageing population, most unemployed people are older workers who

have experience but who have been unable to find work for some time, thereby discouraging them from participating in the active labour force. This creates downward pressure on youth employment as there is a surplus of older workers who may be more attractive to employers due to the experience and training they possess.

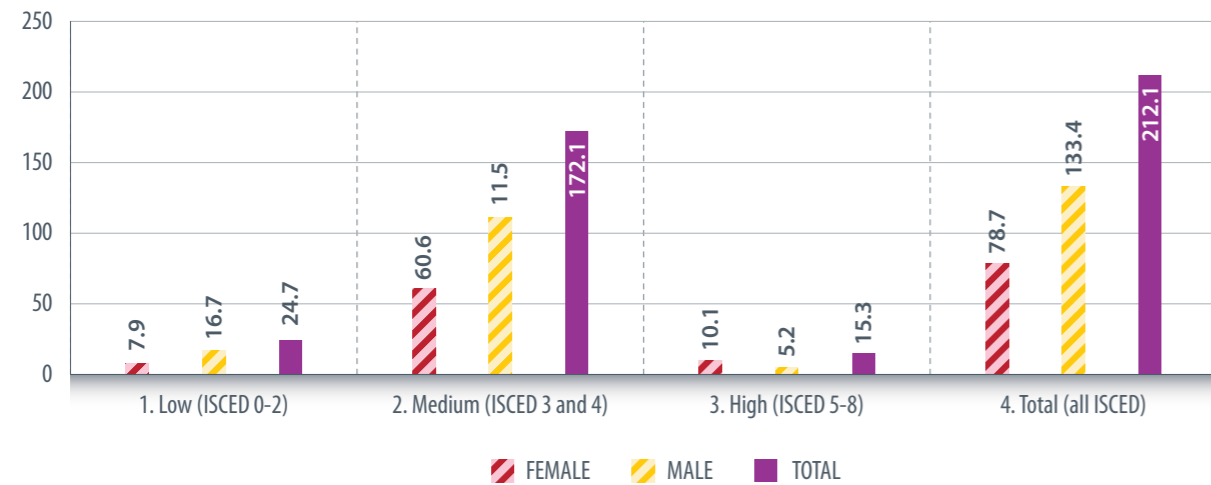
1.1 Youth in the labour market

In 2020, Serbia had a population of 6.9 million of which just over one in ten (10.4%) was aged 15-24 and one in six (16.5%) was aged 15-29 years; these are similar proportions to the EU-27.¹ Serbia has an ageing society, as the share of youth aged 15-24 in total population has declined from 12.5% in 2009, a fall that is similar to that in the EU-27.

In 2019, the youth labour force, either in work or seeking work, amounted to 212 thousand young people aged 15-24 years, of whom 133 thousand were young men and 79 thousand young women (see Figure 1). Most of these had a medium level of education having completed upper secondary schooling. Most of the employed youth had a medium level of education and had not attended university; unemployed youth had a similar profile. The unemployed youth are most likely those who have attended VET school and have been unable to find work with the skills they had available to them; students who graduate from

1 Eurostat online data.

Figure 1: Labour force 15-24 age group by gender and educational level, Serbia 2019 (thousands)



Source: World Bank Jobs Gateway in Southeastern Europe, online data

grammar schools (gymnasias) typically continue their studies at university.

The labour force participation rate of young people (the activity rate) was just 29.7% of the working population in 2019. There is a large gender difference in the activity rate of with 36.2% of young men being active compare to just 22.7% of young women (see Figure A1 in the appendix). This gender difference is most pronounced among those with low or medium education: the activity rate of young men is 52.9% whereas for young women it is just 32.5% (the activity rate of all medium educated youth is 43.3%). The gender difference disappears

2020 UPDATE

In 2020, the youth activity rate declined to 28.3%, the gender gap remained almost the same as in 2019. The activity rate of young men was 35.1%, while for young females the rate was 21.1% in 2020.

among highly educated young people, whose activity rate is 61.2%, compared to an activity rate of just 8.4% among low educated youth (although it should be noted that the absolute number of both high and low educated young people in the labour force is much lower than the medium educated group – See Figure 1).

2020 UPDATE

In 2020, there was a decline in overall youth employment rate in Serbia to 20.8%, where the employment rate for young females fell to 14.9%, while for young males the rate decreased to 26.3%.

The youth employment rate increased slightly over the three years from 2017-2019, remaining at a very low level of just over one in five of the 15-24 age group in the labour force; in 2019 it was 21.5%, far below the overall employment rate of

2020 UPDATE

The decreasing trend of youth unemployment rate continued in 2020, with the unemployment rate equal to 26.6%. In 2020, for young females, the unemployment rate was equal to 29.5%, while for young males the rate was 25.0%.

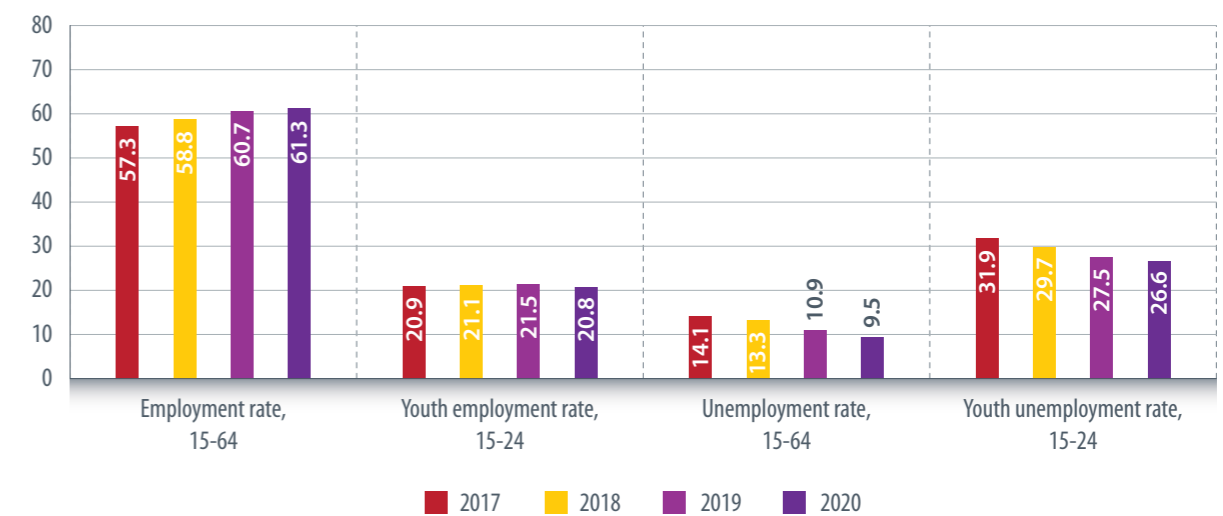
60.7% (see Figure 2). The employment rate for young men is higher than for young women; in 2019 it was 26.8% for men and 15.9% for women (see Figure A2). Just as with the activity rate the gender differences are concentrated among the low and medium educated. The highly educated had a higher employment rate than the medium educated (43.0% versus 32.3%), while few low educated young people had a job, with an employment rate of just 5.1%. The youth unemployment rate has been falling in recent years, but at 27.5% is still very high (see Figure 2); over one quarter of the labour force of

15-24 years are out of work and looking for a job. The youth unemployment rate is almost three times the overall unemployment rate. On the positive side, there is little gender difference in youth unemployment rates, and also no marked differences between educational groups in their average unemployment rate.

One in ten young people are self-employed, either as entrepreneurs in the sense of setting up a business as an entrepreneur capable of creating jobs for others or in the more traditional role of craftsman, working on their own account as a sole trader or a farmer. The highest share of self-employment is found among the less educated and medium educated youth, of whom 22.4% are self-employed, mainly young men.

When young people do find work, it is often in precarious jobs that are either part-time, temporary or both. Some 13.2% of youth aged 15-24 have a part-time job; youth with a low level of education are three times more likely than others to have such a job (see Table A5). Young people are also adversely affected by temporary employment, with more than half (54.7%) having a temporary job See Figures A4

Figure 2: Labour market performance indicators, Serbia 2017-2020 (%)



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

and A5). These forms of precarious employment are broadly based, with little difference between education levels or gender. This suggests that youth employment policy should seek to support a greater proportion of young people into permanent, more secure, job positions.

1.2 COVID-19 Pandemic

The COVID-19 pandemic has slowed or suspended the process of finding gainful employment and has hindered professional training. Some companies have stopped working, and the youth who worked in service industries have been the most affected. The recovery from the pandemic and reopening of training facilities are a precondition for improvement. The coronavirus has also had an adverse impact on youth education, requiring students to attend online classes and removing pathways by which university students may enter the labour force and acquire workplace competencies.

- ▷ All institutions of higher education in Serbia carried out the second semester of the 2019-2020 academic year online.
- ▷ Final year students have also been deprived of their internships as well as being able to participate in student activism and organisations.

This academic and social deprivation is likely to prolong the transition of youth into the labour market, through the necessity of additional forms of training and education.

Due to the coronavirus, it is also expected that there will be a return of emigrants which may

increase unemployment and put downward pressure on wages in the private sector.

The government has introduced several measures that aim to support the economy. The first set of measures introduced in March 2020, involved a deferral of payment of taxes and contributions on salaries.² A second set of measures aimed to support jobs in small and medium enterprises (SMEs) was introduced in May 2020. Direct financial assistance was given to entrepreneurs in the private sector who run SMEs in the form of payment of the minimum wage for employees, and 50% of the minimum wage for employees of large companies. This direct job subsidy aimed to preserve employment during the lock-down introduced to combat the pandemic. The cost was estimated to be about 1.8% of GDP and was applied to 232,000 companies employing over one million people. A third set of measures was introduced in March, which involved €2.2 billion of loans for SMEs registered with the Development Fund, backed up by guarantees for commercial loans to maintain company liquidity. A fifth set of measures³ introduced at the end of July reduced the job subsidy for SMEs to 60% of the minimum wage and continued to postpone the payment of taxes and contributions for a further month. It also introduced the “My First Salary” project which involved a payment of RSD 20,000 to employers who take on a graduated high school student for nine months and RSD 24,000 for taking on a university graduate.

As of 30 June 2020, the Government had committed cash support to enterprises and individuals in the amount of 11 per cent of GDP. Around €950 million were allocated to employment retention subsidies for March, April and May (the latter was disbursed during the first half of July) (ILO, 2020).



² See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/6/socio-economic-measures-for-the-coronavirus-crisis-in-serbia>

³ The fourth set of measures involved distributing one hundred euros in local currency to all adults in Serbia who applied for it.

1.3 Key challenges facing the youth labour market

The weakness of the labour market and the high level of inactivity among young people pose numerous challenges to policymakers in Serbia. Among the greatest challenges are lack of jobs available for young people, precarious nature of youth employment, and problem of unlicensed freelancers in the informal economy and nepotism and clientelism in finding a job in the public sector. Also relevant for Serbia, was the hiring freeze in the public sector that applied until the end of 2020⁴. In this section we identify some of these key challenges, which will inform the development of a Policy Road Map to address challenges and improve the situation of young people in Serbia.

1.3.1 Lack of jobs

Many unemployed youth in Serbia cite an insufficient number of open vacancies as their main obstacle to finding a job. They also report feeling unready to enter the job market after having graduated, although they often insist on being employed only in their profession, which is often saturated. Employment undertaken during studies may be a more effective method to gain work experience and increase chances in the labour market after graduation. Given that the lack of work experience is one of the most common obstacles to youth employment, it is necessary to bring students closer to acquiring work experience, not only through part-time work, but through internships as well



⁴ <https://www.rts.rs/page/stories/ci/story/124/drustvo/4166631/1-januara-zaposljavanje-javnom-sektoru.html>

⁵ <https://www.paragraf.rs/propisi/zakon-o-dualnom-obrazovanju.html>

⁶ http://www.dif.bg.ac.rs/en/documents/doc_download/155-----

as the introduction of real work experience in an official educational programme. The introduction of the dual system in formal education in Serbia has legal grounds in the Law on Dual Education applicable to VET schools⁵, and the Law on the Dual Model of Studies in Higher Education⁶ which is applicable to higher education institutions.

1.3.2 Lack of support for youth entrepreneurship

While government measures provide subsidies for self-employed start-ups, the amount of funds approved for subsidies for self-employment is too small to motivate young people to start their own business. There are also substantial barriers to accessing business finance from private banks and financial institutions.

1.3.3 Precarious employment

Employment opportunities available to youth are often limited to jobs that do not lead to permanent employment. These are temporary engagements or part-time jobs and there is a need to ensure continuous and systematic support to youth so that they may gain permanent employment that leads to longer employment.

1.3.4 Internships' revolving door

Internships, once a promised source of experience for recent graduates, have become a revolving door of unpaid labour for those

possessing skills but no experience. The IT industry, in particular, may implement these internship programmes to draw on cheap “code moneys” or “administration trolls” (Hudson, 2017).

1.3.5 Higher education unemployment

Higher education is not necessarily the ticket into a lifelong career path when fewer opportunities exist for high-skilled or highly educated employment (Pavlović et al., 2019). In Serbia, for example, it is easier to employ youth who have only completed their secondary education than those who have achieved at least a university degree (Eurydice, 2015). In 2019, 42,499 graduates were estimated to have entered the labour market with no “bridge of transition” to move from an academic to

a professional environment. The National Employment Action Plan for 2020 recognized the issue, and introduced various programmes to support youth to cross the bridge, including the introduction of programme “My first salary”.

1.3.6 Informal channels for finding a job

Serbians hold the view that formal and informal channels are seen as the proper methods for not only recommendations but as for finding a job position. However, this may lower the chances of the individual to find a job on their own or to seek further training, retraining or education as the matter is “out of their hands”. Youth may be left permanently discouraged should formal applications and social networking fail to provide them with a position (Cavalca, 2015).

2 YOUTH EMPLOYMENT MEASURES

Policies and activities targeting youth employment are mainly overseen by the Ministry of Labour, Employment, Veterans and Social Affairs (MoLEVSA) which is responsible for policy on employment and its implementation. The MoLEVSA oversees the National Employment Service (NES). The Ministry of Youth and Sport (MoYS) assists youth to find work and aims to reduce those neither in employment, nor in education or training (NEET) through the implementation of Serbia’s National Youth Strategy. It should be noted that in Serbia “youth” are considered to be aged 15-30 for the purposes of youth employment policies to date.

Unfortunately, the budgetary allocations to support Active Labour Market Policies (ALMPs) in Serbia have been inadequate to the scale of the problem and below the expected and planned levels, which has limited the effectiveness of the Plan. According to a recent evaluation report:

“Although the National Employment Strategy 2011-2020 specifies that the ratio of these funds to the GDP should have been 0.4% in 2014 and as high as 0.5% of the GDP in 2015, this was not achieved. The budgetary allocations ranged between 0.03% and 0.18% of the GDP, which was far below the planned level, implying a lower coverage of beneficiaries and thus also a lower impact of the employment policy.” Marjanović, et al. (2017).

The **Employment Strategy of the Republic of Serbia 2021-2026**⁷ has been adopted in February 2021. This Strategy placed special accent on youth employment integration and initiatives and models for promoting and boosting youth employment. Special attention is given to enabling employment of young people with high education, in this way motivating them to stay in Serbia. The Strategy is accompanied by the **Action Plan for period 2021 to 2023 (AP)**⁸. The main goal of the AP is to establish stable and sustainable employment growth based on knowledge and decent work. The AP also specifies measures for reaching goals, and measures related to youth include: Professional practice, Internship for young people with higher education, Internship for the unemployed with secondary education, Subsidies for employment of unemployed persons from the category of hard-to-employ persons (which include young people up to 30 years of age - without completed secondary education, young people in institutional care, foster families and guardian families), Support for self-employment.

The **Youth Service Package** is being implemented since 2013 and since then has been the main arm of active labour market policies for young people. The NES is responsible for implementing employment and training programmes aimed at improving the employability of participants. The Youth Service

⁷ http://www.nsz.gov.rs/live/digitalAssets/15/15855_strategija_zaposljavanja_u_rs_2021-2026.pdf

⁸ http://www.nsz.gov.rs/live/digitalAssets/15/15766_akcioni_plan_za_period_od_2021._do_2023._godine.pdf

Package consists of activities implemented by NES for all young persons registered in the unemployment records with the aim of preventing loss of competences (knowledge and skills), importance of competitive participation in the labour market and to prevent youth entering into long-term unemployment, covers:

1. An employability assessment of the person;
2. Determining an individual employment plan and measures best suited for youth activation and improvement of employability;
3. Job mediation or involvement in active labour market policy measures that can contribute to employment (professional guidance and counselling on career planning, professional traineeship programme, internship programme for youth with higher education, internship programme for unemployed with secondary education, subsidies for employment and self-employment, functional primary education programme, etc.).

An important strand of the previous National Employment Strategy was the promotion of entrepreneurship. The **Entrepreneurship Development Programme** provides advisory services, entrepreneurship development training, mentoring and specialist one-day seminars, as well as a subsidy for self-employment. Programmes aimed at entrepreneurship development for vulnerable groups specifically target Roma (2014) and support is also provided for women's entrepreneurship and youth entrepreneurship (2014-2019). Special Business Centres for Entrepreneurship Development have been established within some branches of the NES.



9 See: <https://prospera-consulting.com/wp-content/uploads/2020/10/Pantelic-Hempel-Improving-Internships-in-Serbia-v2.pdf>

Subsidies for self-employment proved to be particularly effective, with the percentage of employed beneficiaries ranging up to 97% (Aleksić et al. 2020).

The **Internship Programme for Youth with Higher Education** targets unemployed graduates who have no professional work experience in the area of their studies. Employers train those participating in the programme and receive a tax subsidy from the government. The programme stipulates that participants are employed for a minimum of twelve months (530 subsidised internships took place in 2020). An internship programme also exists for those with secondary education but for a maximum of six months (**Internship Programme for Unemployed Persons with Secondary Education**) (590 subsidised internships took place in 2020). An employer who seeks subsidies for training must intend to employ at least half of those who have been trained. However, many employers in Serbia have used internships as a way of hiring low-paid qualified staff on temporary contracts, rather than as a tool for improving young people's skills and a step towards permanent employment.⁹

My First Salary is an RSD 2 billion government subsidy programme launched in August 2020 for first time employees to encourage youth employment. It is run by the National Employment Service, Ministry of Labour, Employment, Veteran and Social Affairs, Ministry of Finance, Office for IT and e-Government and the Serbian Chamber of Commerce. It provides opportunities for young people who have completed secondary or tertiary education training with their first work experience. The government covers a part of the costs of their salary in private companies or in the public sector. The subsidised jobs must last for at least 9 months at a monthly salary of RSD 20,000 for those with only a secondary education, and

Table 1: Number of young people aged up to 30 years involved in provision of ALMPs in 2020

Report on the performance agreement in 2020	Number of persons involved		Share in the total number of hard-to-employ in%
	Total	Women	
ACTIVE EMPLOYMENT POLICY MEASURES			
Active job search training	6,644	3,575	36.94%
Self-efficacy training	149	95	15.05%
Workshop for overcoming stress due to job loss	47	31	17.03%
Job search club	827	507	55.65%
Employment fairs	963	542	22.72%
Entrepreneurship development training	3,233	1,435	29.20%
Professional practice	2,423	1,593	82.61%
Internship programme for unemployed people with a high level of qualification	468	330	97.70%
Internship programme for unemployed persons with intermediate level of qualifications	312	172	96.89%
Acquiring practical knowledge for unskilled people, redundancies and the long-term unemployed	213	93	27.48%
Labour market training	26	6	20.31%
Training at the request of the employer	215	103	42.49%
Functional primary education	307	192	29.27%
Subsidy for self-employment	947	406	27.90%
Subsidy for employment of unemployed persons from the category of hard-to-employ	769	377	23.20%
Wage subsidy for PWD without work experience	68	23	15.74%
Reimbursement of support costs for PWDs who are employed under special conditions	17	3	34.69%
Reimbursement of appropriate workplace adjustment costs	8	2	36.36%
Reimbursement of wage costs - Work assistance	9	1	33.33%
Public works	948	428	21.19%
TOTAL NUMBER OF PERSONS who participated in ALMP measures in accordance with the NES Performance Agreement	18,576	9,911	34.46%
My first salary programme	8,224	4,852	100.00%
Subsidy for employment of unemployed persons from the category of hard-to-employ in newly created jobs - IPA 2013	14	10	20.59%
TOTAL NUMBER OF PERSONS	26,814	14,773	43.11%

Source: National Employment Service, 2020

3 MAPPING THE SITUATION OF NEETS IN SERBIA

According to the Council of the European Union, 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 (Council of European Union, 2020). Young people neither in employment, nor in education or training (NEET) run the risk of falling out of the labour market entirely. A major obstacle hindering the improvement of NEETs position is that there is a severe lack of trainers, who are able to assist them as well as individual counsellor who are needed to work with them. Moreover, unregistered NEET have sense of helplessness and do not expect any government agency to assist them. They also lack of the soft, social skills to attend interviews and training procedures. NEET is not a socially categorised group within the government policy framework of Serbia. While it is acknowledged and analysed statistically, most policies favour a general rise in employment for youth as opposed to specific measures targeting NEET. Therein, according to the NEAP, youth are officially considered to be a “hard-to-employ” group, and those up to 30 years of age, regardless of whether they are NEET or not receive special consideration and compensation within Serbia’s Employment Action Plan as do those who are long-term unemployed and those low or lacking qualifications, which NEET may fall under. The

NEAP generally proposes further training be provided through government sponsored initiatives with private or public firms in order for NEET to acquire real-world experience and work-related training.

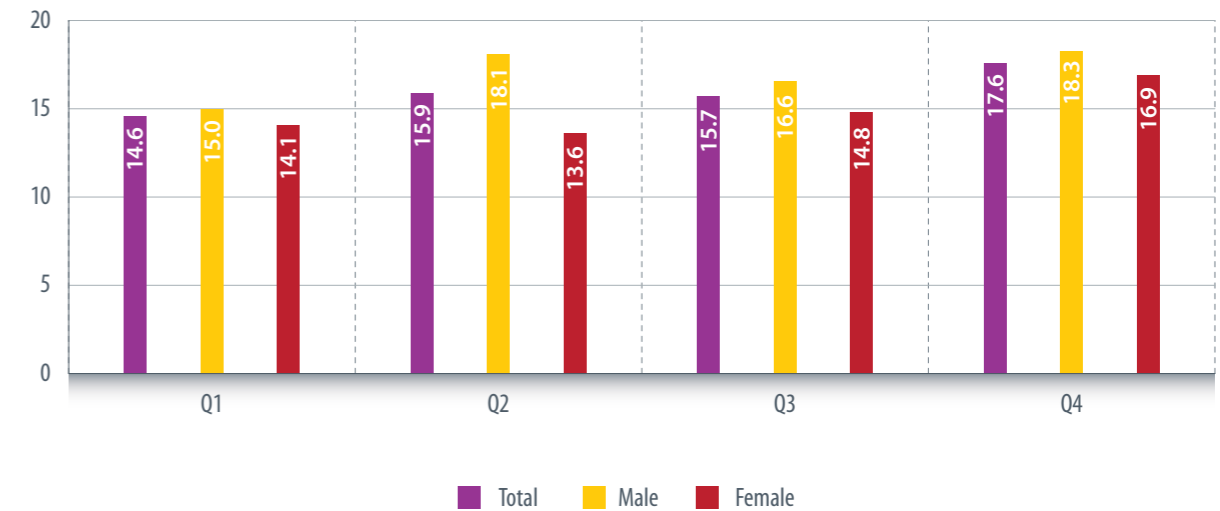
The NEET rate for 15-24 year old in 2018 was 16.5%, and in line with economic growth that Serbia enjoyed between then and 2020, the NEET rates have been declining. In 2019, the NEET rate was 15.3%, it slightly increased to 15.9% in 2020, and then further declined to 14.1% in the first quarter of 2021.¹³ The NEET rate has not increased during the first six months of the COVID-19 pandemic, perhaps indicating the success of the government’s job retention measures. Given the total population of 15-24 year old in Serbia, a NEET rate of 14.1% implies that the total number of NEETs is 102,500, which is a sizeable number.

The NEET rate varies primarily by the level of education and not so much by gender: both young men and young women are equally affected by this phenomenon. As can be seen in Figure 4, the NEET rate is high among medium educated who have a NEET rate of 18.2%. NEETs who have a medium level of education have graduated from upper secondary education. Since most of the students who studied at the elite gymnasiums (grammar schools) proceed to university, the unemployed school leavers are for the most part from VET schools. The relatively high rate of these NEETs indicates



¹³ The NEET rate is defined by the ILO and Eurostat as the share of the relevant age group (here 15-24) not in employment, education or training divided by the total population age group.

Figure 3: NEET rate aged 15-24 years, 2020 quarterly, Serbia (%)



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

that there is a challenge with secondary VET education, with its ability to provide young people with the relevant skills for the labour market (Bartlett et al., 2015). Recognising this, the Serbian government has introduced an important reform by introducing a law of dual education, designed to ensure that VET students have the option to carry out part of their studies in a practical work-place environment.¹⁴ There are relatively few NEETs aged 15-24 with higher education. This figure increases as the age range of NEETs is expanded to 15-29 year olds, for whom the NEET rate was 23.7% in 2019 (see Table A1). For this latter group, NEETs that have recently graduated and are entering the labour market is an issue of great concern. Rising unemployment rates among those 15 to 29 years of age and skill mismatch among university graduates entering the labour market is a major policy concern, since their competences frequently fail to meet the job requirements. University graduates have as difficult entry to the labour market as other young people. While the unemployment rate

of all graduates in the labour market was 15.9% (in 2015), that of recent graduates who had graduated from university within the previous three years of the survey was 17.7% (Uvalić and Bartlett, 2020).

2020 UPDATE

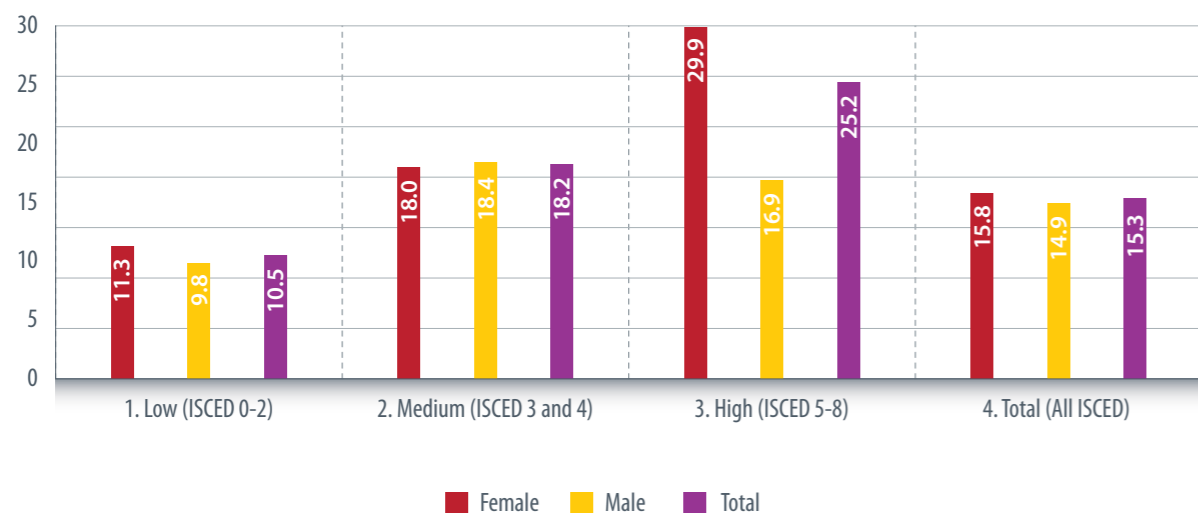
The total NEET rate in fourth quarter of 2020 was 17.6%, which is an increase in the NEET rate compared to the previous quarter. The NEET rate for young males in fourth quarter of 2020 was 18.3%, while for young females it was 16.9%.

Key challenges facing university graduates include limited cooperation between universities and employers, a lack of career



¹⁴ The Law of Dual Education and the Bylaw on Implementation of Practical Teaching and Professional Practice adopted in 2020 introduced the concept of dual education in Serbia. It defines the structure of the agreement between a school and an employer for implementing practical teaching and professional practice at the workplace.

Figure 4: NEET rate 15-24 years by gender and education level, Serbia 2019 (%)



Source: Eurostat online data base

guidance support, lack of prior work experience opportunities and employers' dissatisfaction with the relevant skills of university graduates. In consequence, even those graduates who did manage to find a job were often employed in a job whose requirements were below their skill level, a skill mismatch that affected as many as 39% of recent university graduates, while a further 15% were underqualified for the job they held (Uvalić and Bartlett, 2020: 205-206).

3.1 Proposals to modify the design and delivery of policies to integrate non-registered NEETs

The implementation of National Employment Strategy should ensure focusing into multiple sectors and include cross-sectoral cooperation so that NEET may receive special attention. This should be done through an inter-Ministerial

approach with targets to ensure that youth are more employable. The MoLEVSA, through NES, should ensure that NEETs are contacted and supported in applying for job vacancies. The Ministry of Education, Science and Technological Development holds a key role in equipping graduates with the skills that will enable young people to work in different sectors of the economy or pursue further education and training. Policies and programmes should be developed to subsidise youth employment (both NEET and regular) through tax refunds and tax relief measures which would increase the labour demand for young people. Such subsidies should oblige employers to provide work experience and 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 a special 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 NES. 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 year age group, careers advice and job-search counselling services should be provided by NES and as well as business start-up advice and loans for those with a viable business plan. NEETs should be engaged in local projects in collaboration with business representatives and youth organisations.

There should be a labour market analysis of the need for competencies so that educational institutions can offer educational profiles that match the labour market demands and provide practical approaches to equipping students with relevant skills.

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.

Youth and NEETs who have physical or cognitive disabilities demand to be active members in the labour market and want to be capable of full employment or education but may be hindered by a lack of transport infrastructure and assistance to address the needs they may have that would allow them to do so. The visually or hearing impaired are able to participate in the labour market, but generally need added permissions to work from home or other software that will allow them to function within a business or learning environment. Until these are fully provided, through public

private partnerships, any single person facing a disability will also face a hurdle to live a normal life. NGOs and other charity organisations and associations that aim to assist those with disabilities should be consulted, and research should be conducted in order to provide better assistance to them.

The centralisation of Serbia has been a long-standing issue. Those who live outside Belgrade are more likely to be unemployed, and those who live in depopulated areas have to rely on governmental resources. Few youth and NEETs are affected as these areas tend to have an older age profile than the main urban areas. Nevertheless, youth offices should also be organised in these areas to support and engage young people in local projects and activities which could also provide these regions with the infrastructure and social support that they need.

Tangible (monetary) benefits should be introduced to encourage young people to register with the NES under the condition that they attend counselling programmes. The budget allocated to NEETs needs should be increased for programmes to encourage training in soft skills to become employable.

It is expected that the Labour Law will be amended in 2021 to (i) reform contracts on temporary and part-time jobs to assist young job seekers, (ii) prevent abuse of the provisions of the law through legal loopholes and allow employers to rehire through new contracts on a 120 day-basis and (iii) strengthen workplace inspection for the enforcement of regulations. The newly adopted National Employment Strategy for 2021-2026 identified and tracks NEET needs. It is in line with NEET outreach measures proposed by the European Commission, key strategies could be implemented through prevention and early intervention, mapping and tracking NEETs as well as tailoring strategies and services to young people.

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

The development of a future Youth Guarantee scheme in Serbia is predicated on an ability to identify and reach the group of unregistered NEETs and encourage them to register with the NES so that they can benefit from the envisioned Serbia Youth Guarantee. 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 NES 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 play a particularly important role 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). Actively reaching out to NEETs by giving them a special status in the Serbian employment system that would allow them to receive mandatory guidance and career training while also receiving welfare payments for doing so could be a push in the right direction. It would allow NEETs to receive further training and skills which must be set up by the government through public private partnerships to better acquire and enhance the skills and knowledge to work or educate themselves. Guidance must also be given to youth before they graduate from secondary school or their tertiary education to assist them in understanding and entering the job market. Moreover, NEETs require more involvement within the community to further encourage them to be a more active part of it and be reintegrated, which may be done through the expansion of youth offices in number and in the services they provide. CSOs should be invited to conduct workshops in all regions of Serbia in order to better engage NEETs to apply for training programmes to enhance their skills and capacities. Conducting workshops and recording feedback from NEETs is instrumental at this stage to find new methods to conduct outreach programmes for them.

4 CAPACITIES TO IMPLEMENT YOUTH EMPLOYMENT PROGRAMMES

Regardless of any actual policy implementation within government bodies, ALMP has been severely underfunded. Serbia had originally pledged to set aside 0.4 to 0.5% of its national budget in the interests of employing NEET from 2011 to 2020. However, the total spent in ranged from 0.03% to 0.18%, falling far short of the initial plans.

4.1 National Employment Service (NES)

The NES, overseen by MoLEVSA, is a front-line agency in the fight against youth unemployment through its direct work with unemployed individuals. The NES provides services to the unemployed through its offices

Table 3: Overview of realized expenditures and expense of NES by programme structure in 2020

Programme	Planned (RSD)	Implemented (RSD)	% of implementation
PROGRAMME SUPPORT OF IMPLEMENTATION OF WORK FROM JURISDICTION OF THE NATIONAL EMPLOYMENT SERVICE	5.922.055.000,00	5.093.577.147,82	86.01%
PROGRAMME - EXERCISING RIGHT FOR UNEMPLOYMENT INSURANCE AND OTHER RIGHTS	12.861.445.000,00	11.934.199.441,80	92.79%
PROGRAMME - ACTIVE EMPLOYMENT POLICY	5.488.500.000,00	4.301.234.472,31	78.37%
TOTAL EXPENSES AND EXPENDITURES	24.272.000.000,00	21.329.011.061,93	87.87%

Source: National employment service (NES), 2020¹⁵

throughout Serbia, through 34 regional offices and 120 local offices.

In 2020, the NES provided services to 27,637 jobseekers (down from 32,639 in 2017). It has a staff of 1,611 of whom 542 service employers, giving a caseload of 51 jobseekers per counsellor.¹⁶ This compares well with the average caseload in EU public employment services of 140, while the regional peer countries of Croatia and Slovenia have caseloads of 169 and 137 respectively (European Commission, 2016: 27). More than half (53.8%) of the registered jobseekers had an upper secondary education, 25.7% had only a primary education and a further 20.5% had a higher education.

However, advisors in local NES branches have limited experience in working with NEETs. When individual counsellors within NES were interviewed about their experiences with youth, they stated that there was a distinct lack of enthusiasm upon the part of the unemployed youth. Counsellors easily become disappointed and frustrated as they feel that working with unmotivated young people wastes time that

they could better spend working with other vulnerable groups. The capacity of the NES to work with NEETs therefore encounters significant barriers. In addition, the NES does not collaborate with CSOs to work with NEETs despite their skills. Nor is the business sector sufficiently involved in the policy-making process. The consequence is that the number of NEETs who have been processed by the NES is minimal compared to the overall number of youth unemployed.

One of the chief barriers to young people's engagement with NES is that their concerns have not been directly addressed despite efforts by both public and non-governmental institutions. Youth possess specific attitudes on the shortcomings of their education system, and difficulties and problems in employment they encounter. Researching their opinions on how these systems may be improved would contribute to addressing their needs to enable them to become better educated, employed and more satisfied with life.



¹⁶ Authors own research and NSZ website (http://www.nsz.gov.rs/live/digitalAssets/15/15948_podaci_o_broju_zaposlenih_i_radno_anga__ovanih_lica_u_nsz.pdf)

5 ROADMAP TO YOUTH EMPLOYMENT IN SERBIA

Youth employment policies have been developed in Serbia in an integrated way through the Employment Strategy of Republic of Serbia for the Period 2021-2026 (National Employment Strategy-NES). However, the active labour market policies and other measures addressing youth and NEETs have not been adequately financed in relation to the size of the problem. Experience from the EU and around the world identifies a number of essential components of effective policies in this field. These are summarised in Box 1.

Box 1: Essential components of effective youth employment policies

- Joined-up policies involving multi-agency work
- Job creation: Wage subsidies for businesses who employ young people
- Youth entrepreneurship programmes
- Self-employment incentives
- Training programmes for inactive and unskilled youth
- Apprenticeships and work-based training
- Developing the digital skills of young people
- Career guidance, information and networking
- Outreach programmes to NEETs
- Building the capacity of public employment services
- Monitoring and evaluation

Many of these policies have already been partially implemented in Serbia as identified in section 2 above. There remain several gaps that need to be filled to enable a coordinated and coherent policy approach to addressing the youth employment problem. These could best be addressed by implementing a Youth Guarantee along the lines that has been suggested by the European Commission for the EU member states, with appropriate modifications taking into account Serbia's level of development and extent of progress in the EU accession process.

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, European Council 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 (European Council, 2020). The reinforced youth guarantee expands the age range for youth measures under the guarantee up to 29 years (which is in line with the standard definition and practice of youth policies in Serbia). 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. With this in mind the next section sets out a road map for a Youth Guarantee in Serbia.

This section presents the roadmap for Youth Guarantee in Serbia, and while this roadmap is an important analytical input, this roadmap cannot replace or prejudice the Serbian Youth Guarantee Implementation Plan.

5.1 A Youth Guarantee for Serbia

The development of a strategic framework, through a new Employment Strategy of Republic of Serbia for the Period 2021-2026 represents the first step in ensuring systematic action to be taken through the application of consistent standards across all levels.

In order to establish a youth guarantee scheme in Serbia, the first step should be to appoint a Youth Guarantee Coordinator as a focal point in the MoLEVSA at Assistant Minister level. This person would provide leadership for the design and implementation of the guarantee package and would champion the swift introduction of the measures in Serbia. Other relevant ministries and agencies should be involved in a Serbia Youth Guarantee Steering Group, which is the inter-ministerial task force to establish youth guarantee. It is consisted of relevant institutions such as the MoYS, public employment service and representatives of the social partners and youth organisations.

The responsibility of the Youth Guarantee Coordinator will be to ensure that effective coordination and partnerships are implemented across all relevant policy fields relevant to the integration of NEET and marginalised youth in Serbia.¹⁷ The Youth Guarantee Coordinator should begin with the creation of a Youth

Guarantee Implementation Plan for 2021-2027, aligned to the IPA III timetable. The main objective of the Youth Guarantee will be faster activation of young people in the labour market. Special intensive Youth Guarantee measures will be developed for the long-term unemployed and inactive persons who would nevertheless consider working or further education or training if the opportunities were available. Guidance from the European Council (2020) suggests that the Youth Guarantee should be organised in **four phases** and the phase zero, four phases include: mapping, outreach, preparation and offer.¹⁸

5.2 Phase 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 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



¹⁷ In the EU, each member state has appointed such a Coordinator, the list of whom appears in EC (2020d).

¹⁸ See also: Republika Slovenija (2016) Youth Guarantee Implementation Plan 2016-2020, Ljubljana: Ministarstvo za Delo, Družino, Socialne Zadeve in Enake Možnosti

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.

5.3. Phase 1: Mapping

The NES should further develop mapping systems, early warning and tracking capabilities to identify young people at risk of unemployment or inactivity. Rapid research should be carried out to identify the different needs of the various categories of young people, including those already at school, early school leavers without a job or inactive, graduates from secondary school level who face difficulties entering the labour market as first-time jobseekers and those who are either long-term unemployed or inactive but would like to work, and university graduates who do not have a job, especially young women graduates without work or who would like to start their own business but face financial or other barriers to doing so. A decision should be taken to define the target group as either youth aged 15-24 or aged 15-29, with the strong recommendation to focus on the 15-29 age group.

In order to implement the Youth Guarantee, the NES will need to forge intensive partnerships with the business sector, youth organisations, Centres for Social Work, local self-government

authorities, and private employment agencies. Effective cooperation among these institutions will be crucial for successful implementation of the Serbia Youth Guarantee. The NES must establish effective communication with schools and other providers of training and education. Intensive cooperation with employers is also vitally important. Therefore, formal partnerships should be developed with employers who are willing to offer jobs, work-experience training opportunities and apprenticeships to young people within the framework of the Serbia Youth Guarantee. Partnered employers will benefit from public subsidies but will also be regulated to ensure that the jobs they offer are decent high quality jobs and that their training provision and apprenticeship schemes offer added value to each involved young person's human capital. Cooperation with institutions working with young people, such as Centres of Social Work, schools and universities, youth organisations and NGOs that operate within the youth sector is essential in order to inform and encourage young people to register with the NES as soon as possible after they complete schooling or graduating from university, or if they are in a NEET situation.

5.4 Phase 2: Outreach to unregistered NEETs

In order to get an offer of employment, continued education, apprenticeship or traineeship with the Serbia Youth Guarantee framework, a young person among the eligible categories should be obliged to register with the NES, and for some categories it is necessary to do some work prior registration with the NES, which may include social services and NGOs. The capacity of NES to reach out to encourage greater numbers of

young people to register for the Serbia Youth Guarantee will need to be further developed. Outreach programmes should be developed for the hard-to reach NEETs as described above in section 3.2. These may be young people with low skills who have only completed primary compulsory education, or youth from ethnic and other marginalised groups such as Roma. 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.

5.5 Phase 3: Operational preparation

The Youth Guarantee should ensure that all young people are supported by NES to access the labour market through the provision of high quality public employment services, including the provision of labour market information on vacancies, and improved career counselling and guidance services, as well as 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, more intensive measures of active employment policy should be provided, as well as the opportunities for further education and skills development. Additional interventions should address young people's preferences and personal development

needs, for instance through age-appropriate communication, peer-to-peer learning, positive adult-youth relationships, and support to goal management.

After registering with NES, all eligible young people in the target group should be provided with information and basic career counselling by a Youth Guarantee Counsellor. An initial career counselling session will aim to identify the specific needs of the client, their employability, interests and competences. This will lead to an agreement on the client's employment targets and follow-up activities, including the type of offer that would provide the best match to the identified needs. The counsellor will check the job search skills of the client and agree an individual plan to improve their skills. For those who are ready for the employment, an appropriate support will be provided, including the creation of a high-quality CV and profile in relevant job portals and providing job referrals to employers who are partnered to the Serbia Youth Guarantee. Young people enrolled on the Serbia Youth Guarantee will be provided with information on possibilities and opportunities for training, education or realisation of their business ideas.

After three months of unemployment, another round of career counselling needs to be provided which will involve checking the effectiveness of the activities already carried out and the job or training application documents, including the profiles in the job portal. A further agreement on activities to be carried out under the Serbia Youth Guarantee will be drawn up after an intensive set of job-search or training/apprenticeship application activities have been agreed. Such activities will comprise intensified career counselling, the creation of new employment objectives and intensified job search activities, and inclusion in a group workshop on career management skills provided by NES. In this phase, the

measures of the Youth Guarantee will introduce a greater focus on opportunities for education and training that are available, with the aim to increase the client's employability. Training will be adjusted to specific target groups and individual needs in connection with the needs of employers who are partnered with the Serbia Youth Guarantee. Job referral will be continued as well as other methods of presentation to employers.

After four months of unemployment and/or after conclusion of different forms of training the client would be offered a more intensive service and additional measures of support within the Serbia Youth Guarantee scheme. The intensified services will include in-depth career counselling and/or enrolment in a group learning the career management skills provided by specialised private consultants. The measures would also include more intensive incentives for employers (employment subsidies, co-financed traineeship in certain sectors, mentoring schemes) to encourage them to provide a suitable offer of employment or training to the eligible young people from the various target groups. Young jobseekers will also be provided with a similar set of incentives to join together to start up their own individual or cooperative businesses.

5.6 Phase 4: Offer

The final phase of the Youth Guarantee design should be developed in two stages: with a pilot phase in selected local authority areas. This pilot study should be carefully monitored and evaluated to see which measures are most effective. The Youth Guarantee should then be redesigned on the basis of the evidence gathered, and in a second phase rolled out to the entire economy.

Young people can be assisted into work by a mix of youth labour market measures that include subsidised employment which offers income and work experience, support for entrepreneurial start-ups, specific training for the needs of the labour market, paid apprenticeships within specific businesses, and youth career guidance services. Such services should be designed to be sensitive to the specific needs and preferences of young people. For these measures to be successful, it is crucial that they are implemented with a good understanding of the key target groups and should adopt a youth-centred approach addressing specific barriers to employment in local labour markets.

5.6.1 Creating jobs

In order to bring the most disadvantaged youth and NEETs into the labour market, job creation schemes should continue to be based on wage subsidies for private sector employers offering low wage jobs for young jobseekers registered with NES who have only primary education qualifications or less or are secondary VET school graduates. The current wage subsidy offered through the My First Salary scheme is available only to graduates of secondary school or university graduates, while in the general programme focused on gaining practical skills, all youth are eligible, irrespective of their educational achievement. The First Salary scheme should be made available to all youth who have been registered with the NES, irrespective of their educational achievement. The wage subsidy should be a flat rate subsidy equivalent to the minimum wage, thus eliminating the distorting effect of minimum wages on the demand for labour and increasing youth labour demand. This measure has already been introduced as a short-term response to

the COVID-19 emergency but should become a permanent feature of youth employment policy in order to create jobs for disadvantaged young people. Other parallel measures including promoting entrepreneurship and reducing the costs of doing business in general, targeted towards youth entrepreneurs should also be designed and implemented. Bearing in mind the large contribution to job creation made by the influx of new international companies in the manufacturing sector, and especially important element of job creation would be to create stronger supply linkages between domestic SMEs employing young people and the multinational companies based in Free Zones in Subotica, Pirot and elsewhere in Serbia. A directive on the protection of youth entering the labour market is planned for 2021, by which employers will build on hitherto implemented regulations to employ those under 29 years of age for no less than six months while paying them no less than the nationally determined minimum wage. They may, thereafter, be hired by the company through another contract for a minimum six-month hiring duration. This directive should be finalised and incorporated into the Serbia Youth Guarantee.

5.6.2 Providing entrepreneurial and self-employment opportunities

The development of youth entrepreneurship should be supported by the development of business incubator services and financial support to youth entrepreneurs. It should build upon the measures introduced through the National Employment Strategy, the Youth Service Package and the Entrepreneurial Development Programme. Business incubators for youth

entrepreneurs could be established as not-for-profit social enterprises, with a focus on young women, NEETs and marginalised groups. Young entrepreneur networks, mentoring schemes and business incubators should be established, including for young women and marginalised youth. Youth entrepreneurship programmes should be developed and supported by training and mentoring by professional entrepreneurs, in partnership with the NES, chambers of commerce and employer associations. Start-up grants and loans should be provided to young entrepreneurs to set up new private businesses, cooperatives and social enterprises jobs. These should be backed up with targeted business advisory services and training and mentoring support. Engagement with the European Bank for Reconstruction and Development could further boost financing of programmes for youth entrepreneurship through micro-loans, financial support for vocational skills development and business advice in line with the EBRD Economic Inclusion Strategy.¹⁹ The Western Balkan Enterprise Development and Innovation Facility²⁰ should be used to provide support, advisory services, and low-cost finance for youth enterprise start-ups. The IPA III funding can support the introduction of the Youth Guarantee. In addition, IPA III funding can employment creation and entrepreneurship programs. Moreover, of relevance is the WB Investment Framework in the context of funding opportunities.

5.6.2.1 Enabling self-employment

Self-employment of young crafts persons as sole proprietors should also be supported through start up grants and mentoring support and training. Government assistance to the young self-employed start-ups which was earlier provided through the Youth Service

Package should be scaled up (note that the National Employment Strategy 2021-2026 and the Action Plan 2021-2023 no longer specifically refer to and include the Youth Service Package as a single package).

5.6.3 Apprenticeship and work-based learning

Serbia has 515 schools for 15-18 year olds within the upper-secondary level of education (ISCED 3) which were attended by 60,978 students in the 2018/19 school year²¹. One quarter of students attended gymnasias (grammar school) with courses that lead on to a university education. The other three quarter attended vocational (VET) school, with 60.2% attending a four year course with the possibility of progression to university, and 13.4% attending a three year vocational school leading directly to the labour market with no option to proceed to university. Until recently, VET secondary schools in Serbia only offered practical learning in the schools' own workshops, which are often poorly equipped with the necessary infrastructure and teaching materials. In the 2018 PISA international test of education performance of 15 year olds, almost half (46.7%) of students attend schools whose principal reported that the school's capacity to provide instruction in hindered at least to some extent by a lack of physical infrastructure, while 48.8% of students are held back by a lack of educational materials.²² Under the new dual education law and its bylaws enacted in 2020 the VET schools will also be able to offer professional practice in partnered enterprises thus introducing work-based learning as an option for VET students. Therefore, VET schools should be supported to partner with the business sector to develop dual

education work-based training programmes for secondary school students. In this way students will gain work experience while still at school and will learn practical skills relevant to the labour market. At the same time, and in parallel, the quality of education provision at VET schools should be improved, including through provision of adequate teaching materials, broadband infrastructure and up-to-date computer equipment for practical instruction. A graduate apprenticeship programme should also be developed and fully supported by partnerships between universities the business sector and through business-university collaboration agreements to ensure the quality of the training and work experience that is provided. The current unpaid internship programme should be converted to fully-financed graduate apprenticeship programme. The programme should be designed for eligible companies who employ more than 50 workers, with finance provided through an apprenticeship levy on such companies.

5.6.4 Training

Training sessions of short duration should be provided to NEETs for immediate labour market integration including digital and green skills, entrepreneurial skills and career management skills. These should be provided at the NES training centres. Pathways for reintegration of NEETs into education and training should be developed, including second chance education programmes for early leavers from education and training and low-skilled young people. Youth Offices should be expanded and act as a One Stop Shop to assist in training, placement, employment and to analyse diversified needs of the youth and NEETs.

¹⁹ See: <https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html>

²⁰ See: <http://www.wbedif.eu/about-wbedif/>

²¹ See: <https://publikacije.stat.gov.rs/G2020/PdfE/G20201159.pdf>

²² PISA 2028 online database

5.6.5 Career guidance

Career guidance and support for all young people should become mandatory in secondary schools and universities.

5.6.6 Digital agenda

More investment in digital learning infrastructure and technology should be made in schools and higher education institutions. Relevant authorities should engage with the EU's Digital Agenda for the Western Balkans²³ to provide Digital Opportunity Traineeships to students and young people and to provide NEETs with training in digital skills. The EU Code Week should be more intensively promoted to young people in Serbia.

5.6.7 Implementation of career guidance and job placement programmes

A career guidance service in educational institutions, would not only give instructions to the students about the labour market demands, but also conduct testing and provide individual assistance and guidance to students. Moreover, as has been reviewed hereto, NEETs as well as all youth in Serbia need to be better engaged and outreach programmes must be developed to encourage their active participation within the labour market.

A common program in many developed countries but absent in Serbia is the implementation of a job-search assistance program for pupils and students who are completing their final year of education. Frequently, it is a challenge to ask students to switch to a professional environment, as



²³ See: https://ec.europa.eu/commission/presscorner/detail/en/IP_18_4242

even those possessing some work experience are unsure of how to transition to the labour market. Therefore, having such services present in educational institutions would boost the employability of youth.

5.6.8 Financial Assistance

Introduction of permanent subsidies for employment and training of youth up to the age of 30, for the public and private sector is an economic mean that has already been implemented and has had mixed results. The government should ensure, however, that these jobs provide real skills that may be transferred over to other positions or that those hired under these subsidies are likely to find work within six months after their cessation or demand a return on the tax subsidy itself.

5.6.9 Monitoring and evaluation

All youth labour market measures and employment programmes implemented by NES or other institutions and special programmes for NEETs including outreach programmes should be regularly monitored and evaluated. The Youth Guarantee implementation plan will be regularly monitored by a working group in which representatives of all sectors responsible for the Serbia Youth Guarantee implementation will participate. The providers of the measures will report to the working group on a regular basis on the implementation of the measures under the Serbia Youth Guarantee scheme.

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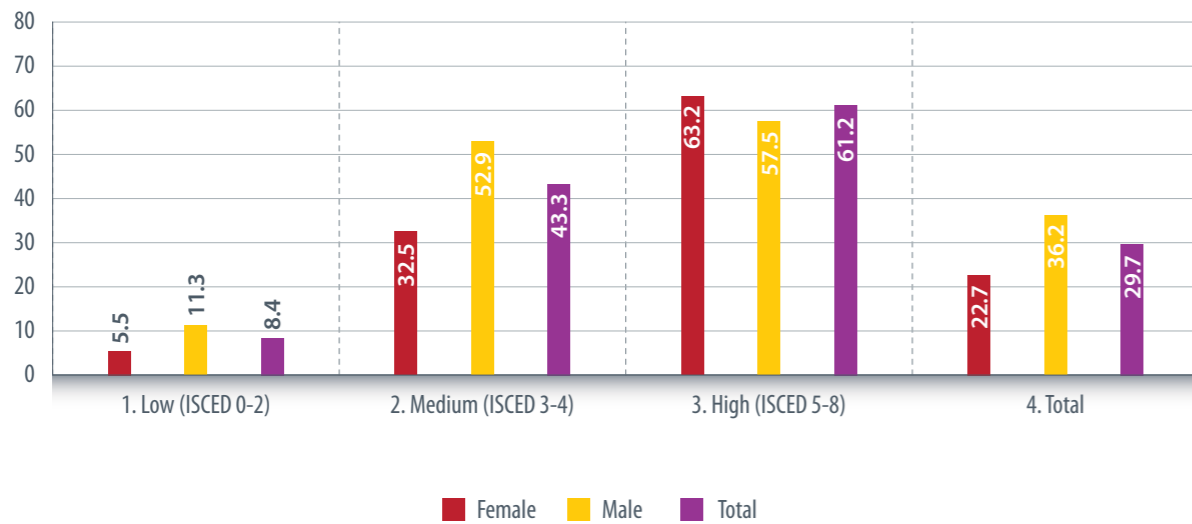
Law on the Dual Model of Studies in Higher Education: <http://www.dif.bg.ac.rs/en/documents/download/155----->

Employment Strategy of the Republic of Serbia 2021-2026 and Action Plan for period 2021 to 2023: http://www.nsz.gov.rs/live/dokumenti/strategija_zapo_ljavanja_u_rs_za_period_2021_do_2026_godine.cid74576

7 APPENDIX

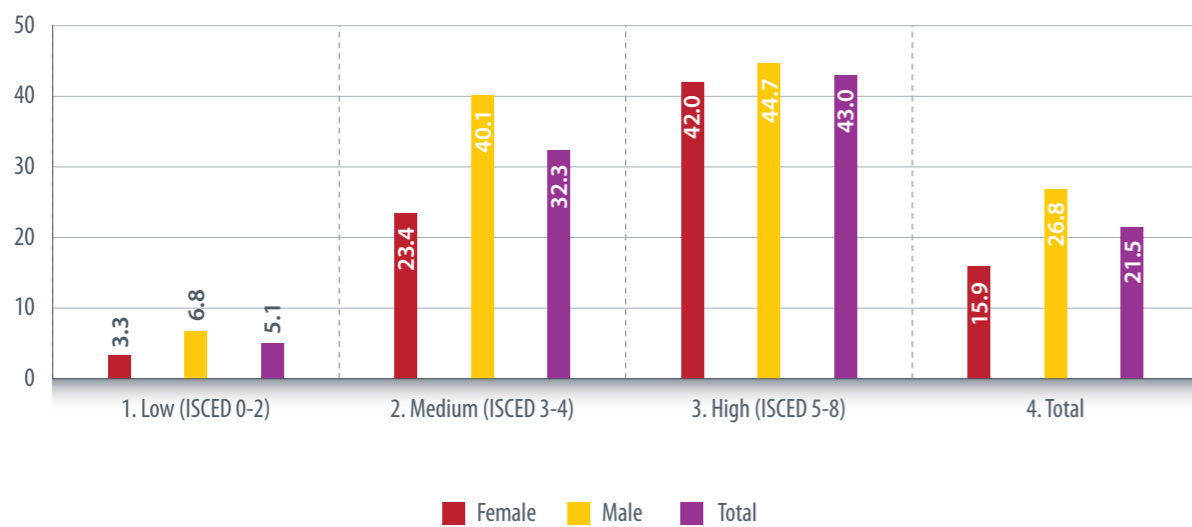
This appendix shows the main labour market performance indicators for 15-24 years age group in Serbia in 2019. The Figures are constructed from data in the Eurostat online database.

Figure A1: Labour force participation rate by gender and educational level, 15-24 years, Serbia 2019 (%)



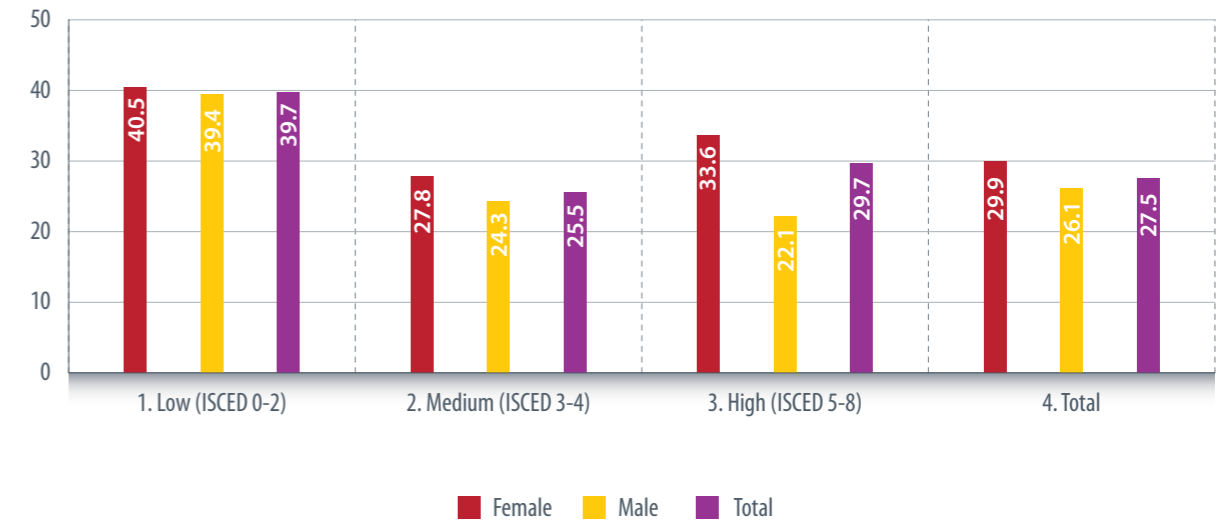
Source: Eurostat online database

Figure A2: Employment rate by gender and educational level, 15-24 years, Serbia 2019 (%)



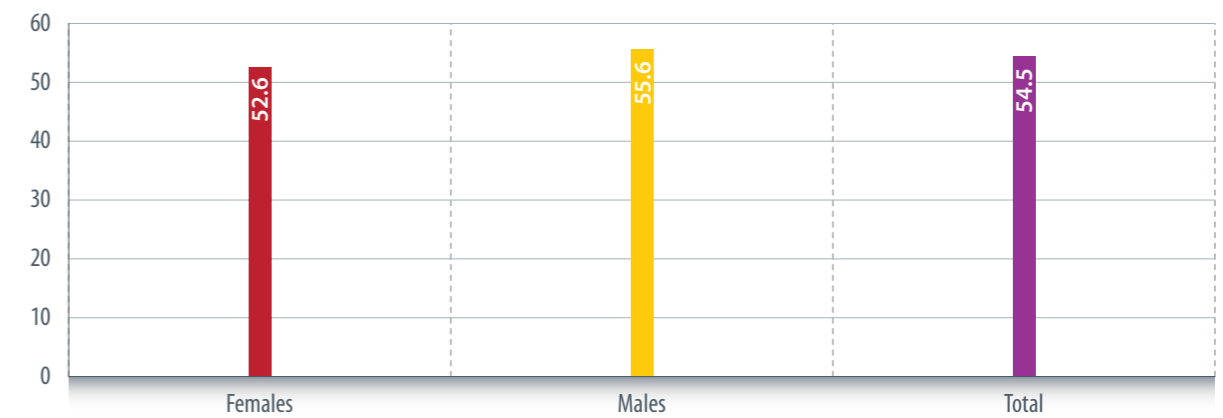
Source: Eurostat online database

Figure A3: Unemployment rate by gender and educational level, 15-24 years, Serbia 2019 (%)

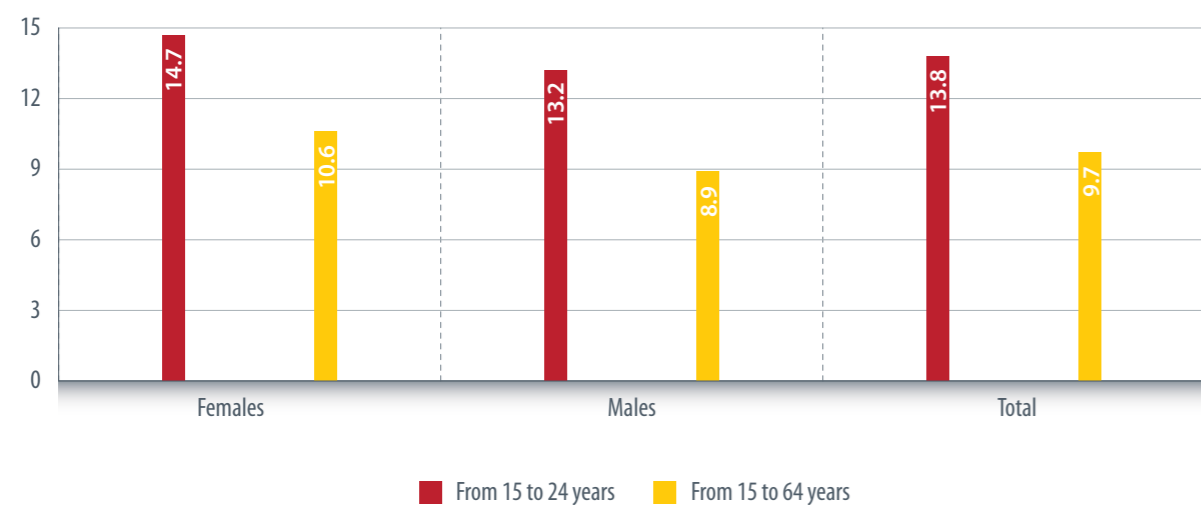


Source: Eurostat online database

Figure A4 - Temporary employment in all temporary employment by gender 15-24 age group, 2019



Source: Eurostat online database

Figure A5: Part-time employment share of all employment by gender, 15-24 years, 2019 (%)

Source: Eurostat online database

Table A1: NEET rates by educational attainment level among group 15-29 years

ISCED11 Categories	2017	2018	2019	2017	2018	2019
	European Union - 27 countries (from 2020)			Serbia		
All ISCED 2011 levels	13.7	13.1	12.6	21.7	20.1	19
Less than primary, primary and lower secondary education (levels 0-2)	15.3	14.7	14.3	15.3	15.8	15.1
Upper secondary, post-secondary non-tertiary and tertiary education (levels 3-8)	12.8	12.2	11.7	24.2	21.8	20.5
----Upper secondary and post-secondary non-tertiary education (levels 3 and 4)	13.9	13.2	12.7	23.3	21.2	19.7
-----General (levels 3 and 4)	9.6	9.2	8.9	7.1	8.2	6.6
-----Vocational (levels 3 and 4)	17.4	16.5	15.9	26.9	24.2	23
----Tertiary education (levels 5-8)	10.1	9.7	9.4	27.7	24.3	23.7

Source: Eurostat, 2020

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