



STRATEGIC APPROACH TO YOUTH EMPLOYMENT POLICY IN SERBIA: TRENDS, PERSPECTIVES AND CHALLENGES

Vladimir Mihajlović*

University of Kragujevac, Faculty of Economics, Serbia

Abstract: In comparison with other countries, especially European Union (EU) member states, the labour market indicators for the youth population in Serbia are very unfavourable. The current youth unemployment rate is almost double that of the EU average, whereas the structure of youth employment is unbalanced due to the large share of informal and temporary forms of working contracts. Accordingly, this paper aims to identify the main sources of this problem by focusing on the labour supply and labour demand. The trends in the youth labour market are seen as an outcome of two streams: one is related to the effects of employment policy which intend to improve the quantity and quality of youth employment, whereas the other is connected with strategic workforce planning in organisations (as employers), which is subordinated to accomplishing the organisations' mission and goals. The analysis also tends to enlighten the determinants of mismatch between knowledge and skills of the youth labour force and the labour market needs. The main findings suggest that the employment policy is paramount for the improvement of youth position in the labour market, but only as an integral part of the process of supporting sustainable and balanced economic growth and reforms of both the education system and labour legislation.

Keywords: youth population, employment policy, labour market, strategic workforce planning, unemployment

1. INTRODUCTION

The youth population, commonly classified into the age class between 15 and 24 years, represents the particularly vulnerable group in the labour market worldwide. Youth unemployment represents one of the most challenging problems for policymakers, as it could be induced not only by cyclical movements (i.e. economic recessions and depressions) but also by structural imbalances, such as education and skills mismatches. Youth unemployment is more sensitive than working-age population unemployment to business cycles since young workers generally have lower qualifications, less experience and weaker work contracts (Choudhry et al., 2012; Brada et al., 2014). In addition, ongoing changes tied with digital transformation put young workers at a higher risk of losing their jobs than older workers as they tend to be employed in sectors and occupations that are likely to automate (ILO, 2020).

Moreover, for youth in transition and low- and middle-income countries, some additional challenges are present. As these young people usually cannot afford not to work, there is a high probability they will be employed in low-quality and insecure jobs. This makes

* Corresponding author: vmihajlovic@kg.ac.rs

the problem of underemployment even more serious than unemployment itself in these countries (ILO, 2018). Young people are increasingly engaged in insecure, short-term jobs. These forms of employment raise the risk of poverty and further increase vulnerability, whereas the process of liberalisation of work arrangements in these countries under the efforts for achieving labour market flexibility could even deepen the problem (Pastore, 2018).

The unemployment of the young population is an issue with long-reaching and long-lasting consequences. If occurred early in one's career, the unemployment could produce negative effects in later life stages, such as lower wages (Kahn, 2010; Glatt & Wunnava, 2018), lower well-being (Daly & Delaney, 2013), higher propensity to mental problems (Thern et al., 2017), and engagement in criminal activities (Bell et al., 2014). With all this in mind, governments around the globe strive to define youth-oriented employment policies that are as effective as possible.

This paper aims to approach the problem of youth unemployment from the perspective of Serbia. The labour market in this country is traditionally overburdened with high unemployment, especially among the youth population. Although the situation in the labour market is significantly improved in the last decade, the position of youth is still very disappointing. It could be observed as the net outcome of labour supply (in terms of quantity and quality, determined by employment policy) and the labour demand (in terms of quality, determined by employers' demand according to organisations' needs). In this context, key challenges imposed on employment policy in Serbia were identified and guidelines provided. Yet, policy recommendations that stem from the analysis are not only country-specific and could benefit employment policy in other countries with similar problems.

2. THE LABOUR MARKET IN SERBIA: MAIN TRENDS

The situation in the labour market in Serbia is currently relatively stable compared to the previous period marked by transition reforms. These reforms, as in other former socialist economies, resulted in an enormous increase in unemployment. However, the period after 2013 witnessed some improvements in the labour market indicators. By focusing on the unemployment rate, one can observe significant improvement in the last decade (Figure 1). The rate of unemployment in Serbia in 2021 is reduced by almost 14 percentage points compared to 2011. Similar improvements are present in other countries included in Figure 1, especially in New EU member states (Bulgaria, Croatia). The advanced economies also enhanced the values of this indicator. In Greece, however, the unemployment problem still exists and the current unemployment rate is at the very top of the list of observed countries.

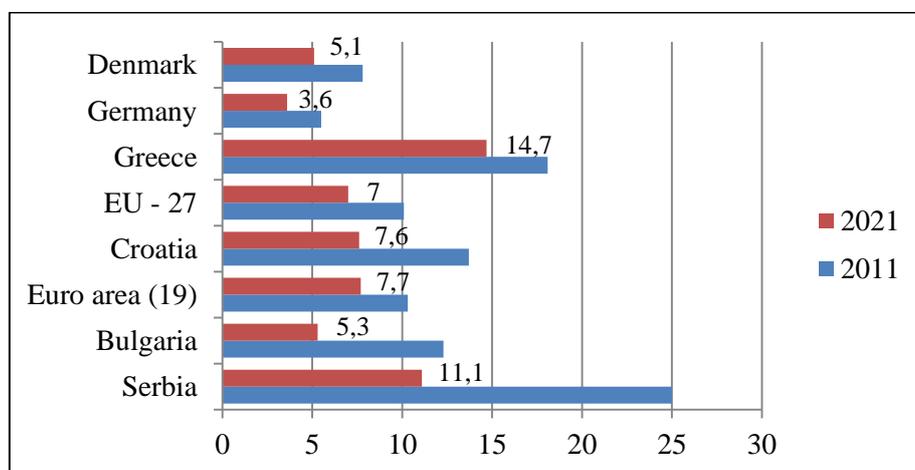


Figure 1. Working-age population unemployment rates (%) in Serbia and selected EU countries (Eurostat Database)

If we focus on the position of the youth population compared to the working-age population in Serbia, the severity of the problem becomes more obvious (Figure 2). The starting years of the observed period (2010-2021), witnessed enormous youth unemployment, as more than half of the young population was without a job. Although both the working-age and youth unemployment rates have decreased over time, youth unemployment remains more than twice the total labour force unemployment. So, more than one-fourth of the total youth population is currently without employment. In addition, when observing the relationship between youth unemployment rates in Serbia and EU-27, it is evident that there is a slight convergence of the rates in Serbia toward the European average. Albeit this is an encouraging fact, a significant gap between this indicator's values still holds, as the current youth unemployment rate in Serbia is almost 10 percentage points higher than in EU-27.

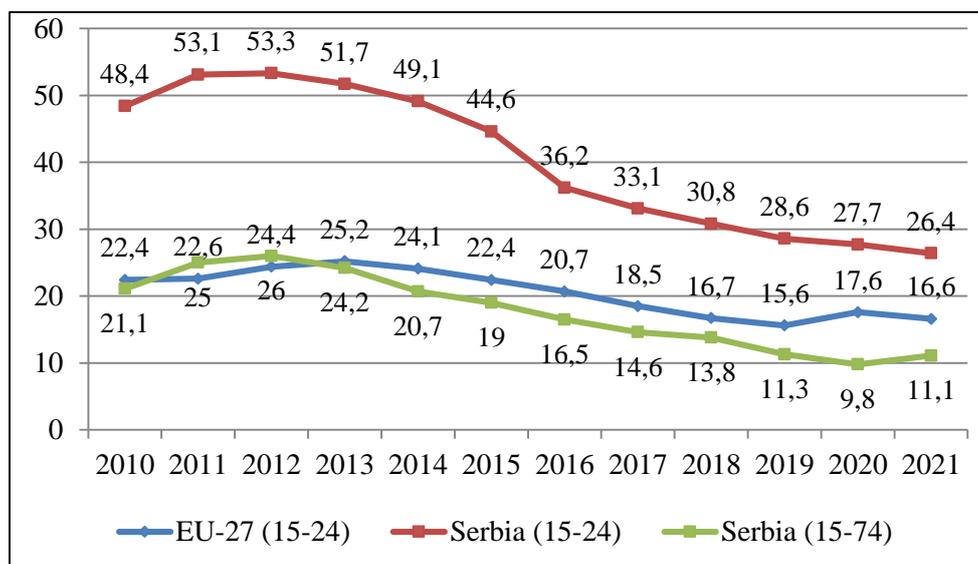


Figure 2. Unemployment rate dynamics for different age classes in EU-27 and Serbia (Eurostat Database)

However, as the youth population between 15 and 24 years is expected to still be in the education process (at schools or faculties), another indicator of the labour market could be used. It is the so-called NEET (Neither in Employment nor in Education and Training) rate, measuring the share of youth that are not engaged in any of these activities. According to the literature, it demonstrates the position of youth in the labour market in a more complete way (O'Higgins, 2012). As it is evident from Figure 3, almost one-fifth of the youth in Serbia can be included in this category, which is very disappointing. It also urges some additional analysis in order to better address the problem. For instance, some studies showed that persistence in the NEET status is more likely to occur among youth coming from more disadvantaged backgrounds (from rural areas, materially deprived families, workless households etc.) and with lower educational levels (Carcillo et al., 2015). In addition, it is typically stated that the national differences in NEET rates usually stem from a combination of institutional factors, cultural determinants, conditions in the national labour market and characteristics of the education and training system (Rodriguez-Modroño, 2019). It implies that solving the issue of the NEET category should be approached by implementing complementary measures covering at least the educational system and regional development strategies, complete with institutional reforms and innovation of the education system.

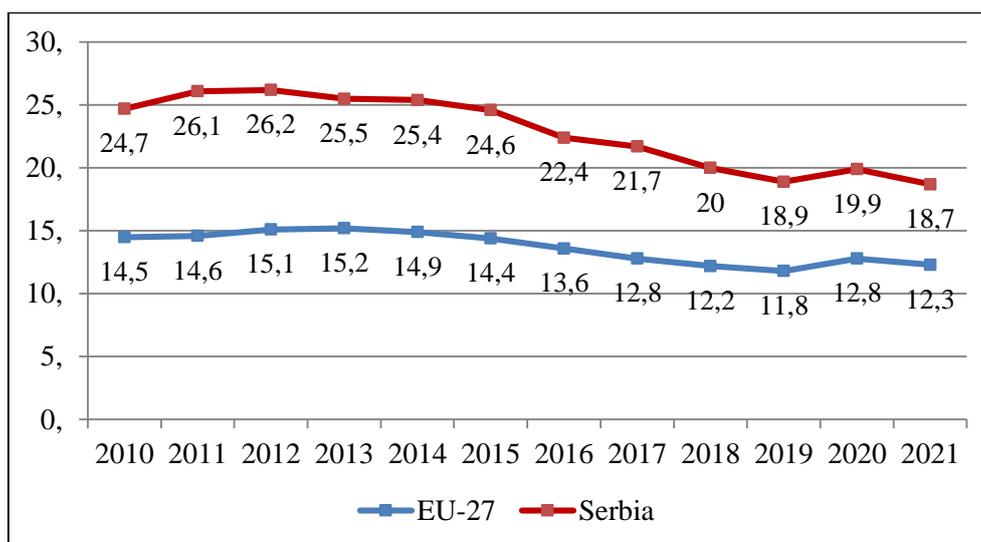


Figure 3. NEET rates in EU-27 and Serbia (Eurostat Database)

3. DETERMINANTS OF THE YOUTH POSITION IN THE LABOUR MARKET

The situation in the labour market usually reflects broader macroeconomic tendencies, such as economic upturns or downturns. During economic recessions, the fall in output commonly leads to unemployment increasing, employment decreasing, and vice versa in the case of economic expansions. This relationship is known as Okun's law and it has been supported by a number of empirical studies (e.g. Owyang & Sekhposyan, 2012; Valadkhani & Smyth, 2015; Mihajlović & Fedajev, 2021). However, the impact of output reduction on youth unemployment is even more profound, having in mind the lower stability of working arrangements of the young population compared with the rest of the labour force (Bruno et al., 2017; Dunsch, 2017). Therefore, the sensitivity to cyclical fluctuations of youth employment in the labour market implies that employment policy measures should be adequately directed to this population in order to be more resilient to business cycles.

These facts stress the significance of a strategic approach to employment policy, especially the one directed at youth in the labour market. Indeed, the importance of focusing on youth is recognized in a number of countries (for instance, European Union Youth Strategy 2019-2027; Council of Europe Youth Sector Strategy 2030; United Nations Youth Strategy 2018-2030). In Serbia, there are two particularly important strategies that tackle these issues. The first is the Employment Strategy of the Republic of Serbia 2021-2026 (Social Inclusion and Poverty Reduction Unit of the Government of Serbia, 2021), which is a general strategy directed toward improving the employability of the total labour force. The second one is the National Youth Strategy 2015–2025, which is directed at youth and is aimed to improve not only the employment and employability of young women and men, but also the quality of and opportunities for acquiring qualifications and developing youth competencies and innovativeness, youth activism and active participation, youth health and wellbeing, and so forth (Ministry of Youth and Sports, 2014). These strategies, especially the second one, are vital part of the employment policy, which tends to improve both the quantity of youth employment (measured by the number of employed or by the employment rate) and the quality of labour supply, measured by the level of knowledge and competencies obtained in formal and non-formal education and training. All of these represent the changes in the supply of youth labour necessary to keep the step with ongoing processes, such as digital transformation.

In order to analyse the current situation in the labour market in Serbia in terms of youth employment/unemployment, it is important to include also the labour demand factors. These are connected with the employers' needs and indirectly reflect the organisations' (firms') mission and goals that should be accomplished by employing the labour with the required characteristics. In other words, when deciding about hiring young people, the employers have in mind the goals of the organisation that should be supported by a quality labour force. This process is known in literature as strategic workforce planning, and it is exclusively focused on the quality of the labour offered (Sinclair, 2004; Momin & Mishra, 2015; Doll, 2021).

The main stages of workforce planning cover the analysis of operating environment, workforce characteristics, the future needs for specific skills, the current skills gaps and the operational plan for achieving this and to monitor and evaluate the quality of the process (Figure 4). To put it simply, strategic workforce planning should ensure that an organization has the right people - with the right skills in the right places at the right time, in order to successfully achieve its mission. The organisations are prone to select job candidates with proper skills, which could underpin the current changes. The problem arises due to a mismatch between skills offered and skills that are currently demanded.

This brings us to the one of the sources of the problem: an inadequate education system and non-formal education which should provide youth with better skills (job-specific skills or technical skills, but also digital skills and soft skills such as time management, teamwork, communication, and so on). According to the STEP (Skills towards Employment and Productivity) survey conducted in Serbia by World Bank (2015-2016), almost 50% of the employers in Serbia agreed with the statement that the general education system does not meet the skills needs of businesses, and about 21% agreed that these needs are neither provided by the vocational education and training (World Bank, 2019). A more recent study, called Balkan Barometer (2020), showed that at least one-fifth of employers have difficulties in filling the vacancies in the last 12 months, and about 54% of employers state that the lack of proper skills is the main reason the vacancies are hard to fill.



Figure 4. The stages of the strategic workforce planning process
(<https://www.cipd.co.uk/knowledge/strategy/organisational-development/workforce-planning-factsheet#gref>)

Therefore, one could conclude that the education system in Serbia is not competitive enough, since it fails to provide the competencies and skills that are expected by the employers. Digital skills are particularly important given the ongoing digitalisation process, but data indicate that the level of digital readiness in Serbia is relatively low. For instance, about 26% of people in Serbia pose basic digital skills, and about 20% have above basic skills level. That means that about 46% per cent of people enter this category, compared with 57% in the European Union ((Labrovic Andjelkovic et al., 2021). Having in mind that formal and non-formal education systems are not up-to-date with the current needs of businesses, one could conclude that curricula innovation and new training programmes in Serbia are necessary steps expected to take by policymakers in order to improve the position of youth in the labour market.

4. REMAINING CHALLENGES FOR YOUTH EMPLOYMENT POLICY

Apart from education and skills mismatches as the sources of the unfavourable position of youth in the labour market, there are some additional challenges to the successful implementation of effective employment policy in Serbia. Although they are related to already mentioned mismatch issues, their significance for labour market flows calls for separate identification and analysis.

First of all, a serious problem in Serbia is related to intensive emigration. About 10 to 15 thousand people leave the country every year (net migration), which is alarming. Furthermore, the majority of emigrants belong to the youth population. For instance, according to the International Labour Organization's data, around 70% of global migrant flow in 2017 involved people younger than 30 years (ILO 2017). In the case of Serbia, emigration could be observed as one of the determinants of youth unemployment reduction since young people often emigrate looking for a job abroad. In that way, emigration reduces the share of unemployed in the total labour force, thus decreasing the unemployment rate, but without employment growth.

Technological development is also creating new forms of work and new employment relationships that are not within legislative frameworks in many countries, including Serbia. Apart from traditional emigration forms, there is a new category, called telemigration, which refers to the workers who are employed in foreign companies but work from their native country. According to data from 2018, Serbia is in the first place in the globe with 3.5 telemigrants per 1000 inhabitants (Arandarenko, 2021). One of the reasons for this situation is tied to the poor capacity of Serbia to manage its talents, or to enable, grow, attract and retain them. In 2021, Serbia was ranked 58 out of 134 countries, according to the Global Talent Competitiveness Index (INSEAD (2021). These facts call not only for education system reforms but also for improvements in both work legislation and the management of talented individuals which are the strategic resource for economic development.

In addition, one of the disappointing facts regarding the emigration flows is related to the future intentions of young people in Serbia. According to the Survey of the youth population conducted by The Youth National Council in 2021, only about 11% of youth responded that they will not leave the country, while the 50% of the respondents said that they will leave although half of them are not in the planning process yet; 39% of respondents currently are not planning to leave, but do not write off that possibility. The most popular destinations are traditionally related to the Western Europe countries (63%), followed by the USA (12%) and the countries from the region – 8% (Stojanović & Ivković, 2021).

It is clear that the position of youth in Serbia is alarming. Accordingly, proper policy measures that could address these problems are necessary. However, the existing employment policy measures are not adequately defined in some aspects, such as work legislation. Among

them, so-called Active Labour Market Policies (ALMPs) are particularly important, especially those directed at the youth population. ALMPs cover skills training, employment services, entrepreneurship promotion, public employment programmes, and so on. If one focuses only on the amount allocated to the financing of these measures, one of the sources of the problem could be identified. It is tied to very low allocations for ALMPs financing as a per cent of GDP. Namely, Serbia is at the bottom of the list regarding this criterion, with only 0.07% of GDP used for this purpose. These allocations are much lower than in new EU member states or compared with Scandinavian countries which are at the very top of the list.

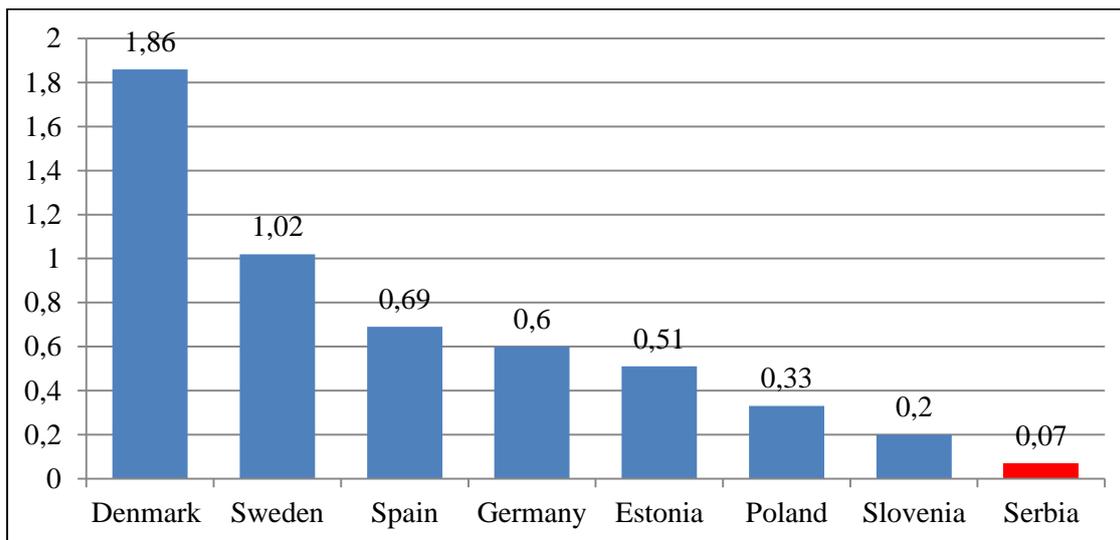


Figure 5. Allocations for financing ALMPs in selected countries in 2019, % of GDP (Eurostat Database, Statistical Office of the Republic of Serbia)

Of course, it should be noted that the amount allocated for financing ALMPs is not a guarantee that these measures will be effective in enhancing the youth's employability. Indeed, there are some advantages, but also shortcomings of these programmes that should be taken into account (Table 1). For instance, skills training can be focused on skills currently demanded, but the attendants in this type of programme can be youth that is already employed; employment subsidies, if well focused, can create new employment, but the duration of employment may be limited to a period covered by a subsidy, etc.

All these disadvantages and shortcomings of ALMPs call for an integrated strategic approach to youth employment policy, which should involve complementary areas such as digital skills development, education system improvement, economic development enhancement, and so on. In that manner, it is feasible to manage youth position in the labour market in a sustainable way.

5. CONCLUSION AND POLICY RECOMMENDATIONS

The identified challenges and limitations lead us to make some conclusions and policy recommendations. Actually, youth unemployment is a problem of global concern, but the most alarming situation is certainly in transition and low and middle-income countries. Both the youth and employment policymakers in these countries face numerous obstacles concerning labour legislation, cooperation with employers, obsolete education systems and so on.

Table 1. Active Labour Market programmes directed to youth (Kluve et al., 2017; ILO 2018)

| Type of programme | Constraint addressed | Advantages | Disadvantages |
|-------------------------------------|---|--|---|
| Skills training | Deficits in labour supply and/or the quality of labour supply | Works better with broader vocational and employability skills that are in demand and includes work experience as well as employment service. | May produce temporary, rather than sustainable solutions and, if not well targeted, may benefit those who are already “better off”. |
| Employment services | Mismatch of labour supply and labour demand | Helps to link youth in search of employment to existing vacancies and job offers. If successful, this is a highly cost-efficient type of intervention. | Might push youths towards jobs and occupations that do not match their original aspirations. Might lead to overly high or low expectations. |
| Entrepreneur-ship promotion | Low business skills, high failure rate of new businesses | Can have high employment potential and may meet young people’s aspirations (e.g. for flexibility, independence). | May have a high failure rate, which limits its capacity to create sustainable employment. |
| Public employment programmes | Employment subsidies: Low demand for youth labour from private sector/high costs of labour and training | Can create employment if targeting specific groups of disadvantaged young people. | High deadweight losses and substitution effects (if not carefully targeted); employment may last only as long as the subsidy. |
| | Employment intensive public works and community services: Low demand for youth labour/low levels of community investment | Help young people gain labour market attachment and enhance employability, if combined with training. | Low capacity for labour market integration; often gender-biased; can result in displacement of private sector. |

In these countries, particular attention should be paid to the formulation of effective employment policy directed at the youth population, since the youth unemployment rate is at least twice the working-age population rate. In the case of Serbia, this policy should support reforms in the formal education system and innovation in training programs, in order to provide the youth labour with proper skills and competencies which are aligned with the employers’ demands. The relevant surveys of employers all indicate that the matching process between knowledge/skills and job requests is unsatisfactory. It implies that the employers' engagement via, for instance, the Association of Employers of Serbia, could provide directions for curricula innovation in order to better respond to the needs of businesses. All other relevant stakeholders, such as the National Employment Service, Ministry of Education, Ministry of Youth and Sports and so on could be involved in the process to make it a success.

The defining of more effective ALMPs is particularly important, not only for the improvement of youth employability and labour market status but also for reversing the migration flows which represents a serious threat for Serbia and other countries in a similar situation. As the ALMPs measures include activities which can amplify the skills and competencies of youth thus improving their employability, it is highly important that policymakers follow a strategic approach to the measures formulation and implementation. This could ensure that the upgrading of knowledge and skills be in line with rapid technological changes which profile the employers' demand for labour. Furthermore, given the fact that the implementation of active labour market policies requires significant amounts to be properly financed, it is important to direct a larger share of GDP for these purposes. Although this can be challenging for transition and low-income countries, the benefits of successfully implemented ALMPs exceed the costs thus justifying higher allocations for these programmes. Finally, all these facts imply that the policy measures directed to stimulation of sustainable and inclusive economic growth should be observed as complementary to the previous ones since only by the integrated approach to these issues the improvement of the situation in the labour market can be ensured.

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