

TRENDS AND CHALLENGES OF YOUTH UNEMPLOYMENT IN WESTERN BALKAN COUNTRIES

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ABSTRACT

Human resources and their utilization through employment are essential for the development and improvement of any national economy. A significant component of innovation and productivity growth is the employment rate of young people, who are considered to be the carriers of technological changes and competitiveness. However, despite some positive results in the past period, countries worldwide are still facing the challenge of a high youth unemployment rate and its multifaceted negative consequences. Western Balkan countries, all in different phases of EU accession, are sharing similar economic setbacks, including youth unemployment. The first part of the paper analyses the position of youth unemployment and the NEET (not in education, employment or training) rate in the Republic of Serbia, the skill gap that exists in the labour market, as well as an overview and assessment of existing strategies and policies implemented in the Republic of Serbia. In the following part, a comparative analysis of the position of youth in Serbia with the rest of the Western Balkan countries is conducted. The results point to mutual challenges of young people entering a dynamic labour market that can be addressed through extensive cooperation and joint initiatives. By analysing available quantitative data, theoretical and institutional frameworks, the paper emphasizes the importance of providing various measures of extended support for young people and their economic position to foster economic growth and enhance national competitiveness.

Keywords: youth unemployment, employment policies, economic development

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INTRODUCTION

Labor remains one of the most significant resources for driving economic growth and sustainable development, even in an era of rapid technological advancements and artificial intelligence (AI). As the demographic group expected to shape the future trends of global economies, young people possess unique potential to drive innovation, increase productivity, and enhance competitiveness, and therefore are not only a resource but also the driving force for increasing economic activity and modernization. Young people worldwide are making significant contributions in various roles, including as productive employees, innovative entrepreneurs, discerning consumers, engaged citizens, and active members of their communities, driving economic transformation and change [1]. In today's world, economic growth and competitiveness rely more than ever on fresh ideas, innovative solutions, and creativity.

Younger generations are characterized by a high level of digital literacy and skill in quickly adapting to new technological trends and tools, and these characteristics make them the driving force behind the development of the digital economy.

Nevertheless, prolonged youth unemployment is linked to diminished long-term job prospects, poorer physical and mental health, and increased lifetime dissatisfaction. It also results in lost economic output and income for society, as young people remain disconnected from productive roles in the workforce [2,3]. Integrating youth into labor markets remains a challenge for most national economies in the world. The COVID-19 pandemic intensified an already significant issue of youth unemployment worldwide. Based on the findings of several research papers [4,5,6], it can be concluded that the pandemic caused additional negative effects on the youth position and their entrance into the labour market. It also affected main economic indicators, such as the increase in unemployment rates, the decrease in labor force participation, reduced working hours, and lower wages. Due to this, the already existing problem of labour inequalities has become more severe.

As stated in the International Labour Organization Report [7], a historically low youth unemployment rate in this century was recorded in 2023, measured at 64.9 million individuals aged 15–24. If we compare this data with the pre-pandemic period, the year 2019, we can see a decline of nearly 4 million individuals. The measured rate of youth unemployment in 2023 was 13%, which is a 2.6 percentage point decrease from the pandemic peak of 15.6%, but also a 0.8 percentage point improvement from the pre-pandemic rate of 13.8%.

The situation in Serbia is also showing certain improvements in the last ten years, but despite the significant increase, the youth unemployment rate is still high. In 2023, the youth unemployment rate was 25%, notably higher than the general unemployment rate of 9.4% [8]. Therefore, several authors [8,9,10] were assessing various initiatives introduced to help young persons become aware of the possibilities to find a job, connect them with industry representatives, and support entrepreneurial ideas. Significant change has been made in the last ten years; there have been very successful examples and positive outcomes, but certainly there is still a lot of effort and dedication needed to address this problem more efficiently. The majority of these programs have not been properly evaluated, and consequently, there remains limited evidence of their effectiveness.

Building on the previously mentioned arguments, this paper's first section will examine recent trends and key aspects of youth unemployment in Serbia. The paper's following part will compare the findings with those of neighboring countries, highlighting similarities and differences in youth employment trends and challenges. Additionally, it will explore the impact of youth employment on economic growth and competitiveness, examining how integrating young people into the labor market contributes to regional economic performance and long-term development. The results aim to contribute to a deeper understanding of youth employment as a backbone of sustainable economic development and competitiveness, advocating for a comprehensive and inclusive approach to labor market reform.

ANALYSING YOUTH POSITION AND EMPLOYMENT TRENDS IN SERBIA: CHALLENGES AND OPPORTUNITIES

The labor market in Serbia has undergone significant transformations since the country's transition from a socialist to a market-oriented economy in the 1990s. This period of transition brought numerous challenges, such as persistently high unemployment rates, youth unemployment, and NEET (not in education, employment, or training) as particularly serious issues. While there has been a downward trend since then, especially during the last decade, as seen in Figure 1, the current rate indicates that young people continue to face significant barriers to entering the labor market. Youth unemployment in Serbia is notably high compared to the general population and the average of European Union countries.

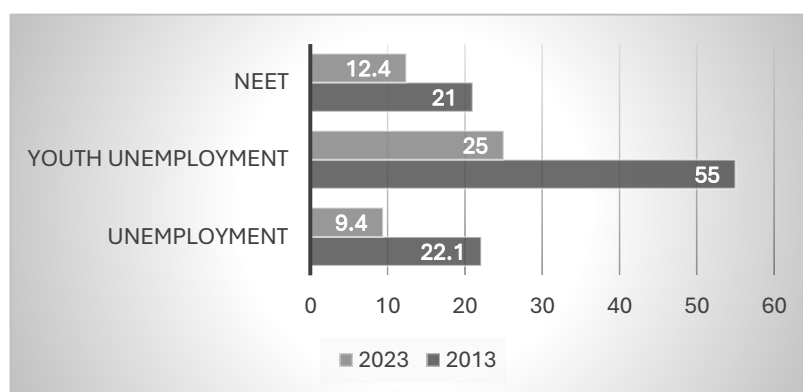


Figure 1. Unemployment, youth unemployment and NEET rate in Serbia.

Source: [11][12]

Based on the analysis of current data from the Statistical Office of the Republic of Serbia [12], certain progress can be noticed, but even so, the unemployment rate of individuals aged 15 to 24 continues to be notably higher than that of adults.

The youth demographic continued to decrease in 2023, with a reduction of 3,800 individuals (1.9%) from the year before, as well as a decline in the number of employed young people by 3,100, resulting in 160,700 employed youths. The employment rate for this age group stood at 23.9%, representing a decrease of 0.3 percentage points compared to 2022. Regionally, the highest employment rate remained in the Vojvodina region at 26.8%, while the lowest was recorded in Southern and Eastern Serbia at 20.6%. The number of unemployed in 2023 experienced a minor increase from the previous year (by 1,000 individuals), reaching 53,600. The unemployment rate thus rose by 0.7 percentage points to 25.0% in 2023.

Table 1. Key Indicators of Youth (Ages 15-24) Activity in Serbia, 2015-2023.

Year	2016	2017	2018	2019	2020	2021	2022	2023
Absolute numbers (thousands)								
Total	756,9	740,0	727,1	716	705.3	694.8	676.3	672.5
Active	229,3	226,7	218,2	212.1	197.3	231.5	216.4	214.3
Employed	149,3	154,4	153,4	153.8	142.7	170.3	163.7	160.7
Unemployed	80	72,3	64,8	58.3	54.6	61.2	52.7	53.6
Rates %								
Active	30.3	30.6	30	29.6	28.0	33,3	32.0	31.9
Employed	19.7	20.9	21.1	21.5	20.2	24.5	24.2	23.9
Unemployed	34.9	31.9	29.7	27.5	27.7	26.4	24.3	25.0
NEET	17.7	17.4	16.5	15.3	15.9	16.4	13.0	12.4

Source: [12][13][14][15]

For a deeper understanding of the youth challenges and a broader perspective on labor market dynamics, the NEET rate is particularly important. Unemployment data usually focuses on individuals who are pursuing job opportunities. The NEET rate represents the percentage of young individuals who are disengaged from both work and any form of education, providing insights into those often excluded from traditional measures of unemployment.

The NEET rate was measured at 12.4% in 2023, representing a 0.9 percentage point decrease compared to the previous year.

During the period from 2016 to 2023, the NEET percentage in Serbia shows a downward trend from 17.7% in 2016 to 12.4% in 2023. This decline indicates an improvement in the engagement of young people in education and employment. The most significant drop occurred between 2021 and 2022, which may suggest effective policies or economic conditions that encouraged youth participation in the labor market or education. However, the slight increase in 2020 and 2021 warrants further investigation into possible factors impacting youth unemployment during this period. Overall, the trend suggests a positive shift toward reduced NEET figures in Serbia.

Data on population structure indicate a steady decrease in the proportion of young people within the total population of the Republic of Serbia. This trend, combined with ongoing population aging, poses a significant challenge for the country's future [16]. Another important factor is that Serbia continues to experience a significant loss of skilled professionals to Western Europe, which impacts long-term growth prospects. Based on research conducted by the National Youth Council of Serbia [17], nearly half (49%) of young people plan to emigrate from Serbia, with 21% already planning to leave, while 28% have not yet started the planning process. Only 14% of young people claim they will not leave Serbia. Emigration can be seen as a factor contributing to the reduction of youth unemployment, as many young people leave the country in search of job opportunities abroad. This migration reduces the proportion of unemployed individuals in the total workforce, resulting in a decline in the unemployment rate but without actual employment growth [18]. Therefore, the state needs to make additional investments in youth to create conditions for a better quality of life, notably in education, the labor market, and access to housing. Several research findings [18,19,20] point to one of the most pressing issues contributing to the current situation in Serbia—the ongoing gap between youth skill sets and employers' expectations and needs. The gap is significant in the field of technology and digitalization, which is a specific concern since these are currently the leading sectors in the development of the national economy.

The National Statistical Office of the Republic of Serbia conducted research on the usage of information and communication technologies [21] that showed interesting findings. Based on the results, 95.8% of young people aged 16–24 stated that they use a computer daily, and 97.6% used the Internet daily. On the other hand, their e-skills are not used as frequently. According to the report, less than 50% use basic and advanced e-skills, e.g., spreadsheet software and functions. When it comes to more advanced knowledge requested by employers, only 7.3% are able to use advanced skills such as coding and programming. The rapid and dynamic change of technology creates challenges for the education system, which is often behind the pace and requirements of industry. Therefore, school curricula should be updated regularly in line with new technological trends and with valuable input from industry representatives. It is essential to expose young people to a real business environment; therefore, internships and mentorship programs are an ideal addition to already existing educational programs. Considering the particular issue of regional inequalities in Serbia and the high NEET rate, various programs with free options should be offered to build and improve the human capital of young people. Additionally, promoting different career paths and job perspectives, with special emphasis on the IT sector, can make a positive impact on discouraged young job seekers and those in the NEET category.

In order to improve the status and position of youth and enhance their economic standing, the Government of the Republic of Serbia designed and implemented a series of measures and policies. One of the most important is the Youth Strategy for the period 2023–2030, which aims to enhance young people's quality of life. Out of five targeted objectives, two are focused on improving their standing in the labor market. Objective one focuses on the standardization and organization of youth work, while objective four refers to giving equal opportunities to young individuals to develop their potential and enhance their position in the workforce.

Compared to the National Strategy 2015–2025, the 2023–2030 Strategy places greater emphasis on youth work and the implementation of youth policy at the local government level. Both strategies focus on areas such as active youth participation, acquiring qualifications, and ensuring safety and health [22].

Further, the Strategy on Economic Migrations for the period 2021–2027 [23] was adopted at the beginning of 2020. The general goal of the strategy, as stated in the document, is to provide good preconditions—mainly through improvements in socio-economic conditions—to retain the working-age population and encourage those who left to return. The strategy aims to improve the overall demographic situation in Serbia by preventing further brain drain, especially among the youth.

There is also the Youth Guarantee program, currently in the pilot phase but with high potential for good results. In July 2021, Serbia endorsed the Western Balkans Declaration on sustainable youth labor market integration, committing to gradually introduce the Youth Guarantee, allocate resources, and develop an implementation plan. This aligns with the EU's Economic and Investment Plan for the Western Balkans aimed at regional economic recovery, green and digital transitions, and EU convergence. The plan includes the Youth Guarantee as a key investment in human capital, modeled on the EU approach. As stated in the Youth Guarantee Implementation Plan 2023–2026 [24], the program addresses youth unemployment through cross-sector and social partner collaboration. It ensures that individuals under 30 receive an offer for employment, further education, or training within four months of becoming unemployed or completing formal education. The program is primarily funded by the IPA fund and partially by the budget of the Republic of Serbia.

The implementation plan was adopted in December 2023 and launched in January 2024 across 28 municipalities. The pilot phase runs from 2023 to 2026, going through four stages:

1. Tracking and early-stage intervention,
2. Engagement to inactive youth,
3. Preparation,
4. Offers for education, employment, or training

The Youth Guarantee Program represents an innovative approach to addressing youth unemployment through enhanced institutional cooperation. The program is coordinated by the Ministry of Labor, Employment, Veteran, and Social Affairs, with the National Employment Agency serving as the primary operational actor. It also involves collaboration with educational institutions, employers, the Serbian Chamber of Commerce, and the Serbian Employers' Association.

In this context, the Youth Guarantee provides Serbia with a structured approach to align efforts among stakeholders, optimize resource utilization for a greater impact on youth labor market outcomes, and, most importantly, strengthen national capacities to address youth exclusion and facilitate their transition from education to employment.

The European Commission's Report on Serbia, published in November 2023 [25], highlights that structural issues persist, including a labor supply affected by outward migration and ongoing skills mismatches. The timely implementation of the Youth Guarantee plan is expected to play a key role in addressing these mismatches.

YOUTH POSITION AND EMPLOYMENT STATUS - TRENDS AND CHALLENGES

Youth position, employment status, job satisfaction, and economic security are among the most important foundations of any society in every country in the world. Disadvantaged youth often benefit most from the creation of new opportunities, skills training, microcredit provision, support for small and medium-sized enterprises (SMEs), and investments in education, all of which contribute to providing the knowledge and tools needed to be competitive in the international labour market [26].

The International Labour Organization, in their analysis from 2022, also underlines the importance of education in the context of youth employment. They consider the relatively low labour market participation rate of young people as primarily driven by their pursuit of education, due to the opportunity to achieve higher labour market returns later on. Employee knowledge becomes a necessary resource for successful functioning, growth, and development [27]. Some of these results can be seen in Figure 2.

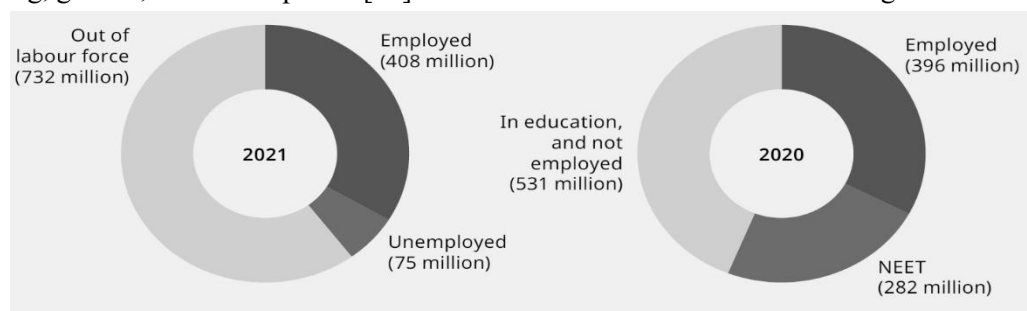


Figure 2. Global overview of youth labour market (2020 and 2021).

Source: [28]

When we analyze the situation concerning the position and status of youth, even with differences across regions and within employment fields, there are several common factors that influence the behavior of both employers and potential employees. One of the elements that stands out is the fact that, in addition to education, employment in the public sector is often perceived by young people as desirable due to job security, despite lower wages compared to the private sector. According to ILO [28], one of the most common reasons for this preference among educated young people is job security, regular income, and social protection.

Analyzing the sectors in which young people choose to work, we can also see slight differences in their choices between the ages of 15–24 and 25–29. These structural changes in economic activity are shown in Figure 3. According to the available data for the age groups 15–24 and 25–29 [28], almost a third of all young people (both women and men) work in the service sector—namely, in wholesale and retail trade, accommodation and food services, and transport and storage. For youth aged 25–29, these sectors are slightly less important, especially among women, although they remain dominant sources of employment. In connection with the importance of education for securing a better position in the labor market—and therefore better-paid jobs—the data presented here also provide meaningful insights. The majority of young people aged 25–29 show greater interest in jobs related to communications, financial services, and professional services, because these fields require higher education; therefore, young people typically enter them only at a later stage of life. A different pattern can be observed in the sector of agricultural activity. In this sector, the proportion of young people aged 25–29 is considerably lower because work in agriculture most often does not require higher education. For this reason, a higher percentage of employees in this sector are found in the 15–24 age group. After completing higher education, this percentage declines.

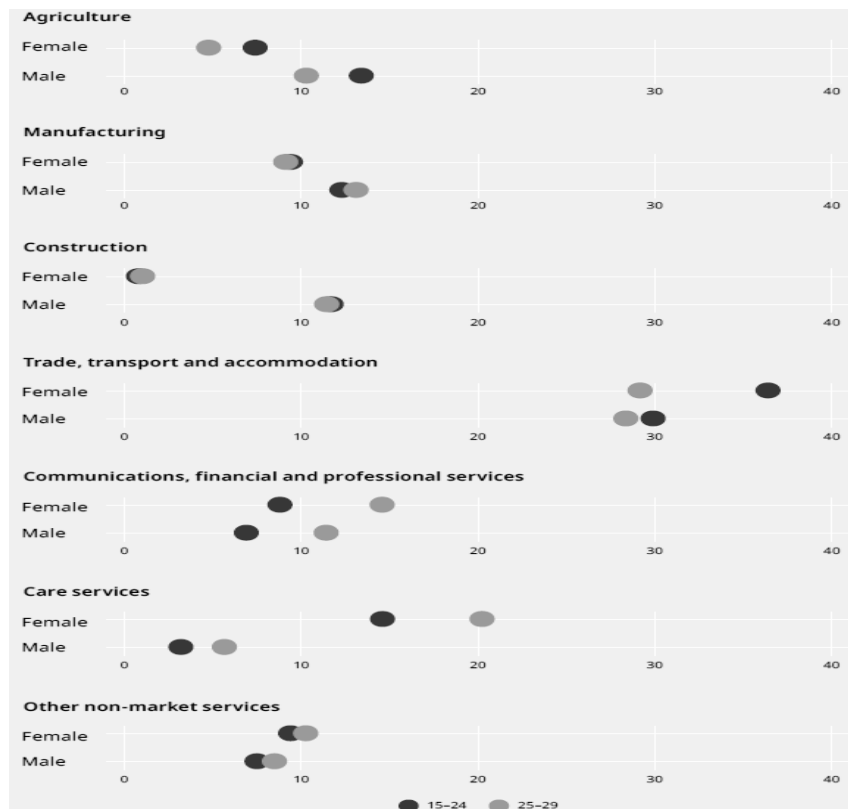


Figure 3. Distribution of youth employment across aggregate economic activities, by sex, latest year available up to 2019 (percentage).

Source: [28]

Also, it is important to note that one of the factors affecting youth employment is connected with globalization, i.e. progress in technology and industrial development has created new business opportunities and new professions, which indicates the necessity of constant development of skills and improvement of knowledge among young people, all with the aim of greater competitiveness in the labor market. Precisely this difference in the skills and competencies of youth and their level of education, which is directly connected with their employment, will be analyzed by comparing youth from Serbia and their neighboring countries.

STATUS OF YOUTH EMPLOYMENT IN THE WESTERN BALKANS COUNTRIES

For the purposes of a comparative analysis of the position of youth in Serbia in relation to the countries of the Western Balkans, we used the Study on Youth Employment in the Western Balkans, in which a comparative review of similarities and differences in trends and challenges faced by young people from this region in employment was carried out. This study analyzes the situation in the region's labour markets and indicates that young people from WB6—six Western Balkan economies (Serbia, Montenegro, North Macedonia, Bosnia and Herzegovina, Albania, and Kosovo*)—have an unfavourable position. According to data collected by RCC (2021) [29] from 2020, the youth employment rate in the Western Balkans countries was below 27% for the 15–24 age group. In the same period, the youth unemployment rate was above 26%, compared with the EU-27 countries where it was 16.8%.

Figure 4 presents a comparative analysis of the youth employment rate between the Western Balkans countries with 27% and the EU-27 countries with 31.4%. It was also expected to see results indicating the difference before and after COVID, with a recorded drop in the unemployment rate, especially among youth, the consequences of which we have already analyzed in our work. The ratio of the total employment rate to the youth employment rate is at least two to one everywhere, and in Serbia that ratio is even three to one. One of the reasons for this result in Serbia can be attributed to the fact that a large percentage of young people are still part of some kind of formal educational system—for example, higher education, training, or courses. Another finding from this research refers to the unfavorable position of employed youth, who in most cases in this region have fixed-term contracts, which deepens issues related to job insecurity and can negatively affect individual well-being and overall economic productivity.

Summarizing the results of this research, it can be noted that there is great concern regarding several factors. Analyzing labor force participation, the lowest levels are indicated in North Macedonia and Kosovo*. When we analyze the youth unemployment rate together with the rate of long-term youth unemployment, the highest values are observed in Kosovo*, North Macedonia, and Bosnia and Herzegovina. The research also analyzes the prevalence of temporary work contracts, which are very important for young people in terms of job security; the highest levels are found in Kosovo* and Montenegro. According to the data, a high NEET rate is recorded in Albania and Kosovo*.

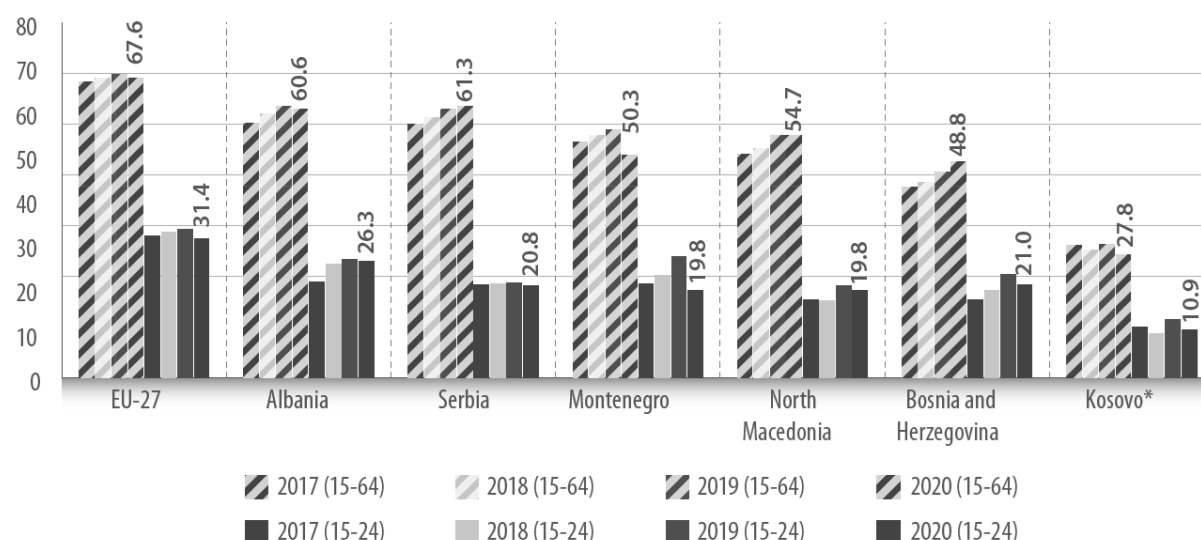


Figure 4. Youth employment analysis - Western Balkans and the EU-27

Source:[29]

According to research analyzed by Eurostat (2021), the position of young people in the Western Balkans countries, in terms of employment, is unstable and less predictable. The results of this research show that young people change jobs more frequently for different reasons—sometimes by choice, sometimes due to circumstances beyond their control. Also, a very interesting point to underline is the increasing trend of young people combining studying and working at the same time. This has become a trend in EU countries but not to the same extent in the Western Balkans. According to Eurostat data, in Western Balkan countries only one in twenty young people (aged 15–29) both studies and works. This

difference contributes to the higher incidence of NEET in Western Balkan countries [30]. Highlighting this difference is very important because it suggests that combining education with work experience would help young people secure better employment offers, internships, or further education opportunities.

Analyzing the position of employed young people, it is interesting to single out the observation of Đurić [31], who emphasizes that in the Western Balkans countries the educational system should focus more on preparing young people for the new demands of the 21st-century labor market, as well as on improving skills that are not only part of formal but also informal education. Developing soft skills is especially important because employability and job competency are highly dependent on communication skills, critical thinking, problem-solving, teamwork, learnability, motivation, attitude, and integrity. Therefore, it is crucial to complement formal education with practical exposure to the business environment through hands-on practice, internships, and real-world experience, rather than relying solely on theory and examples [32].

In this context, the Youth Guarantee [33] provides research data identifying an imbalance between the skills of young people and current needs in the labor market, which is one of the important reasons for the persistently high level of youth unemployment. This research was applied for the first time in Serbia, along with other Western Balkan countries, in 2019. The study provides results on two different approaches regarding the educational level and qualifications of young people, based on their opportunities in the labor market. According to this study [33], youth may be categorized as over-skilled (when jobs require lower levels of formal qualifications—high and medium), over-educated, or under-educated.

According to the Youth Guarantee analysis conducted for 2019, one of the major problems facing youth is that at least one in four tertiary graduates hold jobs requiring lower levels of formal qualifications. In almost every analysis this is considered a significant obstacle for young people. According to the data, the share in Albania and Kosovo* is around 40%.

Other results are indicated here [32]:

- Over-skilled (high): Albania (41.4%), Bosnia and Herzegovina (28.3%), Montenegro (26.1%), Serbia (48.8%), North Macedonia (35.7%), Kosovo* (41.7%);
- Over-skilled (medium): Albania (4.5%), Bosnia and Herzegovina (8.4%), Montenegro (8.3%), Serbia (12.5%), North Macedonia (7.3%), Kosovo* (30.4%);
- Over-educated: Albania (13%), Bosnia and Herzegovina (13.1%), Montenegro (18.5%), Serbia (17.2%), North Macedonia (6.7%), Kosovo* (32%);
- Under-educated: Albania (26.9%), Bosnia and Herzegovina (18%), Montenegro (21.7%), Serbia (21%), North Macedonia (11.1%), Kosovo* (22.8%).

Analyzing the data from previous research, we can see clear patterns of youth disengagement and skills mismatch in the Western Balkans. A large number of young people face a mismatch between the professional skills they possess and those required by employers. Young people often struggle to secure employment due to the lack of certain skills, but it also frequently occurs—as noted earlier—that young people accept jobs requiring lower formal qualifications than those they possess. This is most often present at the beginning of their careers, typically among young people aged 15–24. According to some research, it is believed that at least one-third of young people facing these difficulties belong to this group. As a result, young people cannot fully develop their potential and competencies, which are extremely important for their social and economic independence, improved working conditions, and higher positions in companies. This is directly connected to improving their position in the labor market.

CONCLUSION

One of the major priorities of every country is the full and productive employment of young people as a key factor for improving economic and social dynamics. Employment of young people is considered the main route out of poverty, with a strong impact on competitiveness and economic growth. Labour market outcomes for youth are reflected by a number of critical factors, some of which include labour demand, labour supply, migration, labour market functioning, country-specific challenges, youth employment strategies, promotion of entrepreneurship, and public policies for youth. Analyzing the position of young people in Serbia and comparing the research findings with those of neighboring countries and the EU, we identified similarities and differences in youth employment trends and challenges. Based

on the findings, we can observe several problems faced across the region, most visibly reflected in the long-term employment process and, in particular, the process of finding a job compatible with the qualifications young people possess. The mismatch of skills—between what young people can offer on the labour market and what employers expect—is highly pronounced among youth in the Western Balkans. Another challenge young people face at the beginning of their careers is the lack of work experience. For this reason, in their desire to gain the practical experience they lack, young people often accept jobs requiring lower levels of skills, as evidenced by the previously mentioned results (this situation affects at least one-third of young people aged 15–24). It is important to emphasize that this unfavourable labour market position further deepens youth dissatisfaction, which is why a large number of young people consider leaving their country in search of better working conditions, positions aligned with their qualifications, higher salaries, and job security.

Some of the key measures needed for the rapid and sustainable integration of qualified youth into the labour market include providing more on-the-job training and opportunities to gain work experience, as well as career guidance and counseling to ensure an easier transition from school and college to work, and the acquisition of new skills. In this context, policymakers should focus on greater investments and incentives to encourage companies to employ young people on a permanent basis, preventing them from falling into the trap of insecurity—an important factor for improving the working conditions of young people and ensuring their economic and social security. Improving the position of young people in the labour market and the conditions for achieving social and economic independence should be the focus of all future youth strategies. If youth employment is a key component of every national labour market, then it is necessary to provide conditions in which young people can develop their potential and competencies in order to contribute to societal progress and economic development.

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