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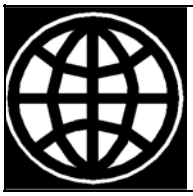

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Towards a Better Understanding of the Nature, Causes and Consequences of Youth Labor Market Disadvantage: Evidence for South-East Europe

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Towards a Better Understanding of the Nature, Causes and Consequences of Youth Labor Market Disadvantage: Evidence for South-East Europe[1]

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1 Introduction

Available studies show that the lack of decent work opportunities for youth is probably one of the most daunting problems faced by countries in South-East Europe (SEE) (see for instance UNICEF, 2000). Yet, the lack of comprehensive, integrated and centralized databases on youth labor market disadvantage in transition countries in general, and in South-East Europe in particular, has usually been a major barrier for a comprehensive analysis of the problems that youth face in the labor market in the region.

For the purpose of this study, an attempt was made to create comparable indicators of youth labor market outcomes for 10 regions of SEE, relying on 7 Labor Force Surveys (LFS) and 6 Living Standard Measurement Surveys (LSMS) conducted around 2001. These data show that more than ten years after the beginning of transition, and despite obvious signs of economic recovery in most SEE regions, the average youth unemployment rate in SEE remained 2.5 times higher than the EU average, and 3 times higher than the adult unemployment rate. Besides ILO unemployment, the emergence of large pools of jobless youth who do not even look for work and the large number of youth working in unprotected environment are worrisome trends in several regions of SEE.

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Youth labor market disadvantage in the region is increasingly viewed as an important policy issue. A troubled entry into the world of work has serious welfare repercussions on youths in terms of increased risk of income poverty and alteration of human and social capital. It also induces responses among youths which are not always socially desirable.

While there are many beliefs on the barriers to youth participation in the workforce, there is still little hard evidence on the determinants of youth unemployment and idleness in the region. And even less is known on the factors that may explain the growing disparities in youth labor market outcomes observed across SEE regions. To date, much of the attention was paid to the analysis of overall unemployment. However, the high incidence of youth unemployment relative to adult points to the existence of specific barriers to youth employment that need to be addressed by policy makers.

Experience from OECD countries suggests that there is no easy solution to the problem of youth unemployment. Many active labor market programs have failed to improve significantly the employment prospects of young people, and the problem of youth unemployment remains above all in the capacity of countries to achieve sustainable economic growth that generates viable jobs. Yet, lessons from programs evaluation in industrialized countries also show that some programs and policies that address the specific barriers to youth employment can be useful to some youth and in some cases. In contrast with most established market economies, youth government policies and programs supporting the employability of vulnerable youth are still very limited in SEE. The evaluations of some of the few Government programs developed in SEE are now available and can provide useful information for the formulation of youth policies in the region.

The aim of this paper is to contribute to our better understanding of youth labor market disadvantage in the region. A particular attention is paid on measuring the multiple aspects of youth labor market disadvantage, and attempts are made to identify some of its causes and consequences. The paper further provides a summary of relevant studies that have looked at the impact of selected Government policies on youth labor market outcomes.

This paper is organized as follows. Section 2 starts by discussing some of the problems related with the monitoring of youth labor market disadvantage in the region. A profile of youth labor market disadvantage is presented in Section 3. Section 4 explores some of the direct and indirect consequences of youth joblessness. The aim of Section 5 is to

review a number of hypothesis regarding the causes of youth unemployment, and, to the extent possible, to test some of these hypotheses. Examples of, and lessons from government policies supporting youth employment are then discussed in Section 6. The last section concludes by presenting a summary of the main findings.

2 The Challenge of Monitoring Youth Labor Market Disadvantage

What is the nature and the extent of the problems that youth face in the labour market in South-East Europe? How have youth labor market outcomes changed in recent years? Existing studies have difficulties answering both questions, largely due to data limitation and the weaknesses of the most commonly used indicators. This section provides a short assessment of available data and discusses some measurement issues related with youth labor market disadvantage. In what follows, the standard UN definition of youth is used, which refers to persons aged between 15 and 24, while the term adult refers to those individuals aged 25 and over.

2.1 Data Limitation

The lack of comprehensive, integrated and centralized databases on youth labor market disadvantage in transition countries in general, and in South-East Europe in particular, remains a major barrier for analyzing the problems that youth face in the labor market in the region. At the first place, it is important to recognize that when centralized databases with information on youth labor market outcomes exist, they usually contain solely indicators of youth unemployment which is only a narrow aspect of youth labor market disadvantage. Such databases include, for instance, the Key Indicators of the Labor Market (KILM), the Key Employment Indicators (KEI), and the World Development Indicators (WDI) compiled respectively by the ILO, EUROSTAT, and the World Bank.

Another problem with existing centralized database is that often, information on youth unemployment is incomplete for SEE. For instance, the youth unemployment indicators contained in the KILM, the KEI and the WDI databases are barely available for all regions in SEE and for more than a few years. A more comprehensive database that contained extensive information on youth labor market outcomes in the transition economies was the OECD-CCET Labour Market database, based on the compilation of several labor

force surveys from Central and Eastern European countries, but it was interrupted in the late 1990s due to lack of funding.

Besides the poor coverage of youth labor market disadvantage and problems related with missing information, a further issue is that often, reported indicators of youth unemployment are not comparable over-time and/or across countries. This is because the indicators refer to different concepts of unemployment. In some cases, the indicators are constructed from data collected by the employment offices and provide measures of the so-called registered unemployment. In other cases, they are based on survey data and relate more to the strict ILO definition of unemployment. Long time series on youth unemployment that provide a good and consistent coverage of the SEE region exist, but they are difficult to interpret. The TransMONEE database produced by the UNICEF MONEE project contains, for instance, the youth registered unemployment rates for all countries in the region since 1989. But these are based on registry data and it is unclear from this database whether the changes in youth registered unemployment should be attributed to real changes in youth employment or to changes in registration conditions.

Good labor market data for several regions of SEE[2] do exist, however. These are generally the ones collected in Labor Force and Living Standards Measurement Surveys. But so far, these data have not been centralized in a regional database. For the purpose of this study, an attempt was made to create comparable indicators of youth labor market indicators, relying on 7 LFS and 6 LSMS covering a total of 10 regions of SEE. Although the indicators are meant to be comparable across regions, there are still some problems associated with seasonality and timing (not all surveys were conducted the same month or the same year), and aggregation (some indicators refer to annual average of quarterly data, others refer to the month of the survey). The compilation of these indicators is discussed in more details in Annex 1.

[2] The quality and comprehensiveness of these various surveys vary quite substantially from one country to another in terms of survey questionnaire, sampling methods, and representativness of sub-groups.

2.2 Measuring Youth Labor Market Disadvantage

Besides data limitation, another challenge for monitoring youth labor market disadvantage (YLMD) is that there is no single indicator that can capture youth labor market problems. Our understanding of youth labor market disadvantage is very much sensitive to the definition of youth disadvantage and the choice of particular indicators. For the purpose of this paper, youth labor market disadvantage is defined as the lack of decent work, encompassing joblessness and the holding of low-quality jobs. The various measures are discussed below.

Youth labor market disadvantage as a lack of jobs. The most basic and widely used measure of youth joblessness relates to strict ILO unemployment (see Box 1 for a summary of the various concepts of unemployment). In this paper, we used two absolute and two relative measures of youth unemployment, each representing a different aspect of the youth unemployment problem: (i) the youth unemployment rate (youth unemployment as a percentage of the youth labor force); (ii) the youth unemployment ratio (youth unemployment as a percentage of the youth population); (iii) the ratio of the youth unemployment rate to the adult unemployment rate; and (iv) the share of youth in total unemployment. Two additional indicators informing on the nature of youth unemployment were also constructed: (i) the share of youth in total long-term unemployment (1 year or more) and (ii) the share of youth unemployed with no work experience.

But these indicators of youth unemployment reflects only a narrow aspect of youth labor market disadvantage. On the one hand, they do not take into account the number of discouraged youths who are no-longer looking for a formal job, nor the number of idle youths who are not in employment nor in education. On the other hand, they do not capture the extent of underemployment. In order to get a more accurate picture of the true extent of youth joblessness, three additional indicators were constructed: (i) the ILO "relaxed" unemployment rate, which includes unemployed youth who are not searching for work because they are discouraged, (ii) the not in employment-not-in-education ratio, which is the share of young people who are not in school and not in employment, either looking for a job or not, and (iii) the share of the youth population not in school and not in the labor force, which measures the proportion of jobless youth not in school who are not looking for a job.

Forced underemployment is another important aspect of the overall youth employment problem, but because of data limitations and interpretation problem[3], no measures of underemployment were reported here.

Youth labor market disadvantage as the holding of low quality jobs. Besides the lack of jobs, the quality of employment is another major dimension of youth labor market outcomes that needs to be monitored. There is no international definition of a low quality job, but for the purpose of this report, by low quality job, we refer to jobs that violate core labor standards usually associated with a formal labor contract, such a pension fund contribution, health and disability insurance, and the freedom of association and the effective recognition of the right to collective bargaining. In practical terms, there is no easy way of measuring low quality employment and only a very imperfect proxy indicator was constructed for this study, which is the share of youth wage employed with no written contract or no social security contributions. We motivate this choice by the fact that youth in such types of jobs are exposed to a great vulnerability in the labor market, even if these jobs are well-paid, as they do no enjoy the protection of the labor code (no contract) or do not protect adequately against health risks and old-age (no social security contributions).

[3] It is often difficult to infer from quantitative survey data whether part-time workers have chosen voluntarily to do so or whether they have been forced to do so.

Box 1: Defining Unemployment Indicators

Rregistered unemployment: The 'registered unemployed' refers to individuals who are registered at labour offices as unemployed. This administrative approach reflects national rules and conditions and usually generates figures that are different from those resulting from surveys relying on the so-called strict "ILO" concept" of unemployment or on a very similar concept.

Strict ILO unemployed: The strict ILO concept is based on three criteria and defines as unemployed those people who are (1) without work, (2) available for work within the next two weeks and (3) have been seeking work for the preceding four weeks.

ILO Unemployed relaxed criterion: The ILO has an alternative definition of unemployment, which is more relevant for transition countries. It relaxes the third criterion to include the discouraged unemployed who have not been looking for work because they have lost all hope of finding a job.

Youth unemployment rate and unemployment-to-population ratio: The unemployment rate corresponds to the segment of the youth labour force (unemployed and employed), which is unemployed. A different indicator is the unemployment to population ratio, which refers to the overall share of the unemployed in the youth population.

***The ratio of youth not in employment not in education*:** This ratio corresponds to the overall share of the youth population (youth in this report) who is neither employed nor in education. It includes the ILO unemployed, as well as discouraged workers who are not in the education system.

***The ratio of youth not in employment not in the labor force*:** This ratio includes all jobless youth not in education but who are not looking for a job.

3 The Employment Prospects of youth Remain Daunting

The previous section has shown that there are various ways of measuring youth labor market disadvantage. This section shows that whatever indicators is used, youth face serious employment problems in the region. This section starts by documenting the extent of youth unemployment in the region. It then moves on to a discussion of youth discouragement and idleness, and the problem of low quality employment.

3.1 Large Youth ILO Unemployment

The indicators of youth unemployment discussed in the previous section are reported in Table 1 based respectively on 7 LFS and 6 LSMS data and covering 10 regions of SEE (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Romania, Slovenia and Serbia). The LFS and the LSMS data provide estimates that are not

necessarily identical[4], but the evidence shows that youth unemployment is a serious problem in SEE. Around 2001, youth unemployment rates in SEE were very high by the standard of EU countries, averaging 38.6 percent according to LFS data for 7 SEE economies, and 31.2 percent according to LSMS data for 6 SEE regions. For comparison, the youth unemployment rate in the EU based on LFS data for the same period was 14.9 percent. Table 1 also shows large disparities in the region, with a LFS-based unemployment rate ranging from 16.2 percent in Moldova to 69.2 percent in Kosovo[5]. The highest absolute youth unemployment rate were observed in Kosovo, Macedonia, Bulgaria and Bosnia and Herzegovina.

Other worrying figures in SEE are the very high youth to adult unemployment ratios, indicating a strong disadvantage of youth relative to adults. In the region, youth unemployment rates were two to four times bigger than adult rates. Youth disadvantage relative to adult was particularly pronounced in Serbia, Bosnia and Herzegovina, Romania, Slovenia and Croatia. In Romania and Slovenia, however, the absolute share of the youth population unemployed was among the lowest in the region. Among youth, unemployment rates were in general higher for teenagers aged 15-19 than for young adults aged 20-24.

Table 1 also shows that there were important disparities in the region as to the extent of long-term youth ILO unemployment. While in Macedonia the majority (72 percent) of the unemployed youth were unemployed for more than a year, in other neighboring regions like Bulgaria, less than one out of five youth unemployed was in long-term unemployment. What is also remarkable is that in all regions, the vast majority of unemployed youth had no work experience at all.

[4] The fact that LFS and LSMS data provide different estimates of youth unemployment may arise because of differences in survey questionnaire and period of interview.

[5] To some extent, the high unemployment rate observed in Kosovo in the LFS is due to seasonality. The Kosovo LFS was conducted in December, at a time when many individuals farmers were temporarily unemployed. A more realistic figure is the youth unemployment rate of 25 percent obtained from the 2000 LSMS. For a discussed on the reliability of the unemployment figures in Kosovo, see World Bank (2003a).

Table 1: Selected Comparable Macro and Labor Market Indicators in SEE around 2001

	ALB	BiH	BUL	CRO	KOS	MAC	MOL	ROM	SER	SLO
GDP per capita (constant 1995 US dollars)	952	1,498	1,604	5,461	850	2,431	796	1,539	-	11,996
Labor Force Surveys										
Unemployment rate (%)	-	-	19.4	15.3	41.2	30.5	7.3	6.4	-	6.4
Youth unemployment rate (%)	-	-	38.4	41.1	69.2	56.1	16.2	18.4	-	18.1
Teenager aged 15-19 unemployment rate (%)	-	-	58.8	-	79.8	57.5	19.0	24.7	-	24.2
Young adult aged 20-24 unemployment rate (%)	-	-	34.2	-	64.7	55.7	14.5	16.4	-	16.8
Ratio of the youth un rate to the adult (25+) rate	-	-	2.2	3.6	2.1	2.2	2.8	3.9	-	3.7
Youth unemployment ratio (%)	-	-	12.6	16.3	17.1	22.4	5.3	7.4	-	6.9
Youth employment ratio (%)	-	-	20.7	23.4	7.6	17.5	27.6	32.8	-	31.4
Youth labor force participation rate (%)	-	-	32.9	39.6	24.7	39.9	32.9	59.5	-	38.3
Share of youth in total unemployment (%)	-	-	21.3	-	40.6	28.1	30.1	36.5	-	32.0
Share of youth in total long-term unemployment (%)	-	-	16.9	-	3.0	72.0	-	42.6	-	23.4
Share of youth unemployed with no work experience (%)	-	-	74.0	-	92.1	-	66.7	75.3	-	71.5
Living Standard Measurement Surveys										
Unemployment rate (%)	9.3	15.8	26.7	-	11.6	-	-	6.8	10.3	-
Youth unemployment rate (%)	13.7	44.6	52.4	-	25.2	-	-	17.9	33.6	-
Teenager aged 15-19 unemployment rate (%)	12.7	64.3	78.4	-	23.5	-	-	20.5	43.3	-
Young adult aged 20-24 unemployment rate (%)	14.7	39.3	46.7	-	26.1	-	-	17.2	31.0	-
Ratio of the youth un rate to the adult (25+) rate	1.6	3.9	2.3	-	3.1	-	-	3.4	4.2	-
Youth unemployment ratio (%)	5.9	10.3	20.6	-	7.6	-	-	6.8	11.0	-
Youth employment ratio (%)	36.8	12.9	18.7	-	22.6	-	-	31.0	23.9	-
Youth labor force participation rate (%)	42.7	23.2	39.3	-	30.2	-	-	37.8	32.8	-
Share of youth in total unemployment (%)	28.0	36.7	25.8	-	45.3	-	-	33.4	29.5	-
Share of youth in total long-term unemployment (%)	39.4	5.7	24.6	-	43.0	-	-	-	7.4	-
Share of youth unemployed with no work experience (%)	77.7	82.7	-	-	-	-	-	-	-	-

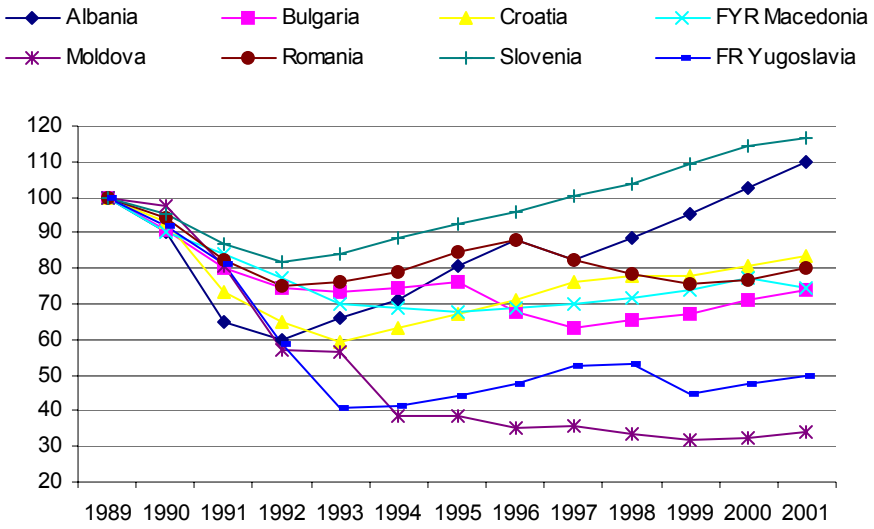
Source: World Bank Staff estimates based on Labor Force Surveys and Living Standard Measurement Surveys; GDP figures based on World Bank Live Databases. GDP figure for Kosovo refers to unofficial estimates and is still preliminary. LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, 2001 annual average for Moldova and Slovenia.
LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo, June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24, adults to persons 25 and more. ILO definition of unemployment.
ALB=Albania, BiH=Bosnia and Herzegovina, BUL=Bulgaria, KOS=Kosovo, MAC=FYR Macedonia, MOL=Moldova, ROM=Romania, SER=Serbia, SLO=Slovenia.

If the various indicators discussed above point to the gravity of the problem of youth unemployment in SEE more than a decade after the beginning of transition, an important

question is how this situation has evolved in recent years. Economic reforms in the region often have demanded sacrifice in the short-term, but were intended to create new job opportunities and growth in the longer-term. Are youth starting to benefit from economic reforms in the region? In other words, has the employment situation of youth initially worsened with the collapse of economic output but then improved with the return of economic growth?

As Figure 1 makes clear, there is a sharp diversity across the region as to the degree to which countries in South-East Europe has recovered from the initial transition shocks. By the end of 2001, only Albania and Slovenia had managed to reach and even exceed their pre-transition GDP level. In Bulgaria, FYR Macedonia and Croatia, despite continuous economic growth throughout almost all the period 1997-2001, GDP levels were about 70-80 percent of their pre-transition level. In Romania, economic growth has been more lumpy, with a pick in economic activity in 1996, when GDP reached about 90 percent of its 1989 level, but a decline thereafter. In 2001 GDP was down to 80 percent of its 1989 level. The situation in Moldova and FR Yugoslavia has been even worse. These countries experienced one of the biggest initial fall in output in SEE and in 2001 GDP levels in Moldova and FR Yugoslavia stood at only about 30 and 50 percent of their 1989 level respectively.

Figure 1: Real GDP growth (index, 1989=100)



Source: UNICEF MONEE project database

The impact of these overall macro-developments on youth labor markets is mirrored in Table 2, which displays the trends in youth unemployment rates in selected countries of SEE for the period 1990-2001. In Macedonia, where pre-transition youth unemployment was already very high, the employment prospects of youth have apparently remained particularly worrisome till 1997, but improved slightly thereafter with the return of economic growth. Yet, in 2001, youth unemployment rates in Macedonia were among the highest in the region. In Bulgaria, despite economic growth since 1997, the labor market situation of youth has continued to deteriorate with unemployment rates up from 32 percent in 1998 to 38 percent in 2001[6]. In Slovenia, youth unemployment rates remained almost unchanged at around 18 percent since 1997 despite strong economic growth. In Romania finally, weak economic growth went hand in hand with the stagnation in youth unemployment.

Table 2: Trends in Unemployment Rates among Yyouth in Selected Regions of SEE, 1990-2001

Country	Data source	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Bulgaria	Employment registry[a]	4.7	-	-	-	-	26.3	-	-	-	-	-	-
	Labor Force Survey[b]	-	-	-	-	-	-	-	34.7	32.2	32.6	-	38.4
Croatia	Labor Force Survey	-	-	-	-	-	-	-	-	29.8	-	-	41.1
FYR Macedonia	Employment registry	52.9	-	-	-	-	48.1	49.3	-	-	-	-	-
	Labor Force Survey	-	-	-	-	-	-	69.5	74.2	70.9	62.9	59.9	56.1
Romania	Labor Force Survey	-	-	-	-	-	20.9	20.2	17.1	18.3	19.5	-	18.4
Slovenia	Employment registry[c]	18.0	-	-	48.5	31.5	-	-	-	-	-	-	-
	Unknown	-	-	-	-	-	18.9	19.2	-	-	-	-	-
	Labor Force Survey	-	-	-	-	-	-	-	17.8	18.6	18.2	-	18.1

Source: ILO for 1990-2000 and World Bank for 2001; World Bank estimates based on LFS for 1996-2001 for FYR Macedonia.
Note: [a] youth=16-29, adults=30+; [b] youth=16-24 for 1997-1999; [c] youth=15-25;

[6] Since the sample of the Bulgarian Labor Force Survey changed in 2001, the unemployment figures before and after 2001 may not be strictly comparable.

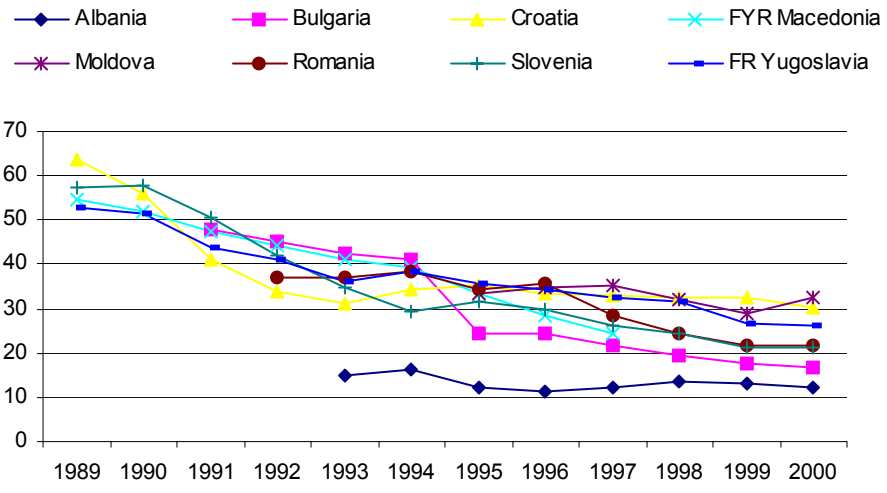
There is also a sharp diversity observed in the region regarding the evolution of the ratios of the youth to adult unemployment rate. As shown in Table 3, in recent years the employment position of youths relative to adults improved in Bulgaria and Macedonia, but remained unchanged in Romania and even deteriorated in Slovenia.

Table 3: Ratio of Youth to Adult Unemployment Rate in Selected Regions of SEE

Country	Data source	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Bulgaria	Employment registry [a]	5.1	-	-	-	-	-	-	-	-	-	-	-
	Labor Force Survey [b]	-	-	-	-	-	-	-	2.9	2.7	2.5	-	2.2
FYR Macedonia	Employment registry	5.1	-	-	-	-	2.6	-	-	-	-	-	-
	Labor Force Survey	-	-	-	-	-	-	2.9	2.6	2.6	2.3	2.2	2.2
Romania	Labor Force Survey[c]	-	-	-	-	-	3.3	4.2	4.7	4.3	3.8	-	3.9
Slovenia	Employment registry[d]	4.9	-	-	8.3	5.0	-	-	-	-	-	-	-
	Unknown[e]	-	-	-	-	-	3.3	3.4	-	-	-	-	-
	Labor Force Survey								3.2	3.1	3.1	-	3.7

Source: ILO for 1990-2000 and World Bank for 2001, except FYR Macedonia World Bank estimates based on LFS for 1996-2001.
Note: [a] youth=16-29, adults=30+; [b] youth=16-24 and adults=25-59 for males and 25-54 for females for 1997-1999; [c] adult=25-59 for 1995-1996; [d] youth=15-25; [e] adults=25-54.

Figure 2: Youth Aged 15-24 Registered as Unemployed (percentage of total registered unemployed)

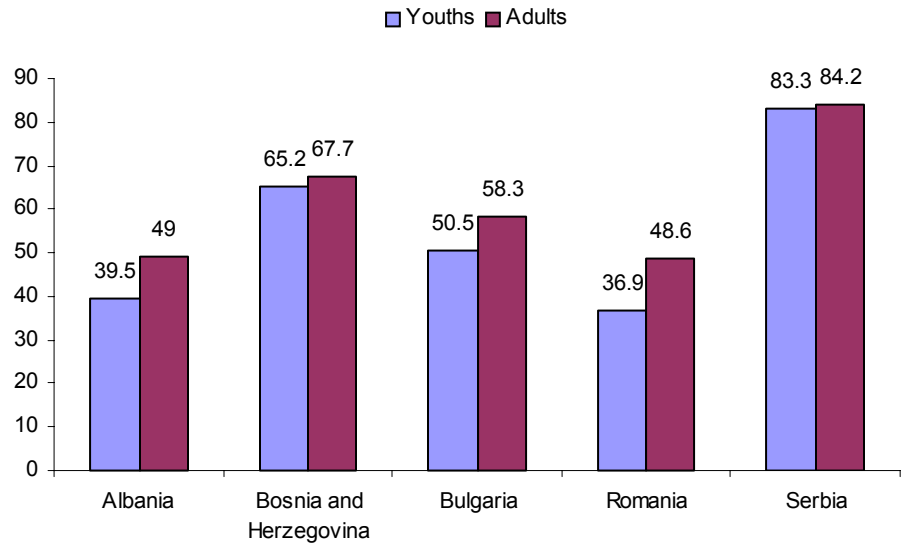


Source: UNICEF MONEE project database

What is remarkable is that the employment situation of youth that emerged from LFS contrasts sharply with administrative data from employment offices that show a reduction in the share of youth registered as unemployed in all SEE countries, with the exception of Albania and Moldova (Figure 2).

Data from employment registry need to be treated with great care, however. The differences observed between countries and within countries over time are sensitive to the incentives to register, which varies according to national legislations and may change over time. As illustrated in Figure 3, the share of ILO unemployed youth registered at the employment office has ranged widely in the region, with in general only a small fraction of ILO youth and adult unemployed registered at the employment office, except in Serbia.

Figure 3: Share of ILO Unemployed Registered as Unemployed in Employment Offices in SEE (percent)



Source: World Bank Staff estimates based on Living Standard Measurement Surveys. LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo, June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24, adults to persons 25 and more.

3.2 Widespread Youth Discouragement and Idleness

Besides ILO unemployment, the emergence of large pools of jobless youth who do not even look for work is a worrisome trend in several countries of Central and Eastern Europe (UNICEF, 2000). Table 4 provides some recent evidence of youth discouragement

and idleness in selected regions of SEE, relying on LSMS data collected around 2001. As shown in Table 4, moving from the "strict" to the "relaxed" definition of unemployment to capture the proportion of discouraged unemployed youth further raises the regional average[7] youth unemployment rate from 31.2 percent (strict rate) to 41 percent (relaxed rate). The proportion of jobless youth who do not report looking for work is particularly important in Albania, Bosnia and Herzegovina and Kosovo, where the grey economy seems to be widespread (World Bank, 2003a; World Bank, 2003c, World Bank, 2003e).

Table 4: Selected Indicators of Youth Idleness and Discouragement in Selected Regions of SEE around 2001

	Albania	Bosnia and Herzegovina	Bulgaria	Kosovo	Romania	Serbia
Living Standard Measurement Surveys						
ILO "strict" youth unemployment rate (%)	13.7	44.6	52.4	25.2	17.9	33.6
Teenager aged 15-19 ILO "strict" unemployment rate (%)	12.7	64.3	78.4	23.5	20.5	43.2
Young adult aged 20-24 ILO "strict" unemployment rate (%)	14.7		46.7	26.1	17.2	31.0
ILO "relaxed" youth unemployment rate (%)	27.0	64.6	55.7	33.3	18.0	47.2
Teenager aged 15-19 ILO "relaxed" unemployment rate (%)	27.2	82.6	82.1	37.9	20.8	56.5
Young adult aged 20-24 ILO "relaxed" unemployment rate (%)	26.7	57.9	49.0	30.3	17.2	44.6
Youth unemployment ratio (%)	5.9	10.3	20.6	7.6	6.8	11.1
Teenager aged 15-19 unemployment ratio (%)	4.9	6.2	11.8	4.7	3.4	6.2
Young adult aged 20-24 unemployment ratio (%)	7.1	14.5	28.5	10.9	10.2	15.6
Share of youth not in education nor in employment (%)	41.6	42.3	43.3	46.0	19.0	21.7
Share of teenagers aged 15-19 not in education nor in employment (%)	32.7	28.8	32.6	35.6	12.3	12.9
Share of young adults aged 20-24 not in education nor in employment (%)	52.7	55.8	52.8	57.7	26.0	30.0
Share of youth not in education nor in the labor force (%)	35.7	32	22.7	38.4	12.2	12.8

Source: World Bank Staff estimates based on Living Standard Measurement Surveys.
LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo, June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24.

[7]Regional average estimates refer to unweighted average among the 6 SEE regions for which LSMS data are available.

What is also worrying is the large proportion of idle youths, as measured by the share of the youth population who is not in school nor in employment. Around 2001, while the proportion of the overall youth population who was ILO unemployed averaged 10.4 percent in the region, those who were jobless and out of school accounted for more than 35.6 percent. A large share of teenagers aged 15-19 was also not in school and not in employment. In Albania, Bosnia and Herzegovina, Bulgaria, and Kosovo, about one out of three young person of aged 15-19 was neither in education nor in employment.

What is also remarkable is that a large majority of jobless and out-of-school youths (not in education nor in employment) were not looking for a job (not in education nor in the labor force). Those young people who are not in education nor in employment and even not looking for a job represent a group that warrants special attention. Often, they are engaged in the grey economy which means that they are not covered by satisfactory working conditions, occupational safety or benefits in case of illness, job loss or retirement. There are also those at risk of being enrolled in the illicit economy, including the sex and drug industry.

3.3 Large Incidence of Low-quality Jobs

Another matter of concerns in the region is the large number of young people working in unprotected environments, deprived of basic employment rights and entitlements, and vulnerable to exploitation. Low quality employment include jobs that may provide a higher salary but that do not provide health, pension and unemployment insurance. It also includes uncounted jobs with no written contract in the grey economy.

There are no good data on job quality in SEE, as many of these jobs in the non-recorded economy are not well captured in survey data, but the evidence reported in Table 5 indicates that in Albania, Bosnia and Herzegovina, and Bulgaria, a very large proportion of the wage employed was in low-quality jobs. The incidence of low-quality employment was also much higher among youth.

Table 5: Incidence of Low-quality Wage Employment in Selected Regions of SEE around 2001 (percent of overall wage employment)

	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Serbia
Youths					
No contract or no social contributions	-	-	43.9	-	18.4
No contract	-	-	17.8	2.8	13.9
No social contributions	58.7	51.2	41.1	-	10.8
Adults					
No contract or no social contributions	-	-	22.5	-	7.9
No contract	-	-	7.9	1.0	4.3
No social contributions	36.5	31.9	21.0	-	4.9

Source: World Bank Staff estimates. Incidence of low-quality wage employment based on Living Standard Measurement Surveys. LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo and June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24. Adults refer to persons aged 25+.

3.4 Not all Youth Face the Same Risk of being Jobless

Although the region has been characterised by a lack of decent work opportunities for youth, not all youth in SEE face the same risk of being jobless. Evidence from LFS and LSMS data are provided in Tables 6 and 7, which show respectively the incidence of youth unemployment and the share of jobless youth not in education by gender, education, location and among Roma youth and youth with disabilities. The LFS and LSMS data provide in general different absolute estimates of youth unemployment by socio-economic characteristics, but the overall profile of vulnerable youth seems to be consistent across survey types, except for Kosovo and Romania.

With respect to gender, Table 6 shows that more young men than women were ILO unemployed in the region. Around 2001, the unemployment rate was higher for young men in 7 out of the 10 SEE regions covered by the data. A strong unemployment disadvantage of young women relative to young men was observed in Kosovo, and to a lower extent, in Croatia and Slovenia. What is remarkable is that higher unemployment among young men in the region does not seem to hide a greater inactivity among young women. Table 6 shows indeed that in most regions of SEE, there is a greater proportion of young men not in education nor in employment, with the exception of Kosovo.

It also appears that youth with little education has a lower employability (Table 7), although not necessarily a lower incidence of being ILO unemployed (Table 6). Yet, positive returns to education in terms of employment outcomes is not observed in all regions. In Bosnia and Herzegovina, Bulgaria, Serbia, the more education, the lower the ILO unemployment rate, with an important unemployment rate differential between the least and the most educated. However, in Moldova, Romania and Slovenia, the incidence of ILO unemployment seems to be equally spread among youth with different levels of education – and is even higher for the most educated youths. In Albania, youth with higher education have the lowest incidence of being ILO unemployed or idle, but youths with secondary education have higher unemployment rates and higher out of school/out of work ratios than those with primary education or less. In Romania and Serbia, the share of out of school out of work youths among the most educated is even not statistically different from that among the least educated youths.

Table 6: Youth Strict ILO Enemployment Rates by Selected Socio-economic Characteristics in SEE, 2001 (percent)

	ALB	BiH	BUL	CRO	KOS	MAC	MOL	ROM	SER	SLO
Labor Force Surveys										
All	-	-	38.4	41.1	69.2	56.1	16.2	18.4	-	18.1
Male	-	-	42.0	37.9	63.7	57.4	18.3	19.7	-	15.9
Female	-	-	34.5	45.0	78.8	54.5	13.8	16.6	-	20.9
Higher education	-	-	25.7	-	39.5	-	15.1	22.1	-	19.3
Secondary education	-	-	37.5	-	62.8	-	16.4	18.1	-	16.8
Primary or less	-	-	72.2	-	78.2	-	14.0	17.0	-	23.9
Urban	-	-	36.6	-	55.0	-	29.3	28.0	-	22.5
Rural	-	-	43.1	-	75.5	-	9.6	10.0	-	14.5
Living Standard Measurement Surveys										
All	13.7	44.6	52.4	-	25.2	-	-	17.9	33.6	-
Male	16.0	44.8	60.9	-	21.7	-	-	20.9	34.3	-
Female	11.5	44.3	42.6	-	32.6	-	-	14.2	32.7	-
Higher education	7.9	9.0	21.1	-	29.4	-	-	22.8	9.8	-
Secondary education	26.0	40.4	53.2	-	24.7	-	-	17.8	34.4	-
Primary or less	11.4	73.8	86.2	-	24.3	-	-	17.2	32.6	-
Urban	44.0	48.7	47.6	-	43.1	-	-	-	33.5	-
Rural	4.5	38.6	61.9	-	18.2	-	-	-	33.7	-
Disabled	6.7	-	-	-	30.2	-	-	0.0	-	-
Roma	0.0	-	90.5	-	50.4	-	-	13.2	-	-

Source: World Bank Staff estimates based on Labor Force Surveys and Living Standard Measurement Surveys; LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, 2001 annual average for Moldova and Slovenia; LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo, June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24. ILO definition of unemployment.

ALB=Albania, BiH=Bosnia and Herzegovina, BUL=Bulgaria, KOS=Kosovo, MAC=FYR Macedonia, MOL=Moldova, ROM=Romania, SER=Serbia, SLO=Slovenia.

A higher incidence of ILO unemployment among highly educated youths can be an indication of their higher reservation wage as well as their greater capacity to afford being unemployed, since often better educated youth belong to better-off families. However, when this is combined with a relatively high incidence of idleness among highly educated youths like in Romania, it can also reflect some mismatches in the labor market, with an excessive supply of labor from highly educated youth relative to the actual demand in the economy. In some regions of SEE, there has been indeed a growing gap between expectations and the opportunities available locally which has been particularly pronounced for highly educated youths.

What is also interesting regarding the incidence of unemployment by education level is that the differences across regions are much more pronounced for the least educated than for the better educated. Among youth with higher education, the ratio of the highest to lowest unemployment rate was only 2.6 according to LFS data and 3.7 according to LSMS data. Among youth with primary or less education, however, the ratio stood at 5.6 according to LFS data and 7.6 according to LSMS data. Smaller regional imbalances in youth unemployment among the most educated could indicate greater cross-country mobility among highly educated youth, compared to those with less education. At the same time, it points to a high vulnerability of youth with little education who may not be able to take much advantage of the global economy.

There are also large disparities in the unemployment rate by the type of location, with in general a higher incidence of youth unemployment in urban areas (Table 6) but a greater incidence of youth idleness in rural areas (Table 7). Out of the 8 economies in the region for which disaggregated youth unemployment data are available, higher youth unemployment rates are observed in urban areas in 5 regions (Table 5). Only in Bulgaria was the youth unemployment rate greater in rural areas. In Serbia, youth unemployment was spread equally across urban and rural areas. In Kosovo, the LFS and LSMS data provide contradictory results[8]. Looking at youth idleness, the data shows that rural youth were at a higher risk of

[8] These differences could be due to the rapid changes that have occurred in the economy between the two dates when the LSMS and LFS were conducted (respectively September-December 2000 and December 2001), in particular the return of refugees in villages that may have increased unemployment in rural areas.

idleness, except in Albania. Yet, the proportion of urban youth who are not in education nor in employment is very high in the region, indicating that idleness and discouragement is also an important problem affecting youth in cities in the region. The fact that youth unemployment tends to be higher in urban areas than in rural areas, while the reverse is observed for youth idleness, comes as no surprise. The employment opportunities for youth in rural areas outside agriculture in the region are very limited, and much more so than in urban areas. As a result, more youths in rural areas become discouraged and give up looking for a job.

No systematic information is available on the employment outcomes of youths from ethnic minorities, but there are indications that some ethnic minorities may be at a disadvantage in securing employment. One group that face specific difficulties in several regions of SEE are Roma youths. As shown in Table 6, the incidence of youth unemployment was much greater among Roma youths in Bulgaria and Kosovo, but lower in Albania and Romania. For Romania, the results of the LSMS regarding the unemployment rates are at odd with that of the LFS and the Yale cross-country household survey[9], which found a higher incidence of unemployment among Roma than non-Roma (World Bank, 2003a; Revenga and al., 2002). The evidence presented in Table 6 further points to a higher incidence of youth idleness among Roma youth, with the exception of Albania. Even in Romania, while the LSMS data show a lower incidence of ILO unemployment among Roma youth, there was a much higher proportion of Roma youth who are neither in school nor in education. This could indicate that in Romania, compared to other neighbouring countries, a greater proportion of jobless Roma youth are not "looking" for jobs.

Finally, the evidence points to a great vulnerability of youth with disabilities in the labor market in the region. In all regions of SEE with no exception, the proportion of young people out-of-school and not in employment was the highest among youth with disabilities (Table 7). Often, young people with disabilities were underrepresented among the ILO

[9] The surveys was conducted by the Center for Comparative Research, in the Sociology Department of Yale University. The survey addresses the ethnic dimension of poverty in six countries of Central and Eastern Europe: Bulgaria, Romania, Slovakia, Hungary and Russia. In three of the countries –Bulgaria, Romania and Hungary – Roma households were oversampled in order to gain a more representative picture of their living conditions.

unemployed (Table 6), either because they were not looking for work, or have lost any hope of finding a job.

Table 7: Share of Youth not in Education nor in Employment by Selected Socio-economic Characteristics in SEE, 2001

	Albania	Bosnia and Herzegovina	Bulgaria	Kosovo	Romania	Serbia
Living Standard Measurement Surveys						
All	41.6	42.3	43.3	46.0	19.0	21.7
Male	42.2	44.1	45.8	31.4	19.3	22.6
Female	39.0	40.4	40.8	59.7	18.7	20.9
Achieved higher education	15.1	3.6	21.9	0.8	23.8	14.9
Achieved secondary education	41.1	42.2	41.0	32.2	18.3	29.0
Achieved primary education or less	29.3	57.9	91.0	61.7	23.3	13.4
Urban	48.2	34.9	34.4	42.8	-	18.4
Rural	37.6	46.1	66.1	47.4	-	27.1
Disabled	60.9	-	-	57.8	89.0	-
Roma	39.8	-	83.5	86.3	44.6	-

Source: World Bank Staff estimates based on LSMS data conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo and June 2002 for Romania.
Note: Youth refers to persons aged 15-24. ILO definition of unemployment.

4 A Troubled Entry into the World of Work has Serious Effects on Youth

The previous section has shown that youths in the region were facing serious labor market disadvantages in the forms of widespread unemployment, idleness and low-quality job holding. These labor market disadvantages were also not spread equally among all young people. Youth with little education, Roma youth and youth with disabilities were disproportionately affected. The aim of this section is now to discuss some of the effects that a difficult entry into the working life may have on youths. This sections starts by examining the welfare repercussions of youth joblessness. It then reviews a number of social outcomes related with the way youths respond to their employment difficulties. If some of these outcomes may be viewed as neutral or positive from a social point of view, others may not be socially desirable and would require more attention from policy makers.

4.1 The Welfare Repercussions of Youth Joblessness

Poverty in its multidimensional aspects is both a determinant and a cause of youth unemployment and idleness. Below we provide some evidence on how youth joblessness in the region has resulted into greater income poverty and discuss why it can contribute to the alteration of human and social capital. A discussion of poverty as a key obstacle to participation into employment will be provided in the next section.

4.1.1 Greater Risk of Income Poverty

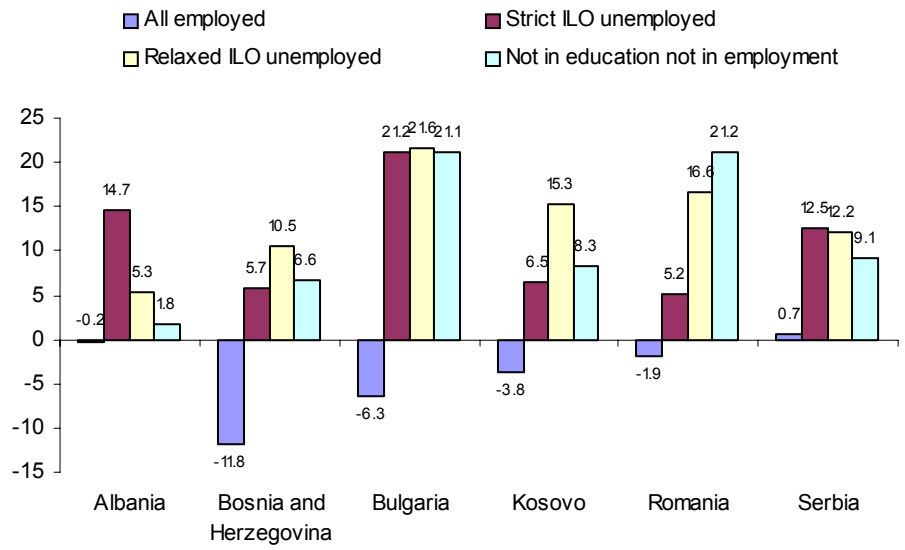
There is a large body of evidence on the correlation between unemployment and poverty in SEE (see for instance World Bank, 2002a). Less in known, however, on the welfare repercussion of youth unemployment and youth discouragement and idleness. To shed some light on these issues, Figure 4 shows the relative risk of poverty related with different youth labor market outcomes based on LSMS data for 6 economies of SEE. The relative poverty line is defined as the bottom quintile of household consumption per capita, expect for Romania where income per capita is used. The relative poverty risk among a particular group is then computed as the difference, in percentage points, between the poverty incidence within this particular group and the overall relative poverty incidence set at 20 percent by definition in any economy. A "positive" poverty risk reflects an incidence of poverty for a particular group above the overall average of 20 percent, while a "negative" risks reflects the opposite. A relative poverty risk equals to zero for a particular group means that the incidence of poverty for this particular group equals 20 percent.

The data confirm that the lack of job is a strong correlate of poverty in SEE but also show that there is a large heterogeneity in the region in the extent to which joblessness affects the relative risk of poverty. For instance, compared to the employed, the relative position of the youth ILO unemployed appears much less unfavorable in Bosnia and Herzegovina, Kosovo and Romania than in Albania, Bulgaria or Serbia.

The evidence provided in Figure 4 also points to a great incidence of poverty among jobless youth who are usually not captured in unemployment data. In Bosnia and Herzegovina, Kosovo and Romania, the relative poverty rates among idle youth (not in education nor in employment) and discouraged youth (relaxed ILO unemployed) were higher

than the poverty rate observed among ILO youth unemployed. Only in Albania does the relative poverty risk was higher for the youth ILO unemployed than for the discouraged and idle youths. In Bulgaria and Serbia, the relative poverty risk was almost identical for the youth ILO unemployed and for the discouraged and idle youth.

Figure 4: Relative Poverty Risk Associated with Different Youth Labor Market Outcomes in Selected Regions of SEE around 2001 (percent)



Source: World Bank Staff estimates based on LSMS data conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo, June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24. Adults refer to persons aged 25+. Relative poverty line is defined as bottom quintile of household consumption per capita, expect for Romania where income per capita is used. The relative poverty risk represents the percentage of individuals whose consumption per capita are below or above the bottom quintile of the overall distribution.

4.1.2 Alteration of Human and Social Capital

Joblessness has also a deleterious impact on human and social capital. A large number of quantitative studies have shown that the longer a unemployment spell, the more difficult it is to find work because of the loss of skills, morale, and psychological damage. A review of the studies on the determinants of unemployment duration and labor market transitions in the Central and Eastern European countries can be found in Svejnar (1999).

Other qualitative studies have shown the deleterious impact of unemployment on self-esteem and social capital in the region. Unemployment decreases self-esteem and contributes

to isolation through the shrinking of social networks that are usually developed at work or facilitated by the employment status (UNICEF, 2000).

Evidence around the world has also shown that early unemployment in a person's life may permanently impair his/her future employability in decent jobs (see, for example, O'Higgins, 2003 and Ryan, 2000, as well as Ellwood, 1982 and Narendranathan and Elias, 1993 over a shorter period). So getting off to a good start in the working life is an important determinant of future success.

4.2 The Social and Economic Outcomes Related with Youth Responses

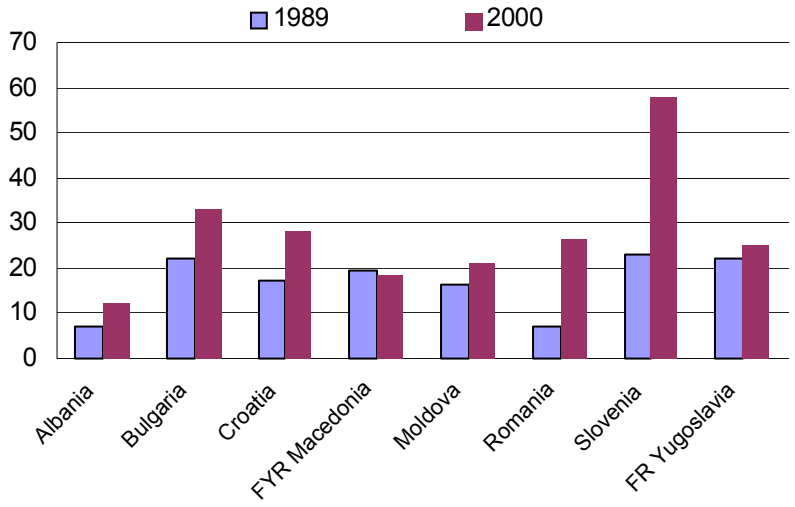
Besides its direct welfare repercussion on youth, a poor start in the world of work influences youth behaviors in a number of ways. If the outcomes related with youth responses to their employment problems may be viewed as neutral or positive from a social point of view (delayed entry in the labor force), others have produced both positive and negative externalities (labor migration, informalization) or have not been socially desirable at all (human trafficking, risky behaviors).

4.2.1 Delayed Entry in the Labor Market

Youths have substantial specific supply responsiveness to the difficult situation in the labor market, and some of them may be positive. Perhaps the most positive way youths have responded to poor labor market conditions in the region is by staying longer in education in order to delay their entry in the labor market and increase their chances of finding a job. Tertiary enrolments have indeed increased tremendously in Bulgaria, Croatia, Romania and Slovenia (Figure 5). The lower risk of unemployment among highly educated persons observed earlier in Bulgaria indicates that in this country acquiring more education can be a viable strategy for youth and it is likely to pay-off in the medium term. In fact, the position of youth relative to adults has improved in Bulgaria and this may actually result from the fact that youth are getting more educated, relative to their parents. In Romania and Slovenia, however, the incidence of unemployment was not lower for the most educated. The increase in tertiary enrolments in these countries did not translate into any visible improvement in the employment prospects of youth and may even have had a perverse effect by aggravating the local mismatch between the supply and the demand for young people with tertiary education.

There are some concerns, moreover, that such socially desirable supply responsiveness may not have been accessible by disadvantaged youths in the region - youth from poor families, youth with disabilities and youth from certain minority groups – who have been facing the most difficulties to complete education even at primary level (see for instance World Bank 2003b, World Bank 2003c, World Bank 2003d, World Bank 2003e, World Bank 2002b, World Bank 2001a). In the US, for instance, the evidence shows that the huge rise of enrollments in college resulting from the deterioration of youth labor market prospects was concentrated among young persons from high income families and has been minimal among those from families in the bottom quintiles of the income distribution (Kane, 1995).

Figure 5: Higher Education Enrolments in South-East Europe



Source: UNICEF MONEE project database.
Note: gross rates, percent of 19-24 population.

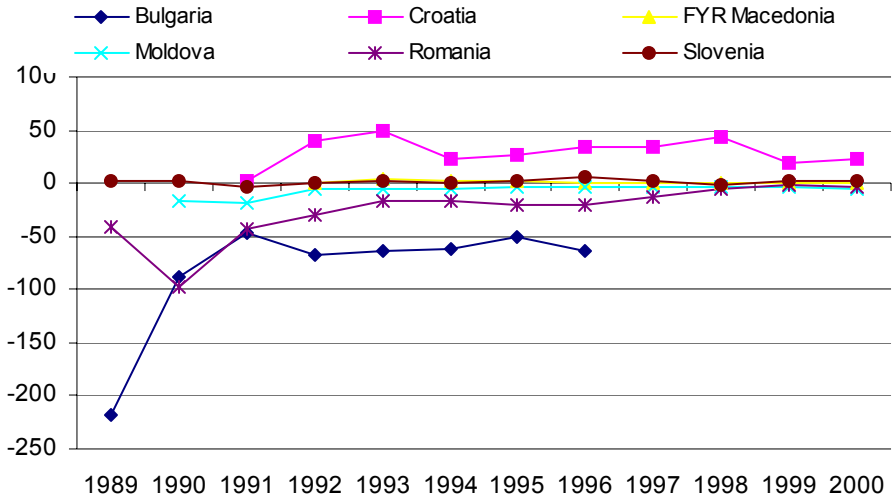
4.2.2 Labor Migration

With increased unemployment in SEE, greater international labor migration, in particular to the EU, has been an expected outcome of transition. Yet, the monitoring of migration flows in the region has been difficult due to the lack of accurate data. Many observers agree, nonetheless, that the number of persons migrating from Eastern Europe to the West has significantly fallen since the beginning of the 1990s with the resume of growth and the stabilization of the political situation in the former Yugoslavia, but labor migration

from SEE remains considerable. It is also often illegal and affects mostly young workers. Evidence of increasing illegal migration is to be found on the streets of most cities in Europe, in the form of informal job markets and clandestine employment.

According to official data reported in Figure 6, emigration from Bulgaria and Romania was the most important. The true level of emigration is probably much greater than indicated by official figures, however, since people leaving a country are requested but not required to report their departure. In Moldova, for instance, while official figures says there are no more than 234,000 individuals national citizens working abroad, unofficial numbers provides estimates ranging between 600,000 to 1,000,000 (Sleptova, 2003). Moreover, many observers agree that while permanent emigration is declining, the temporary migration of workers for seasonal, cross-border, individual or contract-based employment has grown in importance although it is very difficult to record.

Figure 6: Net External Migration in SEE (immigrants minus emigrants, thousands)



Source: UNICEF MONEE project database.

Often, increased mobility is viewed as a positive outcome allowing young people and their households to exit unemployment and poverty through work abroad and private remittance. In Kosovo, for instance, it is estimated that private remittances from Kosovo Albanians abroad have become one of the primary source of income for the province,

accounting for 43 percent of GDP [10]. Upon return to their home countries, even for short-term stay home, migrants also bring in international exposure and new ideas back home and contribute to the development of the society.

Yet, it is important to recognize that labor migration has also some negative aspects. On the economic front, while low-qualified migrants are usually part of short-term and seasonal migration, highly qualified workers are prone to long-term or permanent migration, translating into what is usually called a "brain-drain" phenomenon. In many SEE countries, the outflows of programmers, scientists, doctors, musicians, and many other qualified workers has been identified as a major devastation of local labor markets and disqualification of the labor force (e.g. for Moldova, see Sleptova, 2003) while representing a lost investment in education in the home countries. Recent empirical studies relying on longitudinal data also point to a negative effect of remittance on economic growth (Chami and al. 2003).

Besides the economic cost of migration, the social effects are also dramatic. Qualitative studies show that families of migrants are separated for a long period of time and that long absences of spouses have negative repercussions on family relationship, sexual behavior, and child welfare – children being raised in single-parent families and even sometimes left without direct parental care. Large labor emigration of young people is also associated with increased xenophobia in the host country, where the arrival of cheap labor is often perceived as a threat for domestic jobs. In the host countries, young migrant workers are also at risk of enrollment in criminal activities and labor exploitation - including sexual exploitation – as many of them have often no other choices but to work in informal jobs[11]. Often, youth migrant workers are employed in hard, low-paid and low-skilled jobs, and turn-out to be the "new poor" in the host countries. Finally, illegal labour migration can also have significant negative political consequences, contributing to deteriorate the relations between sending and receiving countries, and undermining the international image of the sending countries.

[10] According to IMF staff estimates.
[11] According to International Labour Office estimates, in 1991, there were an estimated 2.6 million non-nationals in Europe in an irregular or undocumented situation.

4.2.3 Informalization

Unemployment and poverty in transition economies have also been instrumental in contributing to the development of a large informal sector[12]. Other factors include a relatively high tax wedge and the weak capacity in the region to enforce labor laws. Evidence from Romania shows that low income was an important determinant of informal economy participation (Kim, 2002). In Russia, the decision to work in the informal sector was largely driven by unemployment (Kolev, 1998). Several observers also indicate that informal activities have acted as a safety valve for many jobless youth who – contrary to adults – were less likely to be eligible for unemployment benefits or could not rely on other sources of income. But informal job holding as a coping mechanism has some limitations as well, both at the micro and macro level.

At the micro level, evidence indicates that working in the informal sector often helps to mitigate but not necessarily to prevent income poverty. In Kosovo, for instance, informal job holding and income poverty were not strong correlates (World Bank, 2003a). Yet, in Bulgaria, wage employment with no contract was associated with a higher risk of income poverty compared to contract employment, and to a large extent, the welfare repercussion of holding an informal wage employment was similar to that of being unemployed (World Bank, 2002). In Bosnia and Herzegovina, the poverty assessment finds lower poverty rates among informal job holders than among the jobless, but informal sector work offered a much smaller reduction in poverty than formal employment (World Bank, 2003b). In Serbia and Montenegro, workers employed in the informal sector had a high incidence of poverty (World Bank, 2003c).

Besides the income dimension of poverty, many informal jobs are also characterized by poor working conditions and the violation of core labor standards, which exposes young workers to health hazards and a great vulnerability to income and non-income poverty. In Bulgaria for instance, data from the Integrated Household Surveys (BIHS) show that the

[12] The term "informal sector" has been used to describe an extremely wide spectrum of activities which do not have much in common, including tax evasion, corruption, money laundering, organized crime, bribery, subsistence farming, barter, petty trade, and the stealing of State property.

majority of wage employment with no contract was low-paid and characterized by poor working conditions (Kolev, 2003). Informal jobs also often include jobs that are well-paid but related with illegal and/or criminal activities.

At a macro level, the development of a large informal labor market in SEE has also a strong negative impact on the ability of states to collect taxes and to finance the provision of essential basic public services. Poor working conditions may also reduce labor productivity and affect growth in a negative way. Attempt to quantify the costs of work-related injury and disease at the national level is embracing a growing interest in OECD countries. Available estimates for Western European countries and the USA show that the total costs of occupational illnesses and injuries in the early 1990s may be in the range of 2 to 6 percent of GDP (Dorman, 2000). There are unfortunately no estimates yet available for transition countries.

4.2.4 Human Trafficking

One of the worst aspects of labor migration and participation in the grey economy is the phenomenon of human trafficking. The traffic in human being is a complex phenomenon, linked to "push" factors like low-paid work and unemployment in the countries of origin and to "pull" factors like the demand for domestic and sex workers and the exploitation of this situation by organized crime in both countries of origin and destination. Moreover, several observers believe that because of the limited opportunities to migrate to the West legally, an increasing proportion of migrants use the service of traffickers to enable them to enter the West illegally to seek for work or claim asylum. Those who turn to traffickers for assistance to travel to the West illegally face considerable risks as many are exploited en route or face hazardous journeys.

A report by the International Organization for Migration (IOM, 1999) notes that in 1998 out of the estimated 100,000-300,000 migrants who entered illegally from Central and Eastern Europe (CEE), perhaps 25,000-75,000 were smuggled by traffickers. The same report notes that groups at risk of trafficking are mostly young unemployed or low-paid women, who are trafficked for sexual exploitation and slavery.

Reliable statistics on trafficked migrant women to the West are lacking in most countries. However, data collected by the police, Ministries of Justice and NGOs tend to

show that the magnitude of human trafficking and sexual exploitation has grown in the region and that a growing number of migrant prostitutes in the EU are believed to be from Eastern Europe. Moreover, a recent case study in Germany shows that the Central and East European trafficked women in Germany tend to be younger, unmarried and without children. The average age of women trafficked to Germany is believed to have fallen from 23-25 years to 17-19 years.

Box 2: Living and Working Conditions of Trafficked Women in Germany

A report by the International Organization for Migration on trafficked women in Germany attests the vulnerability of trafficked women. Many women enter Germany legally, with a three-month tourist visa when necessary, and are then compelled to work illegally as domestic helpers, entertainers or prostitutes. Others enter the country as spouses of German nationals, and find themselves exploited or prostituted upon arrival. Many others enter the country illegally, crossing land borders in cars or small van at night. Despite promise of reputable jobs, most of these women enter prostitution, knowingly or unwittingly. Many are forced to remain in prostitution to repair "debt" that they have contracted to pay the smugglers and to earn profits for traffickers. When trafficked women arrive in Germany, traffickers and pimps need to ensure control over their victims to avoid detection. This is achieved by various method of physical and emotional manipulation. Passports are also often confiscated, thus effectively rendering each women a non-person, and severely hindering travel.

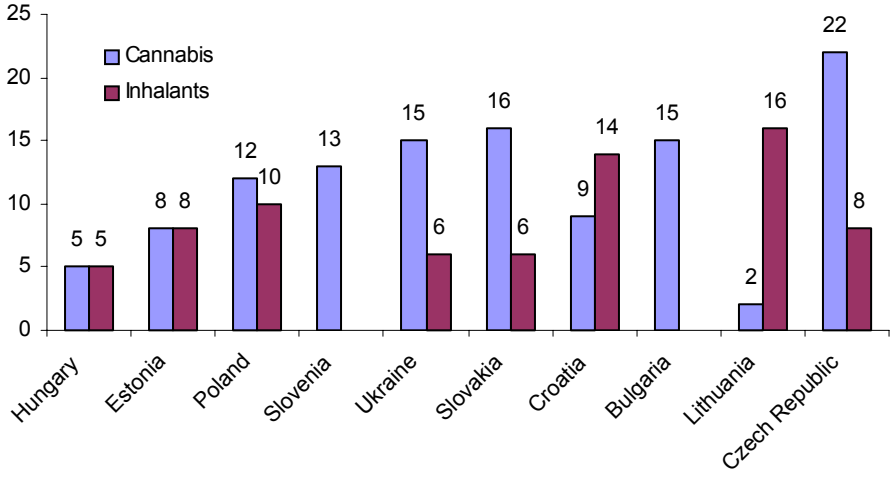
Source: IOM, 1999.

4.2.5 Risky Behaviors

Besides the links between youth unemployment on the one hand, and prostitution and participation in illegal/criminal activities on the other hand, several observers have also found an association between youth unemployment and other social problems such as violence, suicide, alcohol and drug abuse, and crime (see for instance Britt, 1994; Graham and Bowling, 1995; Freeman, 1996; and Gruber, 2000). In SEE, comparable data on risky behaviors broken down by employment status and age groups are not yet easily available and it is thus difficult to explore quantitatively the connections with youth joblessness. But available aggregate data confirm the importance of risky behaviors among youth in the region.

Figure 7 shows rates of marijuana and solvent use among young people aged 15-16 in 10 transition countries, including 3 from SEE. Clearly, the data show that in the mid 1990s, the problem of drug abuse among youth in the region was important.

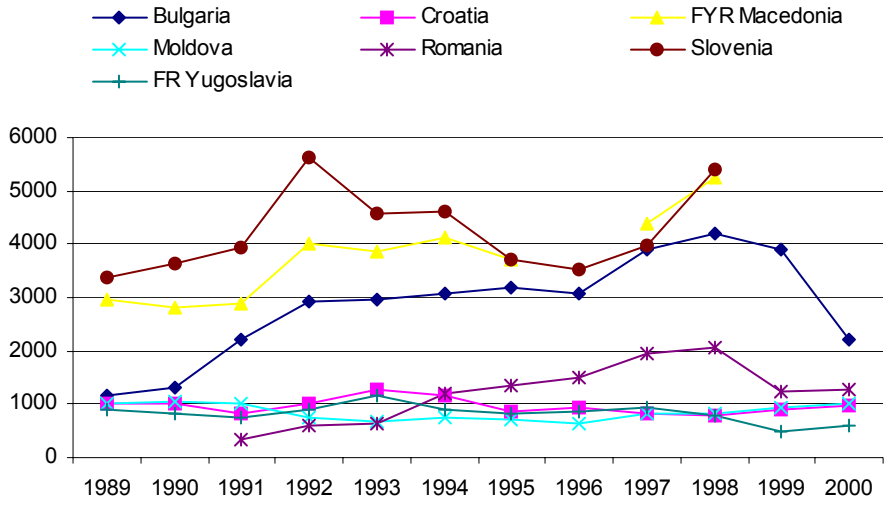
Figure 7: Cannabis and Solvent Abuse among 15 and 16 Year Olds in selected SEE and CEE Countries, 1995 (percent of relevant population)



Source: UNCND as reported in UNICEF, 2000.
Note: The data refer to ages 18 for Bulgaria and Poland.

Youth delinquency is another problem that emerged in the region as the result of the growing social and economic difficulties of many youth. Evidence in OECD countries show that committing offenses is most common among young people. Data available for SEE suggest that the age structure of registered offenders follows this pattern (UNICEF, 2000). Several countries of SEE monitor the trends in juvenile crimes. These data are usually not strictly comparable across countries and not always easy to interpret because the definition of crimes and the accuracy of reporting varies from one country to another, but still they shed some lights on the evolution of the situation within countries. Figure 8 shows changes in registered juvenile crime rates in 7 SEE countries. The figure provides clear evidence for 4 countries - Bulgaria, Macedonia, Romania and Slovenia – of the increased in juvenile crime up to 1998 and of a decline thereafter in Bulgaria and Romania.

Figure 8: Registered Juvenile Crime Rate (juveniles crimes per hundred thousands 14-17 population)



Source: UNICEF MONEE project database.

5 Barriers to Participation in the Workforce: Beliefs and Evidence

The previous section has looked at the welfare repercussion of youth labor market disadvantage and the social outcomes resulting from youth responses to their employment problems. The aim of this section is to discuss and, to the extent possible, test a number of hypotheses regarding (i) the determinants of youth unemployment and youth idleness in the region and (ii) the key factors that can explain the differences in absolute and relative youth unemployment observed across SEE regions. To this end, the section draws on research findings for advanced economies (for a summary, see for instance Godfrey, 2003; Ryan, 2001; Blanchflower and Freeman 2000) and brings new preliminary evidence for SEE when data are available.

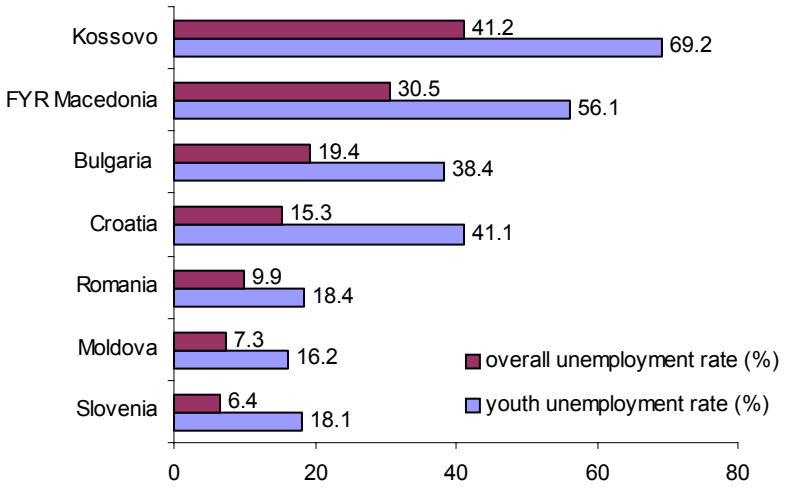
5.1 Demand Side Factors

5.1.1 The Level of Aggregate Demand and Economic Output

To a large extent, high youth unemployment in the region mirrors the overall high level of aggregate unemployment characterizing the South-East European labor markets. As shown in Figure 9, the higher the overall unemployment rate in the region, the higher the youth unemployment rate. To capture the impact of overall unemployment net of other factors on the risk of being ILO unemployed among youth, the vulnerability to becoming unemployed is estimated based on the LSMS data for 6 SEE regions and using Probit

models. The marginal effects of various individual and regional characteristics are represented in Table A.2 in Appendix 2. The results show that in all 6 SEE regions for which recent LSMS data are available, regional unemployment – measured as the average unemployment rate in the region of residence - has a huge impact on the probability of being unemployed among youth. This confirms the evidence found elsewhere in the world that the overall level of labor demand is an important determinant of youth unemployment in the region. It further indicates that some of the differences in youth unemployment observed across SEE regions can be explained by the differences in aggregate demand. Thus, the solutions to youth unemployment are very much driven by the international context and the effectiveness of chosen macro and regional policies in promoting sustainable growth that leads to the creation of viable jobs.

Figure 9: Sensitivity of Youth Unemployment to Overall Unemployment in SEE, 2001



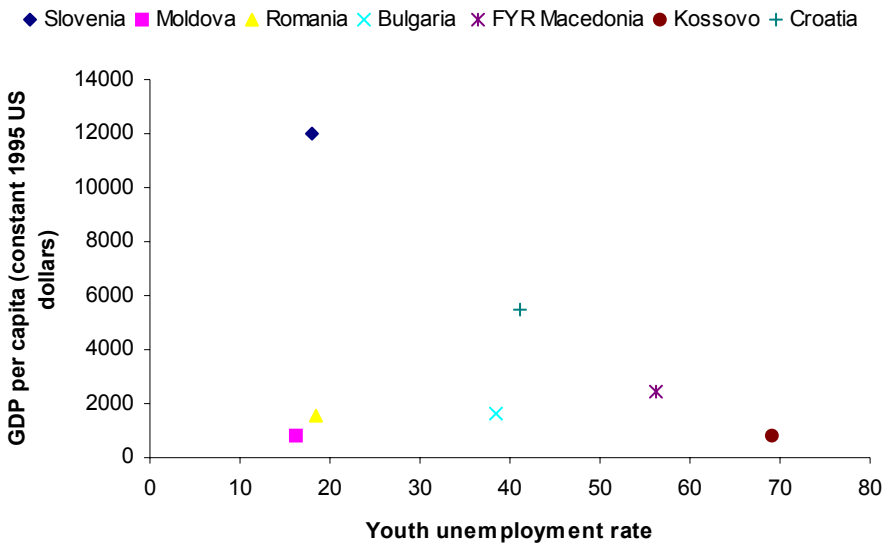
Source: World Bank Staff estimates based on Labor Force Surveys. LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, 2001 annual average for Moldova and Slovenia.
Note: Youth refers to persons aged 15-24.

The importance of stimulating growth for tackling the problem of youth and overall unemployment is further illustrated in Figure 10, which shows the links between GDP per capita and youth unemployment rates for 7 SEE economies. In general, the highest the economic activity in the region, the lowest the youth unemployment rate. Yet, the same

figure also shows that some countries like Bulgaria and Romania have similar level of output but very different absolute and relative youth unemployment rates.

The fact that youth unemployment in the region remains two to four times higher than adult unemployment, and that some countries with similar level of output have a very different level of youth unemployment, suggests that besides the factors affecting aggregate unemployment, other factors contribute to a strong youth relative disadvantage in the region.

Figure 10: Youth Unemployment and Economic Output, 2001



Source: World Bank Staff estimates based on Labor Force Surveys. LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, 2001 annual average for Moldova and Slovenia; 2001 GDP figures based on Live Databases
Note: Non-official GDP estimates for Kosovo.

International evidence shows indeed that youth are more sensitive than adults to aggregate demand. In industrialized countries, youth have not been equally affected by the change in aggregate demand and the overall macro-economic developments. As new entrants to the job market, youths often lack the specific training or seniority that buffers older workers from swings in market conditions and this often makes youth more vulnerable than adults to economic recession (Blanchflower and Freeman, 2000; Clark and Summers, 1982).

5.1.2 Enterprise Reform and Labor Market Restructuring

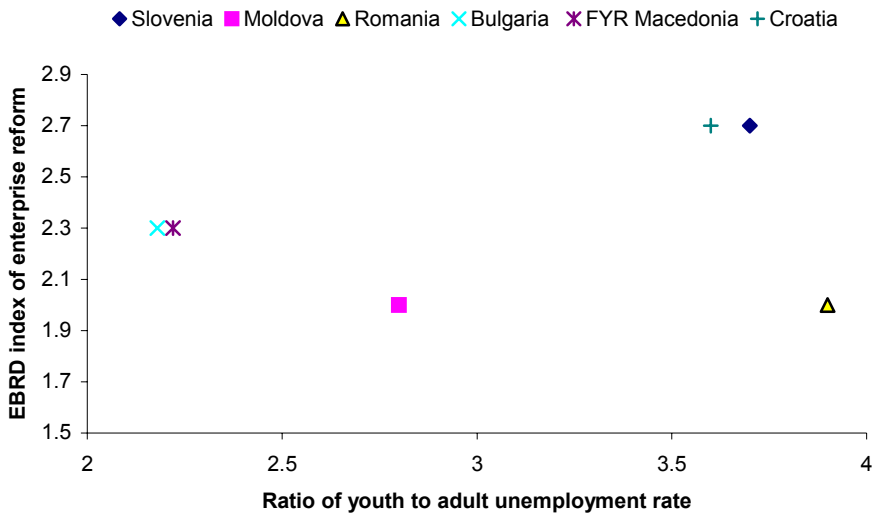
Among other factors that may affect youth labor market outcomes and explain some of the differences in youth unemployment between SEE regions is the extent of advancement in enterprise restructuring. Structural reforms often demand sacrifice in the short-term, but they are intended to create new opportunities and growth in the longer-term. It is often believed that countries in the region who have failed to restructure rapidly may have temporarily managed to preserve existing jobs and the welfare of senior workers, but often this may have been at the expense of youth who may find more difficulties to enter the labor market and who may thus constitute a disproportionately high share of the unemployed. At the same time, intensive restructuring is likely to generate large job reallocation and thus create structural unemployment that may affect equally youth and adults. Considering the above, it is worth asking how has absolute and relative youth unemployment been affected by the progress or delays in enterprise reform in SEE?

To start to shed some light on this issue, it is interesting to look at the relationship between the extent of enterprise reform, as measured by the EBRD index of enterprise reform, and the relative and absolute youth unemployment rate. To simplify the presentation, only the simple association with the relative youth unemployment rate is reflected in Figure 11 for 6 regions of SEE for which data are available. Based on this small sample, one cannot identify an obvious correlation between the extent of enterprise reform and the relative position of youth in the labor market. The same is true as regards a possible association with the absolute youth unemployment rate. In our sample, the regions least advanced in enterprise reforms (Romania and Moldova) have very different relative youth unemployment. At the same time, the regions most advanced in enterprise reforms (Croatia and Slovenia) are also among those with the highest relative youth unemployment rate.

The results that emerged from these simple associations need to be treated with great care, however. Besides the very small sample size, they do not control for the impact of other factors that may be correlated with youth unemployment and that may hide a possible link

between the scale of enterprise restructuring in SEE as measured by the EBRD index and relative youth unemployment[13].

Figure 11: Progress in Enterprise Reforms and Relative Youth Unemployment Rate, 2001



Source: World Bank Staff estimates based on Labor Force Surveys. LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, 2001 annual average for Moldova and Slovenia. 2000 EBRD index of enterprise reform.

Another assumption was that the development of the private sector in the region will be the major factor contributing to job creation. This would reduce unemployment, especially for youth, whose attitude may be more oriented towards the needs of the new private sector. Yet, looking at the possible links between the share of the private sector in GDP and the relative youth unemployment rates in the 6 SEE regions for which data are available (Figures 12), one cannot observe any straightforward association[14]. Among our sample of countries, Bulgaria and Slovenia are those with the highest share of private sector in GDP, yet Bulgaria is the country with one of the highest youth absolute unemployment rate, while Slovenia is the country with one of the highest youth relative unemployment rate.

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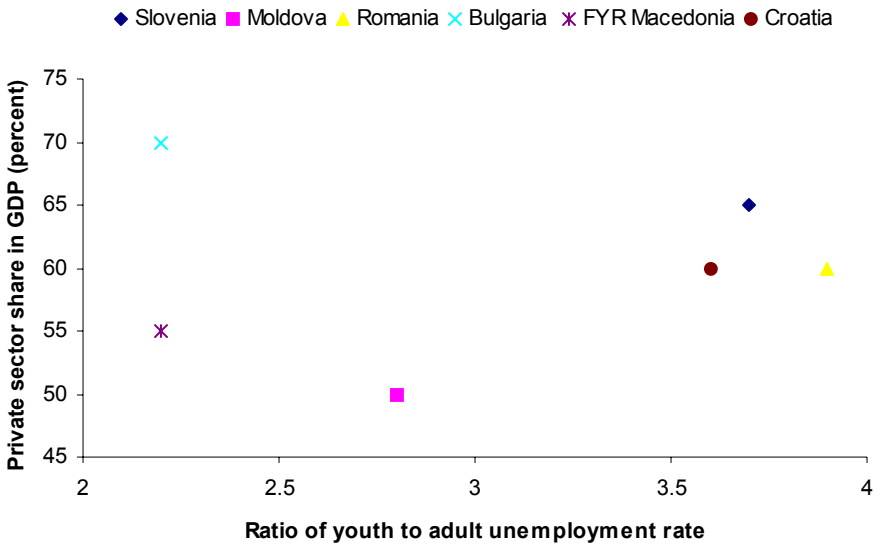
[13] To measure the impact of enterprise reforms net of other factors on the youth unemployment in the region , one would need to do use some multivariate analysis. However, there are too few observations to make such an analysis meaningful here.

[14]No apparent relation between private sector share of employment and absolute youth unemployment rate is found neither.

To some extent, these results are not surprising since a large share of the private sector in SEE mirrors the privatization of formerly state owned enterprise in the process of labor adjustment, and not only the development of new hiring private firms. But these results also echo other evidence that points to a great risk of social exclusion among the unemployed in transition economies and shows that in the region the unemployed face the most difficulties to reintegrate employment and take advantage of the new jobs that are created in the private sector. A study by Boeri and Terrell (2002) argues that despite a fairly rapid degree of structural change in transition countries, these countries have also experienced desperately stagnant unemployment, with most of the labor market flows occurring from employment to employment, and from unemployment to inactivity, but little from unemployment to jobs. In other words, one would expect relative youth employment rates, more so than youth unemployment rates, to be more responsive to the development of the private sector – something that could be investigated in further research.

Figure 12: Private Sector Share and Relative Youth Unemployment



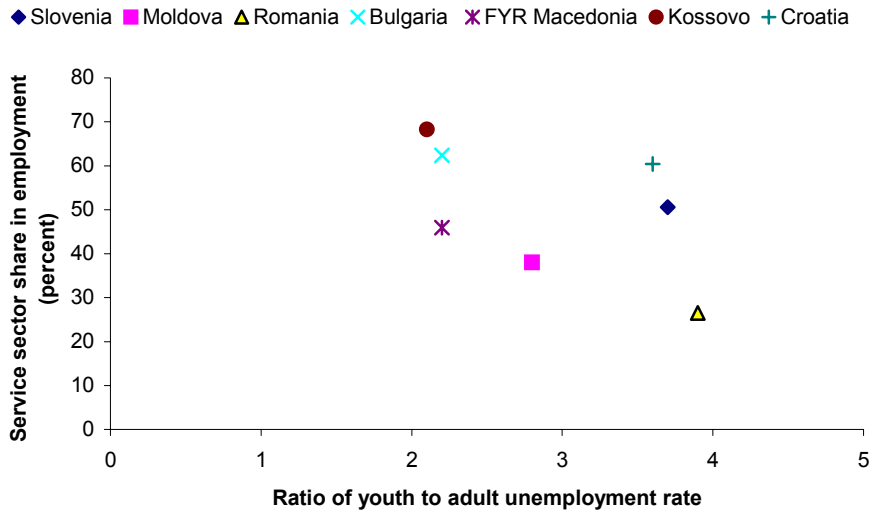
Source: World Bank Staff estimates based on Labor Force Surveys; LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, December 2001 Romania, and 2001 annual average for Moldova and Slovenia. 2000 EBRD index of enterprise reform.

Another general belief is that the shift in industrial composition of employment towards sectors that usually hire youth (retail trade and services like hotels and restaurants) and the

technological changes (computerization) usually favorable to youth that have taken place at different paces in SEE have had a positive effect on youth employment in the region.

To explore these issues, we have plotted on a graph (Figure 13) the ratio of youth to adult unemployment rate and the share of services in total employment for selected SEE countries in 2001. This simple graph shows that there is an apparent negative association between the absolute share of services in total employment and youth relative unemployment. Thus, while enterprise restructuring and private sector development *per se* seem to have had no clear effects on youth unemployment, there are good reasons to believe that the differences in service sector employment may explain some of the differences in relative youth unemployment rates across regions of SEE. This is interesting, because it contrasts with the situation in Western countries, where the shift in the industrial composition of employment and technological changes that took place since the 1970s did not work out as expected, as youth employment prospects have deteriorated in virtually all OECD countries since the 1970 (Blanchflower and Freeman, 2000).

Figure 13: Ratio of Youth to Adult Unemployment Rate and Share of Services in SEE, 2001



Source: 2001 LFS for unemployment data. LFS conducted in November 2001 for Croatia, June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, 2001 annual average for Moldova and Slovenia.

5.1.3 The Role of Labor Market Institutions

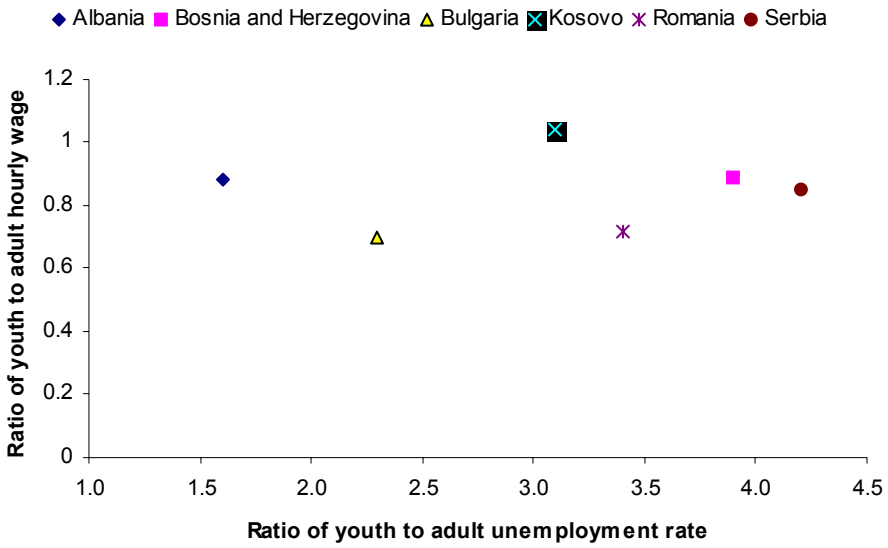
The divergence or similitude in youth labor market outcomes observed in the region may also be attributed to the role of labor market institutions specific to each region of SEE. One primary objective of labor market institutions is to ensure core labor standards and protect workers well-being against the worst forms of labor exploitation. They can thus play an important role in poverty reduction strategies. Yet, certain types of labor laws and practices, in particular those affecting wages (minimum wages) and layoffs (employment protection legislation), are sometimes seen as responsible for reducing the employability of disadvantaged youth and this has raised the question about the overall impact of these regulations on youth well-being. The discussion below summarizes available evidence on the role of minimum wages and employment protection legislation (EPL) on youth employment and poverty, and tries to assess the relative importance that these labor market institutions may have played to explain youth labor market outcomes in SEE.

5.1.3.1 Youth Relative Wages

The standard view about minimum wage regulations is that they raise youth relative wages in the formal sector in a way that can discourage formal youth employment if minimum wages are such that they prevent employers from recouping the cost of training by paying lower youth wages. Since nearly all countries in SEE have mandatory minimum wages but set at very different levels (Table 8), it is interesting to see first whether the regions in SEE with the highest relative youth unemployment rates are also those where youth relative wages tends to be highest, indicating possible wage rigidities due in particular to minimum wages regulations or wage floors set by collective agreements.

A possible link between relative youth unemployment and relative youth wages is explored in Figure 14 for 6 SEE regions for which LSMS data are available. This figure shows no apparent relationship, and thus gives little credence to the presumption that high youth relative wages in the region could explain the observed differences in relative youth unemployment rates.

Figure 14: Relative Youth Unemployment and Hourly Wages in Selected Countries of SEE around 2001



Source: World Bank Staff estimates based on LSMS data conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo and June 2002 for Romania.
Note: Youth refers to persons aged 15-24. Adult refers to persons aged 25+. ILO definition of unemployment. Monthly wages for Romania.

If the evidence does not show any correlation between youth relative wages and relative youth unemployment in the region, it is still unclear what could be the contribution of minimum wage regulations and wage floors set by collective agreements – or their absence - on youth labor market outcomes in the region. Answering these questions would require further analysis that goes beyond the scope of this paper, but the evidence from other countries summarized below may provide some useful information.

The impact of wage flexibility/rigidity on youth unemployment. Traditional views about wage and labor adjustment in flexible and inflexible labor markets stipulates that in a flexible labor market (US), adverse demand shocks for less skilled workers would result in lower relative wages for youth and less-skilled workers but a preservation of employment. In reverse, in inflexible labor markets (Continental EU), these shocks would lead to lower relative employment and higher relative unemployment for youth and unskilled workers and the preservation of high relative wages.

Table 8: Minimum Wage Legislation in SEE, 2003

	Albania	Bulgaria	Croatia	Kosovo	Macedonia, FYR	Moldova	Serbia & Montenegro	Romania	Slovakia	Slovenia
Coverage	All employees	All employees	All employees	All employees	All employees	All employees	All employees	All employees	All employees	All employees
Fixing	Set by the government	Determined by the Council of Ministers (Government) following recommendations of the social partners	Collective agreement between the government and unions for public and state employees	2001 labour legislation provided for a MW, but did not set its level	Set at different rates for each sector as determined by collective bargaining	Set differently for state employees and private sector employees	Set by the government following consultations with the social partners	Set by the Minister of Labour	Usually set in tripartite consultations. Following the social partners being unable to agree, the 2002 increase was made by the government	Set by the Government following negotiation with the social partners
Rate	Month	Month & Hour	Month	Month	Month	Month	Month	Month	Month & Hour	Month
Level (2003)	9,400 LEK (6,600 in 2001)	110 BGN	1,800 KUMA	N/A	2/3 of the average wage (about 7,500 dinars)	100 Moldavian for State employees 150 for private sector employees	3000 Dinars	2,500,000 RUL	5,570 SKK (4,320 in 2001)	103,643 SIT
$	50	56	243	N/A		7.40/11.10	50	63	133	451
Average Wage (2001)	13,200 LEK (public sectors)		3,766 Kuma (average wage)	N/A	11,160 Dinars	691,90 Moldavian	9,900 Dinars (net salary) / 6,350 Dinars (net wage)			

Source: Bulgaria, Romania, Slovenia = EUROSTAT Statistics in Focus, Theme 3-10/2003, other Countries: Country Reports on Human Rights Practices, 2002, Bureau of Democracy, Human Rights and Labour Reports 31, 2003 and relevant legislation

The evidence shows that youth employment outcomes did not adjust as expected, however. A study by Bertola and al. (2002) for OECD countries shows, for instance, that high wages driven by unions' strategies did reduce the employment rates of youth but had no impact on youth unemployment rates, probably because youth reacted by staying longer in education.

A closer look at reality also shows that wage flexibility in the US was not instrumental in improving the employment outcomes of disadvantaged groups such as low-skilled workers, as the rate of decrease in employment for low-skilled men resulting from adverse demand shocks during the 1980s were almost identical in US and in Germany (Krueger and Pischke, 1997). A more recent study looking at wages and employment in these two countries over the same period showed that changes in the ratio of human capital to physical capital is a key variable to understand changes in relative wages between skilled and unskilled workers between Germany and the US (Beaudry and Green, 2003). A cross-country comparison of employment and wage rates between the United States, Canada and France further questioned the classical model of attributing bigger employment losses to institutional factors preventing wages to decline (Card, Kramarz and Lemieux, 1999). They found that relative wages of low-paid workers behaved according to expectations: they sharply decreased in the US in the 1980s, remained stable in France, while the situation of Canada is somewhere in between. Hence wages are flexible in the US, rigid in France and show some flexibility in Canada. Yet the employment of low-wage groups relative to high-wage groups fell in the US during the 1980s in the same proportion as in France and Canada. Hence the wage flexibility of the labor market in the US has not been instrumental in supporting the employment outcomes of low-skilled workers.

Impact of minimum wages on youth employment. There is no hard empirical evidence for SEE regarding the impact of minimum wages on youth employment. Yet, existing studies world-wide shows that there is no consensus on the employment impact of minimum wages on youth employment and that the findings are very sensitive to the methodology used for the estimation. The new evidence for middle-income developing countries might also be of particular relevance for SEE.

A summary of relevant studies looking at the impact of minimum wages on overall and youth employment is provided in Table 9. All in all, the most recent studies concludes that minimum wages might have a very modest effect on youth employment - if any at all - except for some vulnerable groups of youth workers. Moreover, the small and negative effect might be explained by how well/bad the minimum wage fixing policy is – and not the consequence of the minimum wage *per se*. Obviously, the minimum wage policy should be designed as to reduce the potentially negative effects of the minimum wage on prices, employment and competition. This is very much in line with a theoretical argument developed by Fraja (1999), according to which firms respond to an increase in real minimum wage by making work conditions harder. In this model, moderate increase of the minimum wage would have an overall negligible effect on employment, except for workers not able/willing to work harder.

Table 9: The Employment Impact of Minimum Wages: A Summary of Relevant Studies

Study and years	Country	Results
Effects on overall employment		
Bell (1995)	*Colombia*	Rise in minimum wage has large disemployment effects, especially for unskilled workers, but high minimum wage
Feliciano (1998)	*Mexico*	Reduction in minimum wages led to to increase employment of women aged 15-64 but decreases of older male workers
Rama (1996)	*Indonesia*	Moderate effect on overall employment, high disemployment effects in small firms but increase in employment in large firms, although the increase was very large
Lemos (2003)	*Brazil*	Increase in the minimum wage strongly reduces wage inequality and have a small negative effect on employment
Infante, Marinakis and Valasco (2003)	*Chile*	Increase in the real minimum wage out of line with general wages from 1998 to 2000 lead to more workers receiving less or around the minimum wage and more workers being without a written contract
Effect on youth employment		
Bruno and Cazes (1997)	*France*	No impact on youth employment
Yuen (2003)	*Canada*	No overall disemployment effect on youth, but some sub-groups with longer low-wage employment histories face a significant unemployment risk
Mills, Roy and Williams (1999)	*USA*	Minimum wage increases had negative effects on teen employment, especially for girls
Flinn (2002)	*USA*	The 1997 increase in the minimum wage was welfare-improving for youth (16-24), the 1996 increase was not.
Montenegro and Pagès (2003)	*Chile*	Slightly reduces the employment of male youth, slightly increases the employment rate of female youth. No effect on
Brown (1988)	*USA*	Only small impact, except for young workers
Brown et al (1983)	*USA*	Only small impact, except for young workers
Currie and Fallick (1996)	*USA*	Large disemployment effects for those constrained by the minimum wage (unskilled-youth)
Abowd et. al (1999)	*USA*	Large disemployment effects for those constrained by the minimum wage

Impact of minimum wages on poverty and inequality. Little is known on the impact of minimum wages on poverty, wage inequality and productivity in the region. Yet, available evidence from other region might be relevant for SEE. A summary of these studies is reported in Table 10. As regards the links between minimum wages and poverty, the literature remains very scarce. Some recent studies point to a positive effect of minimum wages on poverty reduction through their positive impact on the wages of informal workers (Lustig and McLeod, 1997; Neri and al., 2001; Anker and al, 2002). Given the large proportion of youth involved in the informal economy in SEE, these studies might further be of considerable interest for SEE. Some rare studies have also found a positive impact of minimum wage settings on poverty reduction through their impact on productivity (Azam, 1997). Given the high incidence of poverty in rural areas in SEE, a close investigation of the impact of agriculture minimum wage on productivity could be very useful.

As regards the impact of the minimum wage on wage inequality, there is a lot of evidence from both OECD and developing countries showing that minimum wage seems to protect wages of the lowest-paid workers (see Lee, 1999, for the USA), although this positive outcome seems to be achieved in some cases at the expense of a moderate decrease of employment (see Lemos, 2003, for Brazil, Benhayoun *et al*, 2001, for Morocco). There therefore seems to be a trade-off between the negative employment outcome for some groups of workers and the positive effect on wages for other workers. Hence what matters when evaluating the impact of the minimum wage is the overall impact on welfare rather than the impact on some groups of workers. Other studies have looked at the impact of minimum wages of wage inequality by gender and ethnicity. Grimshaw and Miozzo (2003) showed that in Latin America, higher minimum wages reduce wage inequality, although they do not necessarily narrow the gender wage gap. Butcher and Dinardo (2002) concluded that the minimum wage helps reducing the gap between native and foreign-born workers.

Table 10: The Impact of Minimum Wages on other Factors: A Summary of Relevant Studies

Study and years	Country	Results
Poverty		
Lustig and McLeod (1997)	*23 Developing countries*	Rise in minimum wage is accompanied by a fall in poverty
Neri, Gonzaga and Camargo (2001)	*Brazil, Mexico, Argentina, Uruguay*	Low minimum wages can act as a norm for fair wages in the informal economy. In these countries, many informal workers receive the minimum wage and have their wage increased following adjustments in the minimum wage. Hence a posible effect on poverty levels.
Productivity		
Azam (1997)	*Morocco*	Increases in the agriculture minimum wage increases labour productivity
Wage equality		
Lee (1999)	*USA*	The erosion of the minimum wage in the 1980s explains a lot of the rise in inequality.
Benhayoun et al (2001)	*Maroc*	The minimum wage reduces wage inequality both in the short and long term (but less than proportionally)
Vogels and van Dieten (1998)	*The Netherlands*	The minimum wage compresses the wages distribution
Butcher and Dinardo (2002)	*U.S.A*	Decrease in the minimum wage between 1970 and 1990 explains a lot of the increase in the gap between native-born and immigrants
Grimshaw and Niozzo (2003)	*Latin America*	Higher minimum wages reduce wage inequality but not necessary the gender wage gap

5.1.3.2 Employment protection legislation

Often, there is some concern that employment security regulations increase the cost of dismissing workers in a way that will reduce the adaptability of the firm to labor market conditions and increase the incentive for capital-incentives techniques, with negative repercussion on employment in general, and youth employment in particular. At the same time, employers eager to reduce employment-related costs may have strong incentives to join the informal sector, so that the overall level of protection enjoyed by workers may be

reduced. Below, we summarize briefly the level of employment protection legislation (EPL) in the region and review what is known about the impact of EPL on youth labor market outcomes, namely their employment situation and working conditions.

EPL in SEE. Since the beginning of transition and the gradual move towards EU accession, several changes and amendments were introduced in the region to suit the needs of a market economy and EU requirements in the field of labour. To date, most EU requirements relating to the *Aquis Communautaire,* which implies the recognition of certain rights to workers and the standardisation of working conditions to those in the EU, have been and/or are being transposed into national legislation of most EU accession and candidate countries. A study by Haltiwanger and al. (2003) shows that employment protection legislations in transition countries closely resemble Continental and Southern European countries. In Bulgaria and Romania, regular employment is not over-protected and the level of protection is similar to Anglo Saxon countries, but temporary employment seems to be more protected. In Bosnia and Herzegovina, employment protection legislation, as well as regulations of fixed-term contracts, is quite comparable to – and in some instance more liberal than – the regulations in developed market economies (World Bank, 2002c). In Kosovo, employment legislation is very flexible even compared with Anglo-Saxon countries. In Slovenia, however, regular employment legislation is much stricter than in almost all OECD countries.

The review of EPL in the region thus suggests that labor market inflexibility is probably not a major factor responsible for high youth unemployment in the region relative to Western Europe and points to the importance of other factors to explain youth unemployment. A study by Svejnar (2002), for instance, argues that labor market flexibility in Central and Eastern Europe is not a major factor in comparison to imperfections and regulations in other areas such as the housing market, transportation infrastructure, capital market, corporate governance, legal framework, and the business environment.

Impact of EPL on youth employment/unemployment/long-term unemployment. There are no rigorous studies that have looked at the impact of EPL on youth employment, unemployment and long-term unemployment in SEE. So far, the evidence remains concentrated among OECD countries. Most studies usually finds that strict EPL tend to have

an adverse effect on youth employment (see for instance Bertola, Blau and Kahn, 2002), and more so than for adults (Scarpetta, 1996). The effect of strict EPL on youth unemployment is however less clear, and the evidence so far has been inconclusive (OECD, 1999). Other studies have also pointed to the role of EPL on the duration on unemployment, rather than on its level (Nickell and Layard, 1999), and find that strict EPL increases the duration of unemployment, rather than its incidence as a result of lower unemployment flows. Other studies find that partial deregulation policies aiming at giving more flexibility to firms on their firing decision – like the liberalization of the use of fixed-term contract – have not necessarily provided the expected positive outcome on youth employment prospects (Blanchard and Landier, 2002).

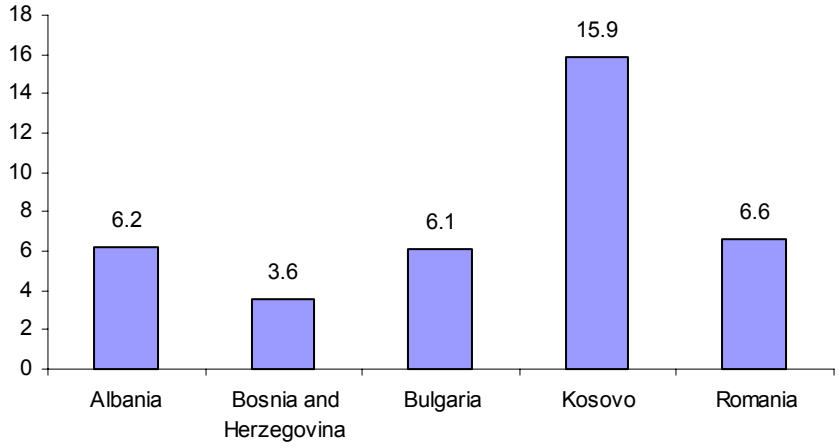
Impact of EPL on the working conditions of young workers. Little is known on the impact of EPL on youth well-being, but some evidence in the region shows that despite the recognition of basic labor rights in the labor codes of SEE countries, a large gap remained in practice. In Bulgaria for instance, the 2001 survey data established a large gap in the observance of working condition principles, and showed that the real level of workers' protection was far below what is stipulated in the Labour Code (World Bank, 2002b).

5.1.4 Employers' Incentives to Hire First-job Seekers

In SEE, like in many other countries in the world, employers have reduced incentives to hire first job seekers. Many youth in the region enter the labor market with no prior work experience. The education system in these countries does not provide much scope for combining initial education and work (Figure 15). The lack of work experience, especially when combined with inadequate skills, is a barrier to access wage employment.

Employers are often looking for employees that can be immediately operational and they are not necessarily willing to take over the cost of training young people – or their simply don't have the financial and human resources to do so. Moreover, the lack of work history and employment record of first job seekers make their hiring more risky for employers. Employers have indeed little means to assess whether first job seekers possess the required attitude and skills for the job. For youth, having a first contact with employers and the world of work through internships and on-the-job training is thus crucial. This can give them an opportunity to express their talents, and gain visibility among employers.

Figure 15: The Combination of Work and Education among Employed Youth in SEE around 2001 (percent)



Source: World Bank Staff estimates based on Living Standard Measurement Surveys. LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo and June 2002 for Romania.
Note: Youth refers to persons aged 15-24, adults to persons 25 and more.

5.2 Supply Side Factors

5.2.1 Youth Cohorts

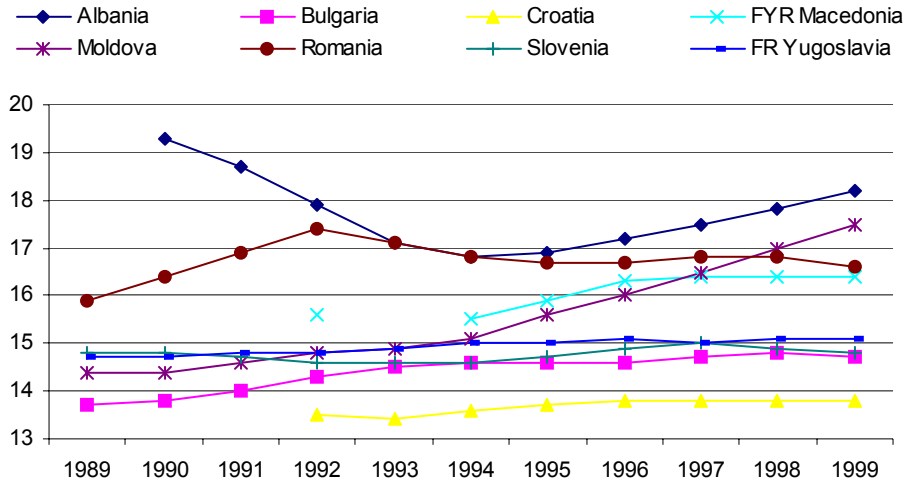
Another possible reason for the differences observed in youth unemployment between SEE regions and within regions over time is the relative size of the youth cohorts and its changes over time. Is there any evidence in the region that demographic factors have played an important role to explain youth labor market outcomes? To answer this question, one would need to relate trends in youth relative unemployment and size of youth cohorts. Figure 16 provides data on the share of the youth population in SEE for the period 1989-1999. These data can be reviewed against the level and the evolution of youth unemployment presented in Tables 1 to 3 but for a more limited number of countries.

Out of the 6 countries of SEE for which the share of youth in total population and level of youth unemployment can be compared for the year 2001, the evidence indicates that demographic factors could contribute to explain the difference in youth unemployment across countries only in Moldova and Romania. In 2001, Moldova and Romania had indeed

both a relatively higher youth population and a higher ratio of youth to adult unemployment rate than the SEE average.

In addition, out of the 4 countries of SEE for which the changes in youth population and youth unemployment rates can be matched, Macedonia is the only country where there is an apparent connection between the demographic and labor market developments. The rise in youth unemployment rates in Macedonia observed during 1995-1997 coincided in fact with an increase in the youth population.

Figure 16: Share of Youth Aged 15-24 in Total Population (percent)



Source: UNICEF MONEE project database.

5.2.2 Poor Quality of the Skills Possessed by New Labor Market Entrants

Another obstacle to the employability of youth into decent employment is the poor quality and/or the lack of skills possessed by new labor market entrants. This has been a general problem facing youth in countries where education systems perform poorly. It has also been a more severe problem affecting youth from poor socio-economic background and with an unfavorable home environment, youth with disabilities and some youth from ethnic minorities like Roma youth, who face multiple barriers to access, continue, and succeed in education.

Table A.2 in the Appendix 2 present the estimated returns of education in terms of employment outcomes (we do not look here at the returns to education in terms of pay). The marginal effects of schooling net of other factors based on the estimation of Probit models on the probability of being ILO unemployed are represented separately for youth and adults. The same table also shows for youth only the marginal effects of education on the probability of being out-of school and out of work.

What is remarkable is that schooling does not necessarily reduces the risk of being unemployed for youth. In the LSMS data, the probability of being ILO unemployed is significantly lower for the most educated youth only in Albania and Serbia. In contrast, in all 6 regions, education among adults does reduce the risk of being ILO unemployed. More often, however, education seems to reduce the risk of being idle. In Bulgaria and Romania, while higher schooling does not reduce ILO unemployment for youth, it does reduces the probability of being out of work.

This confirms that although education is not the only determinants of employment outcomes – which depends very much on the relative supply and demand for specific skills - it is an important factor. In general, more education prevents discouragement. In the context of depressed labor demand, high educated youth are not necessarily less likely to be ILO unemployed, but they are less likely to be discouraged and more likely to continue to actively look for jobs. In contrast, the least educated youths are more likely to give up searching for a formal job. This further indicates that large inequalities in youth labor market outcomes begin with the large disparities in access to education by income level, disability status and ethnicity that are well documented in the region.

The same table also shows that the employment returns to education is not uniform in the region. While being a higher educated youth reduces the probability of being workless (looking or not for a job) by 34 percent in Bulgaria, the estimated impact is only about 19 percent in Romania. Lower returns to education observed in some regions, in terms of employment outcomes, do not necessarily means a lower quality of education in a particular region. The differences across regions can be attributed to a combination of factors, including the variation in the demand for and supply of different skills, and there is no easy way of

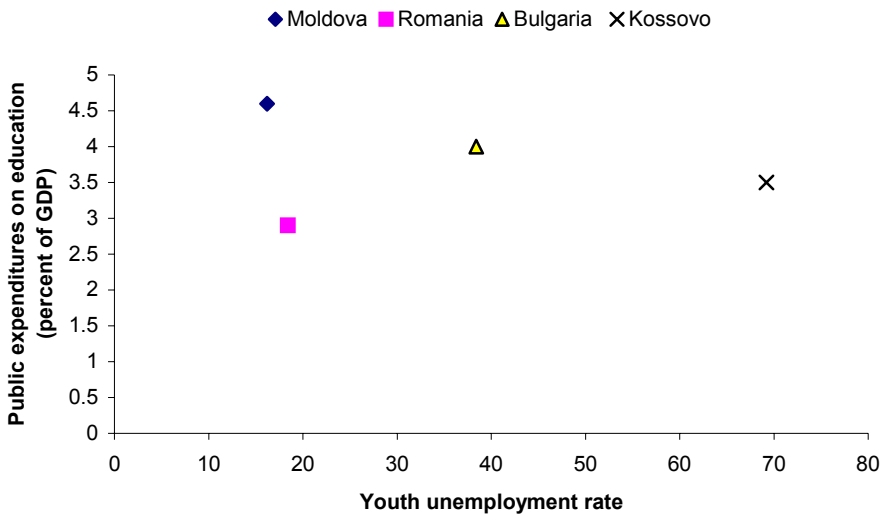
assessing the quality of education systems in terms of their capacity to promote the employability of school-leavers and young graduates.

Yet, available studies point to a great disparity in the quality of education in South-East Europe, at least when measured through learning outcomes. The 2002 UNICEF Social Monitor Report, for instance, discusses the results of the Third International Mathematics and Science Study (TIMSS) and reveals a large heterogeneity in knowledge of mathematics and sciences in South East-Europe. According to the TIMSS data analyzed in the report, out of the 5 countries of SEE included in the 1999 mathematic test, 2 had a proportion of students with scores above the median international benchmark above the proportion in the US and Italy (Slovenia and Bulgaria), and 3 did significantly less well (Romania, Moldova and FYR Macedonia).

Evidence from public finance data also shows that underfunding of education programs is a crucial problem in the region (UNICEF, 2001), although it is more acute in some countries than in others. Not only inadequate investments in education can jeopardize the overall quality of skills obtained by labor market entrants, but is can also threaten the equity of access by forcing households to bear an increasing proportion of the costs of schooling, thus excluding the poorest. One question raised by the disparity in public expenditures on education observed across countries in the region is whether it is a reason for the differences in youth employment outcomes. To shed some light on this issues, it is useful to plot on a graph the relative youth unemployment rates and the public expenditures on education as a percentage of GDP. This is done in Figure 17 for only 4 regions of SEE for which data are available. This graph shows no apparent relationship between public spending on education and the relative youth absolute unemployment rates[15]. Although the small size of the sample makes these findings rather tentative, they may well be explained by the fact that what matters for the quality of education and the employability of youth is not only the overall spending on education, but also the efficiency of spending – something that is not captured by these public finance data.

[15] Similarly, there is no apparent relation between public spending on education and relative youth unemployment rate.

Figure 17: Public Expenditures on Education and Absolute Youth Unemployment Rate in Selected Countries of South-East Europe, 2001



Source: World Bank Staff estimates based on Labor Force Surveys for unemployment data; UNICEF MONEE project database for public expenditures data, except for Kosovo (World Bank, 2002).
Note: Youth refers to persons aged 15-24; except Macedonia persons aged 15 and above. LFS conducted in June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, annual average for Moldova and Slovenia.

5.2.3 Corruption, Nepotism and the Role of Connections

Besides education, there is some evidence that given the level of corruption and almost complete absence of transparency in human resources and recruitment policies in several regions of SEE, connections and money are important determinants of labor market outcomes in the region. A study by Redmond and al. (2001) based on the 1999 round of the International Social Survey Programme shows that "knowing the right people" and "coming from a wealthy family" are judged as much more important to getting ahead by survey respondents in Central and Eastern Europe than they are by those in Western countries.

Available LSMS data for 5 regions of SEE further confirm the importance of family and friends as a way to find a job, and the limited use of employment services by youth (Table 11). In Albania, Bosnia and Hezegovina, and Romania, a much higher share of young unemployed people indicated that their were looking for a job relying on friends rather than on public employment offices. While ideally employment services in the region should be disseminating useful information to first job seekers, this does not seem to be the case. Often

moreover, employment offices lack funding for training programs and their job search strategies are limited and not market-oriented.

Table 11: The Role of Friends and Relatives *versus* Employment Office Services for Youth Job Search

	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Serbia
Living Standard Measurement Surveys					
Share of ILO youth unemployed relying on friends and relatives to look for a job	68.0	42.6	28.6	75.6	19.4
Share of ILO youth unemployed relying on employment office to look for a job	23.9	40.7	31.4	4.7	53.5

Source: World Bank Staff estimates based on Living Standard Measurement Surveys. LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, June 2002 for Romania, and June-August 2002 for Serbia and Montenegro.
Note: Youth refers to persons aged 15-24. Adults refer to persons aged 25+.

5.2.4 Unemployment Compensation Systems and Work Incentives

Available studies shows that generous unemployment benefits do tend to raise the level and duration of unemployment. At the same time they can also facilitate labor relocation and help reduce the entry into low-quality job by improving the quality of the job search (see for instance Vodopivec and Raju, 2002).

In SEE, however, youth are usually not eligible for unemployment benefits because of the lack of formal work experience or, in some regions like Kosovo, because of the absence of unemployment compensation systems. Evidence from LSMS data for 5 regions where unemployment compensation systems exist show indeed that only a small proportion of the ILO youth unemployed are actually receiving unemployment benefits, and fewer youth than adult unemployed do receive benefits (Table 12). This indicates that high absolute and relative youth unemployment rates in the region can hardly be imputed to unemployment compensation systems. Among the few recipients however, unemployment benefit levels may be an issue.

Besides the role of unemployment benefit system, other private and public safety nets like private remittances from workers abroad and social assistance schemes may also have a non-negligible impact on youth labor supply. This is not addressed in this paper but it could become the scope of further research.

Table 12: Percentage of Youth and Adults Receiving Unemployment Benefits in Selected SEE Countries

	Albania	Bosnia and Herzegovina	Bulgaria	Romania	Serbia
Living Standard Measurement Surveys					
Share of ILO unemployed youth receiving unemployment benefits	0.0	50.1	15.5	28.3	2.3
Share of ILO unemployed adults receiving unemployment benefits	2.7	56.3	24.6	42.3	6.3

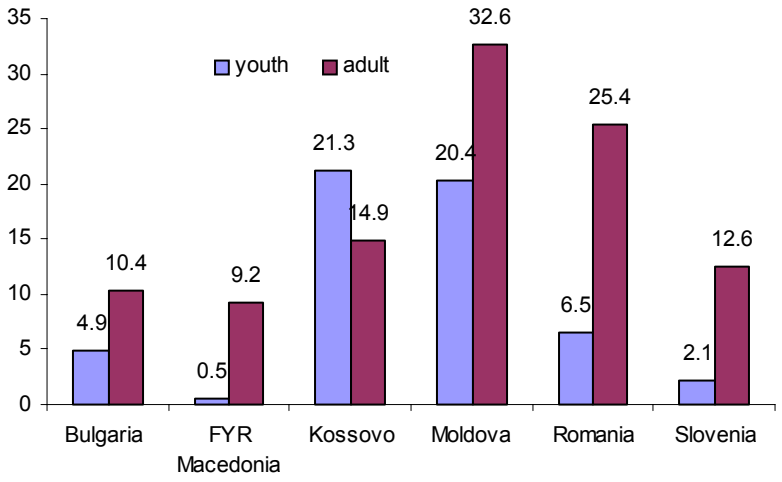
Source: World Bank Staff estimates based on Living Standard Measurement Surveys.
LSMS-type conducted in April-July 2002 for Albania, September-November 2001 for Bosnia and Herzegovina, April-May for Bulgaria, September-December 2000 for Kosovo, June 2002 for Romania, June-August 2002 for Serbia.
Note: Youth refers to persons aged 15-24. Adults refers to persons aged 25+.

5.2.5 Youth Face Specific Barriers to Access Self-employment

Another possible reason for the relatively higher incidence of youth unemployment compared with adults is that youths face more difficulties to start-up and expand businesses. Self-employment is increasingly being identified as a fairly successful route to exit unemployment – but not necessarily low-paid work (Blanchflower and Oswald, 1998) – and the fact fewer youth in SEE like in many other countries engage in self-employment should be a concern for policy makers.

The lower incidence of self-employment among youth in SEE is depicted in Figure 18. Clearly, the data reported in this figure point to the existence of specific barriers to youth entrepreneurship. According to many observers, the barriers to youth entrepreneurship are usually a combination of: (i) the lack of experience and business skills (ii) the difficulty to secure adequate start-up funds (iii) the lack of spaces and (iv) a more limited access to information, established business networks and contacts.

Figure 18: Share of Self-employment in Total Employment, 2001 (percent)



Source: World Bank Staff estimates based on Labor Force Surveys.
Note: Youth refers to persons aged 15-24; adult refers to persons aged 25 and above, except Macedonia persons aged 15 and above. LFS conducted in June 2001 for Bulgaria, October 2001 for Macedonia, and December 2001 for Kosovo and Romania, annual average for Moldova and Slovenia.

The lack of experience and business skills. Many young people grow up with no entrepreneurial role models in their families or communities, and will not consider self-employment unless encouraged to do so. That's why it's never too early to start promoting enterprise and teaching business skills.

The difficulty to secure adequate start-up funds. Young entrepreneurs often face substantial difficulties in securing adequate business capital, due to their lack of business experience, the absence of sufficient collateral and bias from banks against younger borrowers. This shortage of capital can kill off many good business ideas before they even begin. And when young entrepreneurs do win some financial backing it is often not enough, leading to an undercapitalization that threatens business viability. Liquidity constraints are a strong impediment to self-employment in transition countries, where evidence shows that both pre-transition income and the receipt of property through restitution are major correlates of self-employment probabilities (Earl and Sakova, 2000).

The lack of spaces. Besides the lack of skills or financial means to develop business ideas, another challenge for young entrepreneurs is to find a suitable place to work that is affordable and well located.

Limited access to information and established business networks. Another challenge for young people is the lack of business networks for enterprise support and commercial viability. One of the most beneficial services employers can offer young entrepreneurs is mentor support. Mentoring helps overcome two of the major problems young people face as they enter business: limited experience and not enough contacts.

6 Government Programs Supporting Youth Employment

The previous section has shown that youth face multiple barriers to participation into employment. If some of these barriers are not specific to youth, others are encountered exclusively by youth – or by some youth - and are not necessarily related with the functioning of the labor market, indicating the need for a greater awareness on youth issues among a broad range of policy makers in SEE. This section now turns to a review of active labor market programs supporting youth employment - which constitute only a very small sample of government policies affecting youth employment. The main lessons from program evaluations are then summarized.

6.1 Review of Practices

6.1.1 World-wide Examples of Youth Active Labor Market Programs

Second chance programs. The most common government response to youth unemployment in many countries has been the launch of second chance programs targeted on youth already facing difficulties in the labor market. These programs generally aim at (i) reducing the mismatch between jobs and people; (ii) increasing the number of wage employment positions; and (iii) supporting the development of youth entrepreneurship. These programs usually involve job search assistance, training and re-training, subsidized employment, public work, and small business developments. The promotion of self-employment has known a revival among policy makers as a route to exit unemployment. In Britain and France, government programs provide transfer payments to the unemployed while they attempt to start businesses (Bendick and Egan, 1987). In the US, similar programs have been developed for unemployment insurance and welfare recipients (Fishman and

Weinberg, 1990). In Australia, a program provides loans to unemployed people with viable businesses ideas. Both Australia and the US have several programs to provide loans to small business and have exempted small businesses from certain regulation and taxes (see Terry et al., 1998, for a description of government policies in Australia). Examples of second chance programs can be found in Nyaribo (2002) and include the British New Deal for Young People, the Canadian Youth Business Loan Program, the Youth Business Initiative in Australia, the Indian Bharatiya Yuva Shakti Trust, and the New Zealand WISE Women Network.

First chance or prevention programs. Fewer countries have also adopted prevention strategies based on a greater integration of school and work and aimed at easing the entry into the labor force before youth encounter difficulties. These "first" chance or prevention programs usually involve a greater integration of school and work through part-time work, internships, workplace-based training, and the promotion of youth entrepreneurship among graduates. They have been developed in countries like Australia (the Teacher Release to Industry program), the Czech Republic (First Chance program); Germany (the German dual education and training system), Egypt (the Egyptian pilot vocational education and training project in Ramadan city), South Africa (the Youth Enterprise Society), the UK (Learning by doing, the Scottish Business birth rate strategy), and the US (Real enterprise Program, Independent means).

6.1.2 Youth Labor Market Programs in South-East Europe

In contrast with OECD countries, youth government policies and programs supporting youth employment are still very limited in South-East Europe. While the high incidence of youth unemployment world-wide - both absolute and relative to adults – has led many countries to adopt active labor market policies targeted at young people, in the transition countries of SEE, active labor market programs are still very limited. And when

ALMP exists, they are usually limited in scope and funding[16], and not specifically designed to address the needs of youth.

So far, government active employment programs in SEE have usually focused on "cure" rather than "prevention" strategies. The target groups for these programs were usually individuals who were already unemployed (Bulgaria and FYR Macedonia), restructured workers (Romania), and demobilised workers (Bosnia and Herzegovina). In most cases, the programs offered job counselling services, training, public work, subsidised employment and measures that encourage the start-up of businesses. These government programs were also complemented with additional small-scale activities intended to facilitate youth entry into the labor market and provided by NGOs with support from donors and government agencies.

6.2 Lessons from Programs Evaluation

6.2.1 The OECD Experience

A mixed evaluation picture. Most established market economies, particularly those in Europe and especially the Scandinavian countries, have developed second chance programs which focus on the integration into employment of vulnerable groups. The message from the Western experience is that some of these second chance programs have had positive impacts but in many cases they have not been very successful in improving the employment situation of youth. Job-enhancing economic growth remains an indispensable component of any strategy to eradicate youth unemployment, and targeted programs can only provide complementary resources.

The evidence shows that the effectiveness of youth second chance programs depends very much on the state of the economy and on there being adequate employment opportunities at the end of programs. When the labor market is relatively buoyant, training programs for youth may be useful in resolving skill mismatches. When the economy is in recession, however, many participants will have little prospect of a job at the end so such programs should be viewed more as temporary employment subsidies acting to maintain

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[16] According to unofficial estimates, in 2001, the percentage of GDP spent on active labor market programs was 0.3 in Bulgaria and 0.05 in Macedonia. This compares with an average of 0.76 for 22 OECD countries for which data were available (OECD, 2002).

young people's attachment to the formal labor market. The recent evidence also shows that prevention strategies or "first chance" programs that focus on youth before they are already unemployed - like formal and informal education-related interventions and measures that link schooling to work through internships and apprenticeships – may be more effective than cure strategies (OECD, 2002).

A review of nearly 200 evaluations of second chance programs was recently conducted (Betcherman and al., 2003) and provides interesting insights on the cost-effectiveness of particular interventions. Job search assistance programs are usually found to be the most cost-effective interventions and provide positive returns on both earnings and employment of participants. Stand alone training activities for vulnerable youth seems to have no positive results. Some wage and employment subsidy programs have positive returns but in general they tend to perform poorly in terms of their net impact on the future employment prospects of participants. Public work program are expensive and usually do not lead to higher employment opportunities or earnings after the end of the program, but they can be a useful short-term safety net. Finally, micro-enterprise development and self-employment promotion programs do have positive returns but only for a small number of participants who are generally the better educated.

What makes some interventions more successful than others? Experience has also shown that these ALMPs vary greatly in impact and cost-effectiveness, and that the scope for improving programs outcomes is large, especially through:

- A better targeting on the needs of specific groups. Careful targeting on the needs of specific groups that vary by age, gender and level of education is one important ingredient for success. An important message as regards policies supporting youth employment is that there is a clear need to distinguish between teenagers and young adults. The most desirable solution to the employment problems of teenagers is to help these young people remain in school, reenter the education system, or pursue more training as quickly as possible. For young adults in their 20s, it is too late to bring them back to school and it is more important to help them acquire work experience and to raise their skills in order to avoid the traps of unemployment and social exclusion.

- A tightening of the work search requirement. Broader activation strategies quite often seem to have a positive impact on exit rates from unemployment, even among youths. In Australia, when Mutual Obligation requirements were applied to youths who had been unemployed for six months, rates of exit from unemployment around this duration increased (QED, 2003). In Denmark, when a different set of obligations was applied to youths who had been unemployed for six months, rates of exit from unemployment into ordinary employment or education increased by 50 percent for those in the 24th to 28th week of unemployment, and by smaller proportions in earlier and later weeks (QED, 2003). The UK New Deal for Young People is also reported to have significantly increased outflows to employment among young males, with most of this effect coming from the enhanced job search (Van Reenen, 2001).
- The provision of comprehensive packages of services. Better designed ALMPs that integrate and combine services and offer a comprehensive "package" seems to be more successful. In the UK, the relative success of the British New Deal for young people was attributed to the fact that it combines both job search assistance, training and strict job search monitoring (Van Reenen, 2003). More generally, in Western countries, the few successful youth training programs are often those that combine education, employment and social services as needed (Betcherman and al., 2003). Attempts at providing follow-up services to help young people beyond the initial program term are also promising.
- A better match with labor market needs. Often, training programs have been designed with no proper connections with local or national labor market needs. Yet, mobilizing and involving the private sector and communities to assess local or national skill needs and community needs in project design is most important. Considering for public work programs not only hard and expensive infrastructure work, but also community needs in housing, the environment, tourism, social services, the health sector, etc. as with Intermediate Labor Market and StepUP programs in the UK can make public work program less expensive.
- A greater involvement of employers' and workers' organizations, as well as government in the design and implementation of youth policies. The effectiveness of

programs can be enhanced when employers and workers organizations are involved in the design and implementation of youth programs, and when there is a tight control system of certification which ensure the quality of the programs (OECD, 1996; O'Higgins, 1997).

6.2.2 Experiences in South-East Europe

Lessons that emerged from the evaluation of selected ALMPs in Bosnia and Herzegovina, Bulgaria, Macedonia and Romania are somewhat not very different than that of Western countries but there are some differences (Benus and Rodriguez-Planas, 2002; Benus and al., 2001; Walsh and Kotzeva, 2001; World Bank, 2001b). Overall, existing programs in these countries have provided positive results on the employment prospects of participants, with the exception of public work programs (Table 13). Job search assistance and training had positive impacts on employment probabilities. Training with guaranteed job were found to be more effective for youth. As regards the impact of subsidized employment, there is only evidence for Bulgaria, but the results shows a positive impact on the employment prospects of participants, especially among youth. In contrast, public work programs had little positive impact.

The cost-effectiveness of these programs varies also tremendously across programs. Training, counseling and subsidized employment tended to have a high positive net impact on employment and a low cost per placement, while self-employment programs were more expensive. Public works schemes turned out to be the least cost-effective, and this is probably because of a heavy biased towards infrastructure work at the expense of less expensive service sector work. The results also show that the impact varies across demographic groups, confirming the importance of narrow targeting and careful monitoring to improve the cost-effectiveness of these programs.

The results of these impact evaluation studies need to be interpreted with great care, however. ALMPS in the region are still recent, and it would be important to look at the long-term impact of these programs. Most of the evaluation studies have looked at the effectiveness of each of the programmes in increasing the reemployment probabilities of individuals and their income, but they have not always tracked the longer-term effect of the project, like for instance for how long individuals who had become employed through

programmes remained employed. This would also allow to perform a more careful analysis of the overall costs and benefits of these programs.

Table 13: Evaluation of Selected ALMPs in Selected Countries of SEE

Program	Costs per placement	Appear to Help	Comments
		Bulgaria	
Temporary employment programs	12,880 Levs	More effective among older and least educated people, the long-term unemployed and those in depressed area.	Most expensive programs, need for targeting temporary employment programmes to the most vulnerable groups in the labour force who cannot rely on any other programme to improve their chances of finding a job.
Training with non-guaranteed jobs	485 Levs	More effective among people with low education, older individuals, and people living in depressed area.	Among the least expensive programs, continue with this program but put more efforts to monitor and assure the quality of future training.
Training with guaranteed jobs	450 Levs	More effective on youth.	Among the least expensive programs, continue with this program but put more efforts to monitor and assure the quality of future training.
Subsidized employment	202 Levs	Significant overall positive impact, but more effective among youth, women, and people with secondary education.	Least expensive programs, continue with this program with a better targeting on new entrants.
Self-employment programs	1,391 Levs	More effective among those with more education and those with shorter spells of unemployment.	More expensive than training and subsidized employment, continue with this program but put more efforts to monitor and assure the quality of business skills training
		Macedonia	
Counseling	299 USD	More effective among older and more educated people	Among the least expensive programs, continue with this program but improve its quality and combine it with training when necessary.
Training with guaranteed jobs	505 USD	More effective for youth and for those with little education	Twice as expensive as training with non-guaranteed job, continue with this program with a greater focus on those who benefit most
Training with non-guaranteed jobs	256 USD	More effective for males	The least expensive programs, continue with this program but put more efforts to monitor and assure the quality of future training programs
Public works	2,252 USD	Little positive impact	Most expansive, partly due to the focus on infrastructure work, reconsider the use of this program or redesign this program with more service sector work.

Source: Walsh and Kotzeva (2001) for Bulgaria, World Bank (2001) for Macedonia.

Table 13: Evaluation of Selected ALMPs in Selected Countries of SEE (cont'd)

Program	Costs per placement	Appear to Help	Comments
		Romania	
Training	131 USD	Positive impact on employment for women; no impact on earnings	Continue with this program. Program may need better targeting
Self-employment	102 USD	Positive impact on employment for women, older and better educated workers, but no impact on self-employment; positive impact on earnings.	Continue with this program. Program may need better targeting
Job assistance	60 USD	Positive impact on employment for males and for better educated workers; overall positive impact on earnings.	The least expensive program. Continue with this program.
Public work	2,233 USD	No positive impacts on employment nor earnings.	Most expensive program. Reconsider the use of this program as a way to increase employment.
		Bosnia and Herzegovina	
Job search assistance combined with training for demobilized soldiers	n/a	Positive impact on wage employment and earnings for all for all sub-groups. Larger employment impact for males, older individuals, and those with very little education.	This program was effective in reintegrating demobilized soldiers.

Source: Benus and al. (2001) for Bosnia and Herzegovina; Benus and Rodriguez-Planas (2002) for Romania.

7 Conclusion

This paper has sought to contribute to our better understanding of the nature, causes and consequences of youth labor market disadvantage in SEE. It has also examined some of the approaches which have been adopted in seeking a solution to the labor market problem of youth. The evidence provided in this paper shows that more than ten years after the start of transition and despite the resumption of economic growth in most regions in SEE, youth employment prospects remain daunting. In 2001, the average youth unemployment rate in SEE was 2.5 times higher than the EU average, and 3 times higher than the adult unemployment rate. Besides ILO unemployment, the emergence of large pools of jobless youth who do not even look for work and the large number of youth working in unprotected environment were worrisome trends in several regions of SEE. These labor market

disadvantages were also not spread equally among all young people. Low educated youth, youth with disabilities and youth from certain minorities like Roma youth were disproportionately affected.

A troubled entry into the world of work had also serious welfare repercussions on youths in terms of increased risk of income poverty and alteration of human and social capital. It further induced responses among youths which are not always socially desirable. Perhaps the most positive way youths have responded to their employment problem is by staying longer in education in order to delay their entry in the labor force. But this has not been a possibility for vulnerable youth who have been facing the most difficulties to complete education even at primary level. With high unemployment in SEE, many youth have also no other options but to leave their countries and look for jobs abroad. Often, international migration has been a positive outcome allowing young people to exit unemployment and poverty. Yet, labor migration has also some negative aspects, in the form of brain-drain and lost investment in education in the home country, and its positive impact on growth has been recently questioned. Unemployment and poverty in the region have also been instrumental in contributing to the development of a large informal sector. Informal activities have often helped to mitigate but not necessarily to prevent income poverty. Moreover, the growth in the informal economy has seen a rise in the number of young workers who do not enjoy the protection of the labor code and who are not adequately protected against health risks and old-age. The growth of human trafficking in the region, which as been one of the worst aspects of labor migration and participation in the informal economy, is another worrisome trends in several regions of SEE. The evidence also shows that violence, suicide, and substance abuse are important problems with youth in the region that are often, although not exclusively, related with the lack of decent work opportunities.

The results also point to the existence of many barriers to youth participation into employment. Probably the most important finding is that to a large extent, large absolute youth unemployment was only one aspect of the overall problem of high aggregate unemployment and low economic output in SEE. Clearly, this attests that the problem of youth unemployment cannot be addressed in isolation from the wider problem facing the economy. Yet, the high incidence of youth unemployment relative to adults also pointed to

the existence of specific barriers encountered by youth. These include the poor quality of the skills possessed by labor market entrants, the low incentives for employers to hire first job seekers, the lack of mechanisms that would allow young graduates to get an exposure to the world of work, and credit constraints. We found no evidence that a substantial share of youth unemployment could be attributed to work disincentives related with unemployment compensation systems, but we did not investigate the role of other public and private social safety nets like public social assistance and private remittances from workers abroad.

The data also clearly indicate that not all youth faced the same risk of being jobless. Large inequalities in youth labor market outcomes could be attributed to location and differences in educational attainment and often began with the large disparities in access to education by income level, location, disability status, and ethnicity. Given the lack of transparency in hiring practices in several regions of SEE, connections and money were also important determinants of the disparities in youth labor market outcomes.

The evidence also shows large disparities across SEE regions in the relative position of youth in the labour market, with a ratio of youth to adult unemployment rate ranging from 1.6 in Albania to 4.2 in Serbia. Our findings are preliminary but they suggest that the share of service sector employment, rather than the share of the private sector *per se* or the progress in enterprise reform, was negatively related with relative youth unemployment and may explain some of the disparities across regions. At the same time, we do not find any evidence that high relative youth wages, reflecting possible wage rigidities due to minimum wage regulations or wage floors set by collective agreements, could explain the observed differences in relative youth unemployment rates. We did not find neither that demographic factors played an important role.

Finally, the review of government practices discussed in the paper shows that some of the active labor market programs adopted in SEE have provided positive results for some youth and in some cases. However, these programs cannot be seen as a panacea for tackling the problem of youth unemployment, which remains overwhelmingly determined by general macroeconomic conditions. Lessons from good-practices in industrialised countries also show that the effectiveness of youth active labor programs could be improved through a closer targeting, a tightening of the work search requirement, the provision of

comprehensive and integrated “packages” of services, a better response to local labor market and community needs, and a greater involvement of employers’ and workers’ organizations, as well as government in the design and implementation of youth policies.

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Appendix 1: Methodological Note on Labor Market Indicators

Calculation of labor market indicators is performed in two steps. On the first step, individual-level variables are constructed (for example, employment status, level of education, etc.). These variables correspond to people in the sample. Then, on the second step, aggregation and calculation of labor market indicators is made. The obtained indicators correspond to the whole population.

A computer algorithm (realised in Stata 8) reflects this two-step procedure. The first step is done country by country. For each country, individual-level variables are carefully selected and constructed so as to be as much comparable across countries as possible. The second step is the same for all countries: based on the variables obtained from the first step, population aggregates and various ratios are calculated.

In order to facilitate interpretation and cross-country comparison of the results, two annexes are prepared.

Table A1.1 describes sample-based definitions of the key variables. Values attributed to these variables correspond to a specific person in the sample. For example, e=1 means that this person is employed, and e=0 otherwise. Variables listed in Annex I are calculated country-by-country. Definitions of variables *may vary from country to country* depending on the particularities of the original survey data.

Table A1.2 presents population aggregates. The left column lists indicators which are reported in the table of results. The right column shows how these indicators are obtained from the corresponding aggregates of the individual-level variables listed in Annex I. Aggregate indicators are calculated in *the same way for all countries*.

Table A1.1: Definition of the Key Variables (on the level of individuals in the sample)

Variable (person's status)	**Definition** (general and country-specific)
pop 1: in population	**In population**: variable equals to 1 for individuals with non-missing and non-zero identification numbers. this variable serves to calculate total population and various ratios.
e 1: employed 0: otherwise	**Employed:** any remunerated activity in the past 7 days, or no activity since temporary absent from job: Albania: a) Worked in the past 7 days OR b) Performed any occasional work in the past 7 days OR c) Temporarily absent from a long term job Bosnia: a) Worked in the past 7 days: any income earning activity OR c) Have a job to go back to Bulgaria: Status of employed in the cleaned file *PersonalInformation.dta* (based on the past 7 days) Kosovo: a) Worked in the past 7 days OR b) Performed any occasional work in the past 7 days OR c) Temporarily absent from a long term job Romania: a) Worked in the past 7 days: any income earning activity OR c) Temporarily absent from a long term job Serbia: a) Worked in the past 7 days: any income earning activity OR c) Have a job to go back to

Table A1.1: Definition of the key variables (on the level of individuals in the sample) (cont'd)

u_relaxed 1: unemployed 0: otherwise	**Unemployed (ILO relaxed definition):** people without work during the past 7 days and ready to start working within the following 2 weeks. In addition, for all 5 countries students are excluded from the pool of unemployed, e.g. if a person is currently in education, or if being a student is the main reason why the person did not search for a work Albania: a) No job in the past week AND no occasional job in the past week AND no perm job AND b) Ready to start work within 2 weeks AND c) Excluding those enrolled / reported being a student as the main reason for not searching a job Bosnia: a) Status of unemployed (couldn't find job, don't want to work) AND b) Able to start working in within next two weeks AND c) Excluding those enrolled / reported being a student as the main reason for not searching a job Bulgaria: a) Status of unemployed in the cleaned file *PersonalInformation.dta* (based on the past 7 days) AND b) Willingness to start a new job in next 7 days AND c) Excluding those enrolled / reported being a student as the main reason for not searching a job Kosovo: Without work past 7 days AND potentially available to start working (proxy). Since the survey does not have the question "ready to start work?", availability for a job is proxied by positive answers on questions like "Waiting for reply from employer; Waiting for recall by employer; Waiting for busy season, etc" Romania: a) Without work past week AND d) Ready to start working within 2 next weeks AND c) Excluding those enrolled / reported being a student as the main reason for not searching a job

Table A1.1: Definition of the key variables (on the level of individuals in the sample)

u_relaxed 1: unemployed 0: otherwise **u_ilo** 1: unemployed 0: otherwise	Serbia: a) Status of unemployed (unemployed, looking for a job) b) Able to start working right away, if a job was offered today c) Excluding those currently enrolled **Unemployed (ILO strict definition):** u_relaxed and looking for a job: Albania, Bosnia, Romania, Serbia: u_relaxed and looking for a job in the past 4 weeks Bulgaria: u_relaxed and searching for a job at least 1 hour during the past 7 days (Number of hours spent of job search is available. Values range from zero and up.) Kosovo: Since the criterion " u_relaxed and searching for a job in the past 7 days" gives zero observations, an alternative definition of u_ilo is adopted: "no work and looking for a job in the past 7days".
u = u_ilo	**The default indicator of unemployment** (for calculation of labor force and other indicators) **u_ilo** is currently set to be this default indicator.
Lf 1: in LF 0: otherwise	**For all 5 countries:** **Labor force:** A person is in the labor force if he/she is employed or ILO strict unemployed
lf_relaxed (1/0)	**For all 5 countries:** **Labor force (ILO-relaxed) :** if a person is employed or ILO relaxed unemployed
inedu (1/0/.)	In education: **1:yes, 0: no, missing otherwise** Albania: in education during the past 4 weeks Bosnia: presently attending school (school year 2001-2002) Bulgaria: education status – YES – in the cleaned file *PersonalInformation.dta* Kosovo: currently enrolled in school

Table A1.1: Definition of the key variables (on the level of individuals in the sample) (cont'd)

inedu (1/0/.)	Romania: in education during the past 4 weeks Serbia: economic status of pupil or student
edu_nlf (1/0)	In education AND in not in the labor force: **1 if true, 0 otherwise** (inedu==1 & lf==0)
nedu_nlf (1/0)	Not in education AND not in the labor force: **1 if true, 0 otherwise** (inedu==0 | inedu==.) & lf==0
nedu_ne (1/0)	Not in education AND not in employment: **1 if true, 0 otherwise** (inedu==0 | indedu==.) & e==0
ltu (1/0)	Long-term unemployed: **1 if true, 0 otherwise – persons who are ILO-relaxed unemployed for 12 months or more** Albania: ILO-relaxed unemployed AND without job for 12 months or more (no regular job, no occasional job) Bosnia: ILO-relaxed unemployed AND not worked more than one year Bulgaria: ILO-relaxed unemployed AND search for a job from 1 to 10 years Kosovo: without work for the past 12 months and potentially available to start working (Since the survey does not have the question "ready to start work?", availability for a job is proxied by positive answers on questions like "Waiting for reply from employer; Waiting for recall by employer; Waiting for busy season, etc") Romania: n.a. Serbia: ILO-relaxed unemployed AND not worked 6 months or more
u_ilo_reg (1/0)	ILO-unemployed registered in the employment office: **1 if true, 0 otherwise** Albania, Bosnia, Bulgaria, Romania, Serbia: OK. Kosovo: n.a.
u_ilo_ub (1/0)	ILO-unemployed receiving unemployment benefits: **1 if true, 0 otherwise** Albania: ilo-unemployed and belongs to the household which received u-benefits in the past 12 months Bosnia: ilo-unemployed registered in the empl. office and receiving one of the three types of benefits: cash benefits, health insurance, or pension insurance

Table A1.1: Definition of the key variables (on the level of individuals in the sample) (cont'd)

u_ilo_ub (1/0)	Bulgaria: ilo-unemployed and received any form of u-benefits Kosovo: n.a. Romania, Serbia: ilo-unemployed and receiving u-benefits
u_nexp (1/0)	Unemployed without work experience: **1 if true, 0 otherwise** Albania: Unemployed who never worked or last worked before 1990 Bosnia: Unemployed who never had work experience Bulgaria, Kosovo, Romania: n.a. Serbia: Unemployed who last worked 10 years ago and before (i.e. before 1992)
jobsearch	Ways unemployed used to search for a job
we (1/0/.)	Wage employed: **1 if true, 0 if not, missing otherwise** Albania: Main job. Employed who receives wages, salary or other cash payments Bosnia: Main job. Employed who receives salary or part of one Bulgaria: Main job. Working for a wage or revenue during the past 7 days. Kosovo: Main job. Received wages, salary or other payments for the work. Romania, Serbia: Main job. Last 7 days.
we_temp (1/0/.)	Wage employed in temporary employment: **1 if true, 0 if not, missing otherwise** Albania, Kosovo: **n.a.** Bosnia: wage employed AND being a seasonal worker Bulgaria: wage employed in temporary employment (with contract and without a contract) Romania: wage employed having the term contract Serbia: wage employed in contract or seasonal Employment

Table A1.1: Definition of the key variables (on the level of individuals in the sample) (cont'd)

we_noc **we_nsc** **we_noc_nsc**	**Measures of low-quality job:** Albania: (i) no contract: **n.a.** (ii) no soc.sec. contributions: wage employed who are NOT ENTITLED to the benefits of social security scheme in the main job (iii) no contrac or no soc.sec. contributions ==(ii) Bosnia: (i) no contract: **n.a.** (ii) no soc.sec. contributions: wage employed who DO NOT RECEIVE <health insurance> no <pension insurance> in the main job (iii) no contrac or no soc.sec. contributions ==(ii) Bulgaria: (i) no contract: wage employed without contract, main job. (ii) no soc.sec. contributions: wage employed who DO NOT HAVE a paid leave in the main job (iii) no contrac or no soc.sec. contributions = (i) + (ii) Kosovo: (i) no contract: **n.a.** (ii) no soc.sec. contributions: **n.a.** (iii) no contrac or no soc.sec. contributions: **n.a.** Romania: (i) no contract: wage employed hired without a contract (civil law agreement, verbal agreement, or other) (ii) no soc.sec. contributions: n.a. (iii) no contrac or no soc.sec. contributions: = =(i)

Table A1.1: Definition of the key variables (on the level of individuals in the sample) (cont'd)

we_noc_nsc	Serbia: (i) no contract: wage employed who is not officially employed and who is not working on contract (ii) no soc.sec. contributions: wage employed who have the status < Full time job, but no insurance paid>. Note that this question does not cover all wage employed. There are wage employed with other type of status such as Working on contract, Part time job, Seasonal job. (iii) no contrac or no soc.sec. contributions: ==(ii)
selfe (1/0/.)	**Self-employed:** 1 if true, 0 if not, missing otherwise Albania: workers on own account or unpaid workers in a household farm or non-farm business enterprise Bosnia: wage employed AND carrying out independent activity, profession (has own business, shop, farm, free profession) Bulgaria: person doing own business or working on own farm Kosovo: work on own account / household enterprise Romania: self-employed agricultural worker or self-employed worker in non-agricultural activities. Serbia: employer (owner/co owner of the company or store); individual farmer; freelancer, lawyer, artist
edu_e (1/0)	Combining education and employment: **1 if true, 0 otherwise** Albania: in education during the past 4 weeks AND employed (e==1) Bosnia: presently attending school (school year 2001-2002) AND employed (e==1) Bulgaria: present status "in education" AND employed (e==1) Kosovo: currently attending school AND employed (e==1) Romania: in education during the past 4 weeks AND employed (e==1) Serbia: status of student/pupil AND employed (e==1)

Table A1.1: Definition of the key variables (on the level of individuals in the sample) (cont'd)

edu_e (1/0)	Combining education and employment: **1 if true, 0 otherwise** Albania: in education during the past 4 weeks AND employed (e==1) Bosnia: presently attending school (school year 2001-2002) AND employed (e==1) Bulgaria: present status "in education" AND employed (e==1) Kosovo: currently attending school AND employed (e==1) Romania: in education during the past 4 weeks AND employed (e==1) Serbia: status of student/pupil AND employed (e==1)
w_we	Hourly wage of wage employed: Albania: Main job. Weakly net earnings / # hours worked per week In case of daily pay, weakly earnings = (daily rate) x (#days worked over the past 7 days) In case of weekly pay, weakly earnings = the amount reported In case of 2-week or monthly pay, weekly salary is obtained by dividing the reported amount by 2 or by 4, correspondingly (In these cases, the actual working period is not reported; hours worked are reported for the past 7 days only) Bosnia: Main job. Usual monthly net earnings / usual monthly # hours worked Usual monthly net earnings are directly reported. Usual monthly # hours = 4 x (reported usual weekly # hours worked) Bulgaria: Main job. Weakly net earnings / actual # hours worked per last week Weakly net earnings = (actual net earnings over the past month)/ 4 Kosovo: Main job. Total gross actual last payment / actual # hours worked for the reported pay. (The questionnaire asked to include any hours of paid vacation or sick leave). Romania: Non available (hours or work are not reported). Monthly wage rate is used. Serbia: Main job. Total net actual monthly payment / actual # hours worked per month.

Table A1.1: Definition of the Key Variables (on the level of individuals in the sample) (cont'd)

Categorical variables	
Age	actual age, # of years
age15_19	1 if age = 15 to 19, 0 otherwise
age20_24	**1 if age = 20 to 24, 0 otherwise**
age15_24	Youth: **1 if age = 15 to 24, 0 otherwise**
age25_	Adults: **1 if age = 25 or more, 0 otherwise**
age15_	All: **1 if age = 15 or more, 0 otherwise**
you1_adu2	**1 if age = 15 to 24, 2 if age = 25 or more, 0 otherwise**
Gender	Gender **1: males, 2: females**
Ethnicity	Ethnicity or nationality
rur_urb	Location **1: rural, 2:urban, 3:mixed**
edu_lev3	Education level **1: primary or less, 2: secondary or vocational, 3: higher or university or post-grad, missing otherwise**
Disabl	Disability
	Albania, Romania: 1: disabled or out of work due to illness for 3 months and more; 0: no;
	missing otherwise
	Kosovo: 1 if holds a disability card OR missed 20 or more days of primary daily activities during the past 4 weeks due to poor health. 0: no; missing otherwise.
	Bosnia, Bulgaria, Serbia: n.a.
Consumption	Total monthly family consumption per capita:
	Albania: the sum of a) daily food consumption (re-based to one month) and b) monthly non-food consumption
	- a) daily food consumption (average over 14 days)
	1Value of food products purchased daily
	2Value of non-purchased food products consumed daily
	3Value of food eaten outside home
	4Value of the consumed 14 food components non-recorded above
	- b) non-food consumption
	Other countries: household consumption is directly reported

Table A1.1. Calculation of indicators (population aggregates)

Indicator	(as written in the table with results)	Calculation of population aggregates (Variables below correspond to population aggregates of variables with the same names defined in Table A1[17])	Sub-category
1	Urilo	u_ilo/lf	by 5 age groups:
2	Uratio	u/pop	15-19
3	Urilo_relaxed	u_relaxed/lf_relaxed	20-24
4	Eratio	e/pop	15-24 (Youth)
5	LFPR	lf/pop	25+ (Adults)
			15+ (All)
6	NEDU_nLF_ratio	nedu_nlf/pop	by 3 groups + disabl:
			15-19
7	NEDU_nE_ratio	nedu_ne/pop	20-24
			15-24 (Youth)
			15-24 & disabled
8	Long-term unemployment		by 5 age groups:
a	LTUR (as share of LF-relaxed)	ltu/lf_relaxed	15-19
			20-24
b	LTU_incidence (as share of total U-relaxed)	ltu/u_relaxed	15-24 (Youth)
			25+ (Adults)
			15+ (All)
9	UR_youth/UR_adult	$[u/lf]_{youth}/[u/lf]_{adults}$	
10	U_youth/U_total	$[u]_{youth}/[u]_{youth+adults}$	

[17] *For example, u_ilo/lf means the ratio of the total number of ILO-unemployed to total labor force.*

Table A1.1. Calculation of Indicators (population aggregates) (cont'd)

Indicator	(as written in the table with results)	Calculation of population aggregates (Variables below correspond to <u>population aggregates</u> of variables with the same names defined in Table A1[18])	Sub-category
11	LTU_youth/LTU_total	$[ltu]_{youth}/[ltu]_{youth+adults}$	
12	U_youth_noexp/U_youth	u_nexp /u	For 15-24 (Youth)
13	*Nature of youth work:*		
a	wage employed/employed	we /e	For 15-24 (Youth)
b	wage empl_noc/wage employed	we_noc /we	For 15-24 (Youth)
c	wage empl_tempe/wage employed	we_temp /we	For 15-24 (Youth)
d	self employed/employed	selfe /e	For 15-24 (Youth)
e	combining work&edu/employed	edu_e /e	For 15-24 (Youth)
14a 14b 14c	U ratio (for aged 15-24) nEDU_nLF_ratio (for aged 15-24) nEDU_nE_ratio (for aged 15-24)	u/pop nedu_nlf/pop nedu_ne/pop	<u>separately by:</u> - gender (m/f) - ethnicity - rural/urban/mixed - edu level (1/2/3) - disability status (1/0)
15	a) U_ILO_registered/U_ILO b) U_ILO_ubenefits/U_ILO	u_ilo_reg/u_ilo u_ilo_ub/u_ilo	For 15-24 (Youth) and 25+ (Adults)
16a 16b 16c	hourly wages of youth hourly wages of adults wages of youth to adult	$[w\_we]_{youth}$ $[w\_we]_{adults}$ $[w\_we]_{youth}/[w\_we]_{adults}$	

[18] *For example, u_ilo/lf means the ratio of the total number of ILO-unemployed to total labor force.*

Table A1.1. Calculation of Indicators (population aggregates) (cont'd)

Indicator	(as written in the table with results)	Calculation of population aggregates (Variables below correspond to population aggregates of variables with the same names defined in Table A1[19])	Sub-category
17	poverty ratio	$[cons\_m\_pc]_{20\%poorest}/[cons\_m\_pc]_{all}$	
18	Poverty rates: a) youth, b) adults, c) all	x_poor/x, where x is one of 6 categories	separately by: e,u_ilo, lf, u_relaxed, nedu_ne, nedu_nlf
20	#U_discouraged/ #U_relaxed	u_discouraged/ u_relaxed	by 5 age groups
21	U rate for youth: a) ILO-strict; b) ILO-relaxed	a) u/lf b) u_relaxed/lf_relaxed	by gender, ethnicity, rurral/urban
22	Low quality jobs: a) youth, b) adults, c) all	I. we_noc,we_nsc,we_noc_nsc / we II. Corresponding poverty rates	

[19] *For example, u_ilo/lf means the ratio of the total number of ILO-unemployed to total labor force.*

Annex 2: Multivariate Correlates of Youth Unemployment and Youth Idleness

Table A2: Marginal Effects of Selected Characteristics Obtained from Probit Estimates of the Probability of Being Unemployed and Being out of School out of Employment

	(i) ILO-strict Unemployed, Youth	(ii) ILO-strict Unemployed, Adults	(iii) Out of School out of Employment, Youth
Sample for estimation	Labor force, youth	Labor force, adults	Out of school, youth
Albania			
Individual characteristics			
Female	-0,161 *	-0,012 **	0,033
Albanian (control)	-	-	-
Greek	-0,307 ***	(F)	(F)
Roma	(F)	0,049	(S)
Macedonian	(C)	0,170	(C)
Disability/illness	0,126	-0,007	0,117
No work experience	0,975 ***	(S)	(S)
Primary education or less (control)	-	-	-
Secondary / vocational	-0,115	-0,005	-0,046
Higher / university	-0,330 ***	-0,032 ***	(F)
Local labor market characteristics			
Rural	-0,453 ***	-0,111 ***	-0,184 ***
Regional unemployment rate	2,392 ***	0,366 ***	0,801 ***
Nsample	1193	4905	1038
Pseudo R2	0,768	0,194	0,106
Nsample – population equivalent	252 199	1 035 364	223 863
Bosnia-Herzegovina			
Individual characteristics			
Female	0,002	-0,023 ***	-0,094 **
Disability/illness	(C)	(C)	(C)
No work experience	(S)	(S)	(S)
Primary education or less (control)	-	-	-
Secondary / vocational	-0,089	-0,011	-0,232 ***
Higher / university	(F)	-0,059 ***	(F)
Local labor market characteristics			
Rural	-0,008	0,000	0,088 *
Regional unemployment rate	0,458 **	0,421 ***	0,647 **
Nsample	328	4190	505
Pseudo R2	0,037	0,038	0,045
Nsample – population equivalent	77 609	808 781	122 292

Table A2: Marginal Effects of Selected Characteristics Obtained from Probit Estimates of the Probability of Being Unemployed and Being out of School out of Employment (cont'd)

Bulgaria			
Individual characteristics			
Female	-0,125 **	0,025 *	-0,028
Bulgarian (control)	-	-	-
Turk	0,121 *	0,116 **	0,047
Roma	0,463 ***	0,377 ***	0,289 ***
Other	-0,019	0,052	0,055
Primary education or less (control)	-	-	-
Secondary / vocational	-0,027	-0,017	-0,148 *
Higher / university	-0,214	-0,146 ***	-0,340 ***
Local labor market characteristics			
Rural	0,035	0,061 **	0,023
Regional unemployment rate	0,578 **	0,714 ***	0,394 *
Nsample	440	2786	684
Pseudo R2	0,202	0,162	0,139
Nsample – population equivalent	425 867	2 820 119	658 783
Kosovo			
Individual characteristics			
Female	0,091 **	0,000	0,299 ***
Albanian (control)	-	-	-
Croat	-	-	-0,296 ***
Muslim/Slav/Bosniac/Gorani	0,243 *	0,080	0,081
Roma	0,019	0,134 **	0,047
Serb	0,093	-0,013	-0,056
Turk	-0,226 ***	-0,017	-0,309 ***
Disability/illness	0,070	0,019	0,119 ***
Primary education or less (control)	-	-	-
Secondary / vocational	-0,060	0,031 *	-0,053 *
Higher / university	-0,087	0,004	-0,004
Local labor market characteristics			
Rural	-0,217 ***	-0,044 ***	-0,108 ***
Regional unemployment rate	1,827 ***	0,580 ***	0,249
Nsample	1054	4194	2238
Pseudo R2	0,112	0,075	0,102

Notes: (C) Dropped due to collinearity; (F) Dropped since predicts failure perfectly

(S) Dropped since predicts success perfectly

***, **, and * means statistically significant at 1 percent, 5 percent and 10 percent levels respectively

Table A2: Marginal Effects of Selected Characteristics Obtained from Probit Estimates of the Probability of Being Unemployed and Being out of School out of Employment (cont'd)

Romania			
Individual characteristics			
Female	-0,052 **	-0,014 ***	0,025
Romanian (control)	-	-	-
Hungarian (incl.Szekely)	-0,048	-0,005	-0,062
Roma (Gypsy)	-0,034	0,029	0,069
German	(C)	(F)	(C)
Other	0,461 **	0,135 ***	0,437 ***
Disability/illness	(C)	(F)	(S)
Primary education or less (control)	-	-	-
Secondary / vocational	0,012	0,043 ***	-0,116 **
Higher / university	0,085	0,021	-0,186 **
Local labor marke characteristics			
Regional unemployment rate	1,724 ***	0,572 ***	1,953 ***
Nsample	1185	8850	1457
Pseudo R2	0,041	0,067	0,023
Nsample – population equivalent	1309293	8 131 818	1 611 058
Serbia			
Individual characteristics			
Female	-0,003	0,008	0,017
No work experience	(C)	0,516 ***	(C)
Primary education or less (control)	-	-	-
Secondary / vocational	0,035	0,039 ***	-0,006
Higher / university	-0,210 **	0,014	(S)
Local labor market characteristics			
Rural	-0,025	-0,017 **	-0,129 ***
Regional unemployment rate	3,234 ***	0,689 ***	-0,275
Nsample	835	8543	687
Pseudo R2	0,042	0,063	0,029
Nsample – population equivalent	322 109	3 227 280	256 223

Notes: (C) Dropped due to collinearity; (F) Dropped since predicts failure perfectly

(S) Dropped since predicts success perfectly

***, **, and * means statistically significant at 1 percent, 5 percent and 10 percent levels respectively.

Marginal effects evaluated at the mean for continuous variables.

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