

YOUTH EMPLOYMENT IN THE REPUBLIC OF SERBIA

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Msc Natalija Mirić

University of Belgrade Faculty of Geography, Serbia

ABSTRACT

This paper analyzes the situation of young people on the labor market in Serbia. The analysis is based on data from the Labour Force Survey for the period from 2004 to 2014. Analysis of the situation of young people on the labor market in Serbia is shown through comparison with indicators of the labor market of the total population. Analysis of youth employment is complemented by crossing with their educational and professional structure. The vulnerability of young people on the labor market shows nearly three times lower rate of economic activity and employment, or three times higher rate of unemployment among young people than the national average. Half of employed young people work in the informal sector, which may adversely affect on their status on the labor market in the future. Similarly, the Labour Force Survey shows that highly educated young people trapped in low skilled and low-productivity jobs.

Keywords: the young, employment, unemployment, educational level, occupation

INTRODUCTION

Youth is a crucial time of life when young people start realizing their aspirations, assuming their economic independence and finding their place in society [4]. The path to independence can be straightforward (from formal education directly into full-time work) or more fragmented (combining schooling with part-time work or alternating inactivity, work and/or unemployment) [6]. Young people play an important part in the dynamics of the labor market because they are a source of labor supply. As older people move out of economic activity through retirement, whether voluntary or involuntary, young people are needed to fill the gap [3]. Young people face great difficulties in entering the labor market nowadays. Although today's young people are less numerous and better educated than their older counterparts, the transition into the labor market often remains difficult for them, and many of those who have already gained a foothold in the labor market hold lower quality jobs. This situation could be explained by a possible mismatch of skills acquired in initial education and labor market requirements, the economic situation, general labor market conditions and labor legislation which may not favour the integration of inexperienced people into employment [7]. Young people who enter the labor market for the first time are exposed to this uncertainty, since schoolleavers without any work experience ('outsiders') have to compete for the (scarce) available jobs with those who have already gained a position in the labor market ('insiders') [9].

Serbia's overall labor market performance is very poor. Youth labor market is in particularly difficult situation. Factors which may explain the poor labor market of young people are belated restructuring of social enterprises, as well as the inability of the economy to create new jobs, at least in the formal sector. Problematic enter in the world of labor has serious social consequences for young people, including a higher risk of poverty and loss of skills. Even though some young people will sooner or later find permanent employment, much of it remains trapped in temporary and poorly paid jobs

that difficult to leave [8]. Besides, young people have greater risk of unemployment than the general working age population in Serbia. This suggests that losing those human resources that have the potential to significantly contribute to economic and social development.

METHODOLOGY AND SOURCE OF DATE

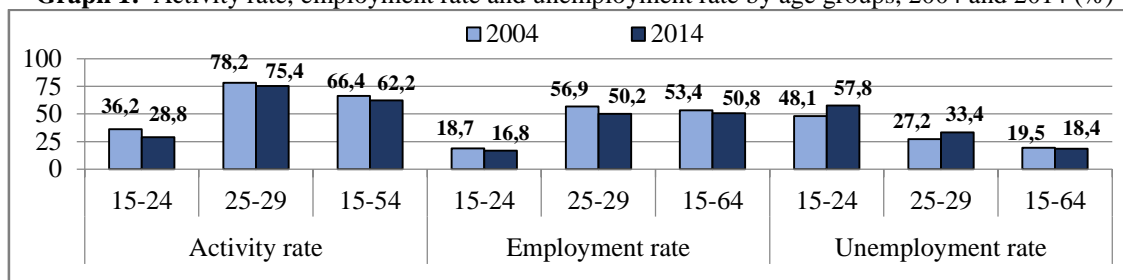
This paper analyzes the situation of young people on the labor market in Serbia, based on the data from the Labour Force Survey (the reports from 2004 and 2014). In this analysis, the young population will be divided into two age groups (15–24 and 25–29) in order to better reflect the diversity of situations of young people in Serbia. Most young people aged 15–24 are still in education and conversely most people aged 25–29 have already gained a foothold in the labor market. 24 is the theoretical age of completion for tertiary education. The main indicators which used in this analysis are: activity rates which represents active persons as a percentage of the total population of the same age (15-24 and 25-29); unemployment rate is the number of people unemployed as a percentage of the labor force of the same age (15-24 and 25-29); employment rate is number of people employed as a percentage of the total population of the same age (15-24 and 25-29). The focus of paper is employment of young people in Serbia. Analysis of youth employment is complemented by their educational structure, professional status, professional structure, and types of working hours. According to professional status of employed people, the young employed people are divided on three categories: self-employed, employees and family workers. Self-employed are persons who work in their own business, professional practice or farm for the purpose of earning a profit, and who either work on their own or employ at least one other person. Employees are defined as persons who work for a public or private employer and who receive compensation in the form of wages, salaries, fees, gratuities, payment by results or payment in kind; non-conscript members of the armed forces are also included. Family workers are persons who help another member of the family to run a farm or other business, provided they are not classed as employees. The types of working hours analyzed as percentage of part-time job among young workers and reasons for having a part-time job. The reasons for having a part-time job including: education and training, could not find a full-time job and other reasons (such as disease and disability, care of children or incapacitated elderly and other family reasons). The data concerning occupation used for analysis mainly follows the International Standard Classification of Occupations (ISCO). According to the International Standard Classification of Occupations, the category ‘skilled non-manual’ includes ‘legislators, senior officials and managers’, ‘professionals’ and ‘technicians and associate professionals’; the category ‘low skilled non-manual’ includes ‘clerks’ and ‘service workers and shop and market sales workers’; the category ‘skilled manual’ includes ‘skilled agricultural and fishery workers’, ‘craft and related traded workers’ and ‘plant and machine operators and assemblers. The educational structure of young people was analyzed on three levels: low (international equivalent is ISCED 2 - primary education/elementary school), medium (international equivalent is ISCED 3 and 4 - secondary education/high school) and high (international equivalent is ISCED 5, 6 and 7 - tertiary education/ faculty, masters, doctor’s study).

RESULTS

Regarding activity rates (employment and unemployment taken together), the Serbian population aged between 15 and 29 is considerably heterogeneous. Market young workers

aged 15-24 is characterized by very low activity rates (28.8%), while activity rate of young aged 25-29 (75.9%) is above the national average (62.2%). The activity rate of youth in Serbia is lower than the average for the European Union which amounts to around 40% for the group aged 15-24 and around 80% for the group aged 25-29 [12]. Reducing the rate of activity is characteristic of the entire population of Serbia in the period 2004-2014, but is most pronounced among the youngest (15-24). The low activity rate among young people is mainly attributed by the extensive education and the fact that most of the students do not work while they are studying [8].

Graph 1: Activity rate, employment rate and unemployment rate by age groups, 2004 and 2014 (%)



Source: Labor Force Survey 2004-2014

Unemployment is a problem of the entire Serbian population. However, youth are most affected by this problem. Unemployment rate of young people aged 15-24 is a triple, and young aged 25-29 double higher compared to the general unemployment rate in Serbia (18.4% in 2014). On the unfavorable position of young people on the labor market in Serbia suggests comparison with the European Union, where the youth unemployment rate (18.3%) was significantly lower than in Serbia (46.1%) [12]. One of the key reasons why unemployment tends to be higher among young people than among adults relates to the existence of “job queues”, because employers often prefer experienced workers. Other significant factors relate to the higher levels of job-changing among young workers, to redundancy policies based on the “last-in, first-out” principle, and to the lower levels of job protection afforded to new workers [2] [11]. Unemployment early in life can affect in prospects of young people's access in decent work [1]. The share of long-term unemployment of young people is lower than among the entire population of working age (52.8% versus 71.5%). The reasons to explain this can include the higher mobility and adaptability of young people, the lower pay offered to young people than to their more experienced elders but also a more frequent return to education for those aged 15–24 after an unemployment spell [6].

In 2014, 16.8% of young people aged 15-24 and 50.2% of young people aged 25-29 were employed in Serbia. The percentage of employed young people is significantly higher in the EU than in Serbia (32.2% of employed among young aged 15-24, and 70.4% of employed among young aged 25-29) [12]. Given the overall decline of employment in Serbia, both categories of young people are recorded reduction of employment rate in the period 2004-2014. That education is the best insurance against unemployment is confirmed by the data in Table 1. The employment rate and education are positively correlated in all age groups. Half of highly educated young people aged 25-29 and 38.4% of highly educated young people aged 15-24 were employed. However, the employment rate of young highly educated population is significantly lower in comparison to the highly educated in the whole working contingent (69.9%). Very low employment rate of low-educated (4.2%) and medium-educated (18.0%) among young people aged 15-24

years, can be explained by the fact that most young people decide to continue their education which would improve their position on the labor market.

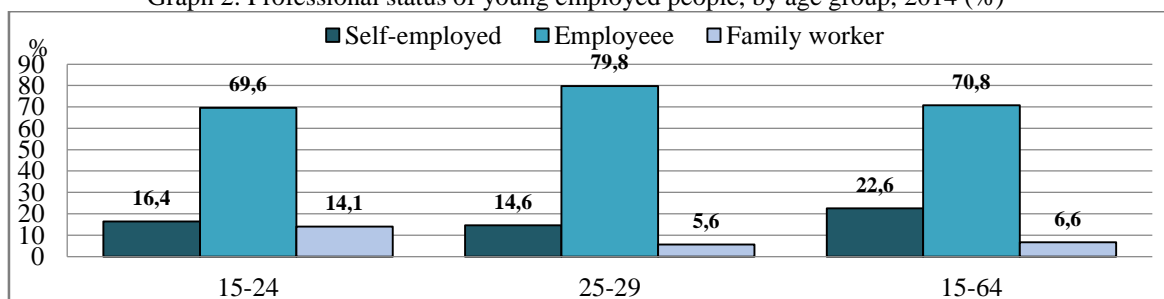
Table 1: Employment rate by level of education and age groups and education structure of employed people by age groups in Serbia, 2014 (%)

Age groups	Employment rate			Structure of employed people		
	Low	Medium	High	Low	Medium	High
15-24	4.2	18.0	38.4	14.1	75.7	10.2
25-29	38.4	50.1	55.6	10.6	61.6	27.9
15-64	29.7	51.0	67.9	16.5	59.8	23.7

Source: Labor Force Survey 2014

Although education is clearly improving opportunities on labor market, however most of highly educated young people in Serbia do not work. This phenomenon can be explained by two key factors. First, is an inappropriate matching of university degrees with demand occupations. Instruction and training in areas such as engineering and the physical sciences, which require more sophisticated equipment and technology, are often too costly for many universities in developing countries to provide. Consequently, engineering and high-tech jobs remain unfilled. The second factor is the overall lack of jobs in the formal economy. The informal sector of economy provides a few opportunities for young graduates to find work that corresponds to their level of educational attainment [11]. According to the Labour Force Survey, over 30% of young people are employed in the informal sector of economy. Young workers in the informal sector in Serbia have a low income, lack of social protection, security, nor able to require the realization of their labor rights. The possibility of becoming unemployed among informally employed is higher than among the formally employed workers.

Graph 2: Professional status of young employed people, by age group, 2014 (%)

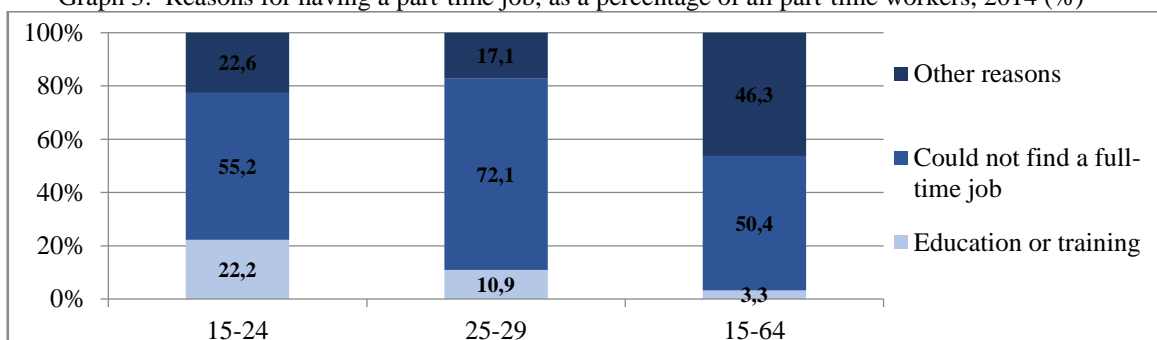


Source: Labor Force Survey 2014

Professional status varies among young people in employment: they can be self-employed (with or without employees), employees or family workers. As highlighted in Graph 2, the large majority of young people who are occupied in the labour market are employees. However, young people in Serbia reported also the non negligible shares of family workers and self-employed workers (especially among young 15-24 years old). This can be explained by high share of employment young people in the agricultural sector, but rarely by setting up their own business. However, youth entrepreneurship may be significant for improving the employment of young people, especially in circumstances in which they are able to work for pay limited [5]. By structure of economy in Serbia, characterized by a higher portion of agriculture in compared to the EU, can be explained big differences in professional status of youth in Serbia and the EU. The portion of self-

employed and family workers among young people aged 15-29 in the EU is only about 6% [12], while in Serbia is above 30%.

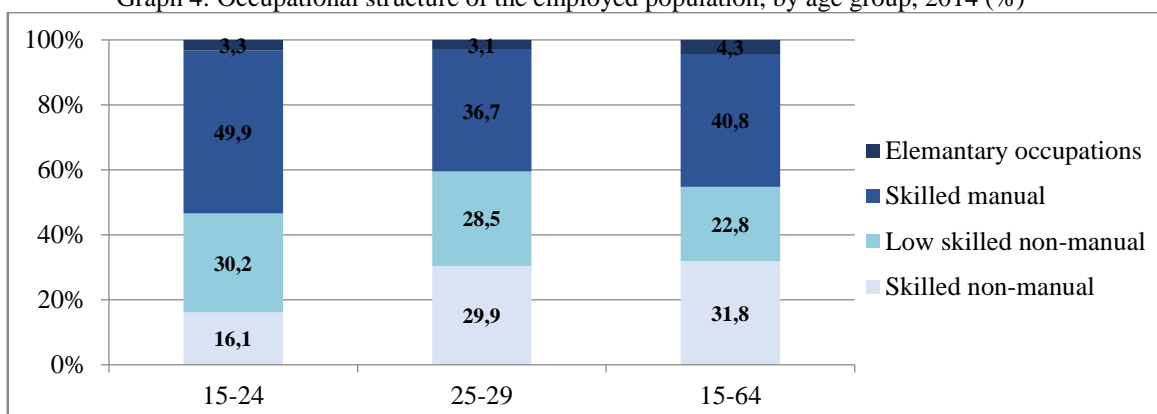
Graph 3: Reasons for having a part-time job, as a percentage of all part-time workers, 2014 (%)



Source: Labor Force Survey 2014

Many youth work in what is known as the intermediary zone which means that they are engaged in casual employment, “get by” through enforced self-employment, are underemployed, or hold a variety of part-time jobs [10]. Young people generally tend to work as employees, but not all of them have a full-time permanent job. For many young people, a part-time job is seen as a stepping-stone towards permanent employment. In 2014, 23,6% of employees aged 15-24 in Serbia worked part-time, mainly because they could not find a full-time job (55,2% of them). 22,2% of employees aged 15-24 worked part-time because they were still in education. This proportion fell by half when considering the population aged 25–29 (10,9% of employees aged 25-29 worked part-time because they were still in education). On the other side, the portion of employees aged 25-29 worked part-time because they could not find a full-time job is higher (72,1%) than among employees aged 15-24. The portion of employees aged 15-24 and 25-29 who worked part-time because other reasons is double lower than among employees aged 15-64 (see methodology chapter). An interesting is the reverse pattern of the reasons for performing part-time jobs among young people in Serbia and EU. On the one hand, over half of young people aged 15-24 in EU worked part-time jobs because education [12], on the other hand, over half of young people aged 15-24 in Serbia worked part-time jobs because they cannot find a full-time jobs.

Graph 4: Occupational structure of the employed population, by age group, 2014 (%)



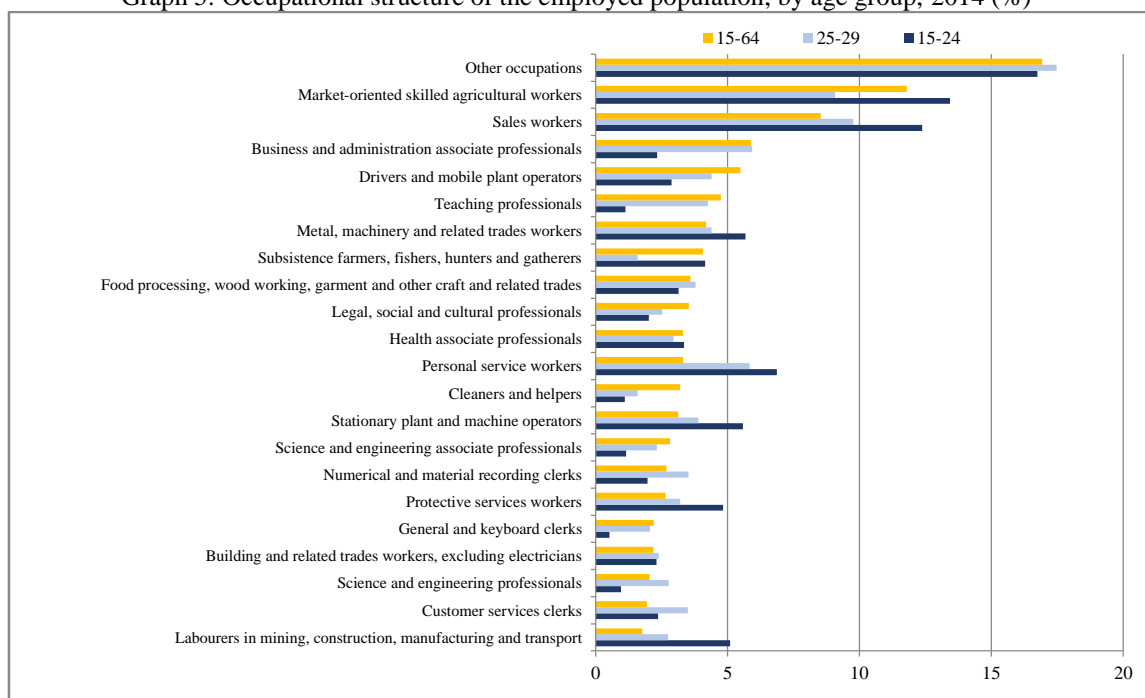
Source: Labor Force Survey 2014

Regarding employment by occupation, it is not surprising that young people aged 15-24 tend to work more frequently in occupations requiring lower qualifications than young people aged 25-29 who may be more qualified (see Table 1). This pattern may be

accentuated by the fact that higher proportions of young workers aged 15-24 hold part-time jobs (23.6%) compared to young workers aged 25-29 (10.9%). In 2014, 53% of workers aged 15–24 in Serbia were employed in elementary and skilled manual occupations. The proportion of young workers aged 15–24 employed in skilled manual and low-skilled non-manual occupations was higher by about 10%-15% than among those aged 25–29 and 15-64. The share of young people 15–24 employed in skilled non-manual occupations was double lower than in the older age groups 25–29 and 15-64. This may be attributable to the fact that young people aged between 15 and 24 years have not yet completed the necessary level of education to work in such positions or lack the required work experience to aspire to senior or management positions.

Occupational structure shows that more than half of young people employed in tertiary (service) sector of economy as well as total population of Serbia. Detailed occupational structure also shows that almost a fifth of young people aged 15-29 are employed in the agricultural sector, which is above the EU average (about 5%) [12]. By high proportion of agricultural sector can be explained non negligible share of self-employed and family workers among the young people in Serbia. Half of the young people aged 15-24 were employed in the six occupations: market-oriented skilled agricultural workers 13,4%, trade workers 12,4%, personal service workers 6,9%, metal, machinery and related trades workers 5,7%, stationary plant and machine operators 5,6%, labourers in mining, construction, manufacturing and transport 5,1%. With the exception of agricultural sector, the proportion of young people aged 25-29 in these occupations is lower in comparison to young people aged 15-24. On the other hand, better educational structure of youth aged 25-29 in comparison to young people aged 15-24 and whole working contingent, is reflected in their greater representation in occupations that employ highly skilled workforce (such as business and administration associate professionals 5,9%, teaching professionals 4,3%, science and engineering associate professionals 2,3%, numerical and material recording clerks 3,5%, science and engineering professionals 2,8%).

Graph 5: Occupational structure of the employed population, by age group, 2014 (%)



Source: Labor Force Survey 2014

CONCLUSION

The position of young people in the labor market in Serbia is very unfavorable, as evidenced by all the indicators included in the analysis. According to the Labour Force Survey in 2014, the employment rate of young people (15-29) in Serbia amounted to 26.5%, which is significantly lower than of youth employment in the EU (46.0%). On the other hand, the youth unemployment rate exceeds 45% in Serbia, while the percentage of the unemployed aged 15-29 is around 18% in the EU. Youth labor market in Serbia is characterized by relatively low activity (significantly lower than the national average and the rate of youth activities in the EU), mainly because education. On the disadvantage of young people on the labor market in Serbia indicates the fact that majority of highly educated young people in Serbia do not work. Employment rate of young highly educated population is significantly lower in comparison to the highly educated in the whole working contingent. The majority of young people are employees, but the portion of self-employed and family workers is not small (about 25% of young aged 15-29). This can be explained by high share of employment young people in the agricultural sector, but rarely by setting up their own business. However, youth entrepreneurship may be significant for improving the employment of young people, especially in circumstances in which they are able to work for pay limited. Young people are more likely to worked part-time jobs mainly because they could not find a full-time jobs. Observed by sector of economy, about half of young people were employed in the services sector as well as the total population of Serbia. It is noted higher participation of youth in the agricultural sector in compared to youth in the EU. Regarding employment by occupation, it is not surprising that young people aged 15-24 tend to work more frequently in occupations requiring lower qualifications than young people aged 25-29 who may be more qualified.

The disadvantaged position of young people on the labor market in Serbia is explained by the problem of incompatibility between the education system and actual demand of the economy, but by belated restructuring of social enterprises, as well as the inability of the economy to create new jobs, at least in the formal sector. Problematic enter in the world of labor has serious social consequences for young people, including a higher risk of poverty and loss of skills.

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