



YOUTH UNEMPLOYMENT IN SERBIA AND ALBANIA: PROMOTING ENTREPRENEURSHIP AS A WAY FORWARD

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Abstract:

A great disruption in both economic development and the business environment caused by the COVID-19, provoked a significant effect on youth unemployment. Youth unemployment remains an important problem for Western Balkan countries, along with additional challenges concerning education and business systems brought on by the pandemic. Entrepreneurship is recognized as one of the best solutions for overcoming the stated problem due to its many benefits. It is important to develop entrepreneurship among the young population to improve their economic independence and integrate them into the labor market. This paper discusses the post-Covid state of the unemployment levels, youth unemployment, and entrepreneurship, as possible stepping stones in the Republic of Serbia and the Republic of Albania.

Keywords:

entrepreneurship, youth unemployment, post-Covid environment, Serbia, Albania.

1. INTRODUCTION

Unemployment is rightly considered one of the most severe macroeconomic and social problems, leaving various negative effects on the national economy. High unemployment indicates a low level of economic activity in the national economy, insufficient utilization of human resources, and a lower average quality of life in the country, as well as a cause of social instability. An additional and more severe problem is the youth unemployment rate and the struggle of young people in the labor market, who are faced with lesser-quality jobs, lower wages, and temporary contracts. Balkan countries are facing many unemployed young people (Pavlović et al., 2017), which represents one of the most severe economic and social problems in the region.

The pandemic disrupted the global business environment and caused additional challenges to this matter. Global economic activities declined (Onyele & Nwadike, 2020), resulting in the majority of companies suffering remarkable financial losses (Jaina & Vermab, 2020; Zahariev et al., 2020; Ahsany et al., 2020). According to the ILO (2021) in 2020, nearly 8.8 % of overall working hours were lost because of the pandemic, around half because of reduced hours, and the other half because of job losses. Compared with 2019, total employment fell by 114 million. The conclusion of the recent research result (Maital & Barzani, 2020; Chen, 2021), is that technology will continue to replace employees, and that there will be additional downturn among active companies, leading to an ever-growing unemployment rate.

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According to Šumpeter (2012), economic development is highly correlated with entrepreneurial activity. According to Bakator et al. (2022), present and future challenges of the fragile markets and global economic environment require a new type of young entrepreneurs more fitted to overcome the instability. Some of the authors emphasize the strong role of entrepreneurship in the advancement and implementation of the fourth industrial revolution due to technical and social innovation, which are common to both (Ferreira, & Lisboa, 2019; Nichant, 2021).

In its recommendations and policy proposals, the International Labor Organization places special emphasis on the importance of developing entrepreneurship among young people, because it integrates young people into the labor market and improves their economic independence.

This paper aims to analyze the level of youth unemployment in both countries, as well as the barriers that young people face in the labor market, especially during the years marked by the pandemic. Furthermore, the goal of the research to demonstrate that the positive entrepreneurship trends in both countries could be viewed as a potential solution to the problem with an adequate approach.

2. UNEMPLOYMENT TRENDS IN SERBIA AND ALBANIA

Unemployment has been a long-standing limiting factor for the growth and development of the economy of the Western Balkan region. In addition to the surplus of supply over demand for labor in the labor market, unemployment is, at the same time, a consequence of structural changes, that is, the mismatch between supply and demand for labor and, in general, the consequence of a transitional process that has been going on for an unexpectedly long time, almost two decades (Gnjatović, Leković, 2019).

Due to high unemployment and a lack of opportunities for young people to find employment and training, the Western Balkan (WB) region still faces many challenges today. In many countries of the WB region, young people are losing hope in their future and are considering leaving their country in search of greater material and personal fulfillment. Governments, non-governmental organizations, and businesses are continuously trying to find the most effective solutions.

2.1. THE CASE OF SERBIA

The situation in the labor market of Serbia measured by the basic Labor Force Survey (LFS) indicators reveals a significant labor market recovery in the period 2015–2020, during which time the unemployment rate decreased. According to available data from the National Bank of

Serbia (2022), COVID-19 and the negative effects of the pandemic disturbed the economy of Serbia more so than in the majority of European countries. The reason is previous responsible economic politics and fiscal consolidation that led to macroeconomic and financial stability.

Figure 1. Key labor market indicators in Serbia 2018-2022, according to Labor Force Survey (LFS), (%):

Year	2018	2019	2020*	2021*
Aged 15-64				
Activity rate	67.8	68.1	66.4	70.3
Unemployment rate	13.3	10.9	10.1	11.4
Inactivity rate	32.2	31.9	33.6	29.7
Aged 15-24				
Activity rate	30	29.6	28.0	33.3
Unemployment rate	29.7	27.5	27.7	26.4
Inactivity rate	70.0	70.4	72.0	66.7

Source: Statistical Office of the Republic (2019, 2021)

* LFS data revised according to the new methodology from 2021.

The pandemic and new economic crisis affected many individuals by preventing them to look for a job or start working, which caused greater unemployment and increased inactivity rates. However, despite the encouraging results, the problem of youth inactivity persists, while the youth unemployment rate remains higher among young people than prime-age adults. Young people in Serbia today, similar to their peers all over the world, struggle in the labor market by being confronted with a lack of experience, lesser-quality jobs, and lower wages.

When observing the statistical data, we can see that the positive trend of new entrepreneurs remained high during 2020, resulting in 9,971 new active entrepreneurs, despite the negative effects of the pandemic. That year also witnessed the highest number of newly established business subjects in the Belgrade region, when compared with previous years. Analyzing the types of activities shows that more than 60,000 enterprises were involved in wholesale and retail trade, the repair of motor vehicles and motorcycles, followed by over 40,000 in manufacturing and professional, scientific, and technical activities.

According to the Serbian Business Registers Agency (APR, 2021), among the registered active entrepreneurs, 66,977 domestic persons belong to the group of young entrepreneurs, since they are between 18 and 35 years old. This makes up 23.1% of the total number of registered entrepreneurs. Most young entrepreneurs are registered to perform computer programming activities, hairdressing and beauty salons, restaurants and mobile catering consulting activities related to business and other management,



road freight transport, beverage preparation, and serving services, maintenance and repair of motor vehicles, trade-in few in non-specialized stores, taxi transport, specialized design activities.

Despite the obvious benefits of empowering youth employment and entrepreneurship, most countries still face challenges when it comes to achieving desired results. The integration of young individuals into the labor market is not an effortless process. Young people face various obstacles, such as a lack of entrepreneurship education, lack of information on various initiatives and support services, lack of capital, etc. To overcome this problem, various state institutions, such as the Ministry of Youth and Sports, the National Employment Service, Development Agency government units, through youth offices, are aiming to encourage the entrepreneurial spirit among young people mainly through informal education, such as workshops, training, seminars, etc.

2.2. THE CASE OF ALBANIA

Knowledge and education are essential to Albania's human activities and manufacturing processes, just as they are in contemporary countries. The value of people who can adapt to innovation and possess high technical skills, in conjunction with the ongoing demand for change, is highlighted through changes in the labor market. As a result, the value of human capital and its technological capabilities for economic growth is emphasized even more. In Albania, women still outnumber men in the workforce, but the gap is closing every day. Since it is challenging to find work after graduating from college, which results in joblessness for individuals who have graduated, youth unemployment is a recurring issue in society.

Figure 2. Key Labor Indicators in Albania 2018-2022, (%)

Year	2018	2019	2020	2021
Aged 15-64				
Activity rate	68.3	69.6	69.1	69.3
Unemployment rate	12.8	12.0	12.2	12.0
Inactivity rate	31.7	30.4	30.9	30.7
Aged 15-24				
Activity rate	35.6	36.5	33.3	34.6
Unemployment rate	28.1	27.2	30.3	27.8
Inactivity rate	64.4	63.5	66.7	65.4

Source: ILOSTAT, 2022

The unemployment rate was 12% in 2021 and improved compared to the same period in 2020 when it was at 12.2%, while the employment rate was 60.9 %, with a difference of 1.4 % from 2018 at the level of 59.5%. According to speculation, COVID-19, which caused hundreds of firms to fail and thousands of employees to lose their jobs, is to blame for the decline in employment and increase in unemployment.

With a 27.8% unemployment rate, young adults aged 15 to 24 —who frequently have more education than previous generations—find it particularly difficult to enter the labor market. This is according to INSTAT statistical data for the 2021 report and for the aged 15-64 which shows that this age group's unemployment rate is twice as high as that of the population of working-age adults. The government has changed a variety of policies related to vocational education and employment to combat youth unemployment. The Albanian Institute of Statistics (INSTAT) collects data from households and creates a snapshot of the labor market with its Quarterly Labor Force Survey.

The numbers clearly show that youth unemployment is very high. The majority of Albanians under the age of 30 believe that emigration is the only route to the future they want. They frequently emigrate because of their frustrations with socioeconomic policies, the job market, low wages, and bureaucracy. Their lifestyle, as well as their behavior, is affected by these insecurities.

Based on the Register of Enterprises in Albania (Instat, 2022a) at the end of 2021, there were 118,627 enterprises, which marked an increase of 1.1%, compared to 2020. During the year 2021, despite the crises produced by COVID-19, 14,946 active enterprises were registered. This presents an increase compared to the 12,376 registered in 2020. The highest percentage of newly-founded enterprises are involved in trade, accommodation, food services, information, communication, and other services, with the lowest percentage found in agriculture, forestry, and fishing. The largest number of enterprises is recorded in the region of Tirana, with 54,641 enterprises, while the smallest number is in the region of Kukes, with 1,261 enterprises.

COVID-19 is driving incredible global breakthroughs and innovation across numerous industries, even as it continues to inflict terrible damage to the world economy. These challenging circumstances have given rise to creating business opportunities, resulting in brand-new lucrative business options. Will the COVID-19 era's new, dangerous "opportunities" lead to prospects for systematic progress after the pandemic? The shift to digital technology will have an ever-lasting effect on civilization. In the wake of COVID-19, how are we going to create an inclusive digital economy? How will we respond, given that not everyone can go "rapid digital?"



A recent study demonstrates that a robust supporting framework is essential for overcoming obstacles and maintaining success. It can aid in both the discovery of new innovative capabilities in a company and the choice of the most effective resource allocation strategy by business leaders (Partners Albania for Change and Development, 2021).

3. CONCLUSION

Based on the results of the statistical data, it can be concluded that both countries faced disruption in economic activities during the peak of the pandemic. This resulted in an increase in the unemployment rate and changes in the labor market. During 2021, the rates of unemployment improved; however, the situation of youth unemployment remains severe. The analysis of the labor market in Serbia and Albania shows that countries deal with the same problems of youth unemployment, which is almost twice as high as the general unemployment rate. In addition, a significant percentage of those who are employed state that they are not offered full-time jobs, but rather part-time contracts or informal employment. Very often, they end up working in positions that are below their qualifications and hinder their professional development. Consequently, there is a significant migration movement, especially among young people, and that can be a long-term problem for the economy and society.

The emigration of young people and skilled employees, along with the absence of a competent education system, is identified as a joint problem for both countries. Moreover, the level of active young people in the labor market remains low in both countries, implying that entering the labor market remains a persistent challenge.

Numerous actors are trying to come up with an innovative approach that would help decrease the rate of youth unemployment, increase the rate of jobs available to young people, and contribute to the overall improvement of the economic situation. The positive trend of entrepreneurial activities in both countries and the increase in the number of new enterprises in 2021 are good indicators for promoting entrepreneurship and raising the entrepreneurial spirit among youth. Self-employment is typically linked to entrepreneurship and is frequently marketed as a solution to lower unemployment. Each region's entrepreneurial activity is influenced by both its own resources and, to some extent, the entrepreneurship environment. However, incentives for starting your own business rise when unemployment rises in nearby areas. This suggests that there is a "refugee" impact wherein self-employment is an answer to the lack of wage employment. This might be one of the solutions but, unfortunately, the actual number of those who start their own business is still low in

both countries. Young people are largely deterred by a business environment that does not provide any support. Problems range from lack of knowledge and experience, the inability to provide start-up capital and financial continuity, followed by the over-regulated and unstable business environment, unfair competition, and insufficiency of institutional support.

Formal education needs to be supported with knowledge application rather than knowledge acquisition, as well as internships, and experience, rather than just theoretical knowledge. The market's needs were rarely considered, despite the fact that higher education institutions have proliferated across the nation, largely as for-profit businesses. Currently, the focus is on education about entrepreneurship rather than for entrepreneurship. Furthermore, it is vital to continuously advance the level of entrepreneurship competencies among educators and educational institutions, as well as to create a supportive environment for young people with ideas and entrepreneurial intentions.

It is vital to encourage collaboration among universities by forming a consortium based on the distinct areas of specialization of the member institutions. This collaboration with specialized knowledge will act as a practical training facility for businesses and ensure the sustainability of information transmitted from programs fostering innovation in several economic sectors. If serious reform does not take place, this could eventually result in a skills gap in the workforce.

To support productive employment and decent work for young people, public institutions must comprehend the urgent need for continuous, focused, and coordinated action by a wide range of participants. Individual, dispersed interventions are unable to do this (INSTAT, 2022).

A strong strategy that proactively incorporates a job creation strategy must be developed by public institutions and key individuals with responsibility for youth employment. All targeted interventions would help Serbian and Albanian adolescents overcome the difficulties they have faced due to the COVID-19 pandemic and those associated with joining the workforce simultaneously.

In spite of all the collaborations and agreements, the private sector's contribution to job creation, economic growth, and youth employment, particularly for the category of young people aged 15 to 24, remains crucial. The issue of youth employment (with a focus on entrepreneurship) is a burning topic in both the WB region and Europe. It is also one of the common challenges for both analyzed countries, whose solution requires horizontal and vertical synergy, including stronger cooperation between the countries. Since it is not a single-country problem, it cannot be solved only through local or national efforts. It calls for regional actions to achieve desirable and permanent results.



This paper sheds light on the long-lasting problem of youth unemployment in two Western Balkan countries during the years of the pandemic. Both countries are facing the same challenges and might find a solution in entrepreneurial activities considering the positive trend even during the pandemic. It also states challenges and barriers that should be jointly addressed in order to inspire an entrepreneurial spirit among the youth, mainly through formal and informal education and different types of financial support. Further research could investigate the correlation between the level of youth employment and the establishment of new business entities and contribute to identifying strategies to effectively propel youth entrepreneurship. Finally, it could include a comparison with the region of the Western Balkan and the European Union.

4. LITERATURE

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