

FACT SHEET



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Free of Poverty

Europe and Central Asia (ECA)



Back to Work: Growing with Jobs in Europe and Central Asia (ECA)

Selected Findings from New World Bank report

1. Employment creation in the region was slow even before the crisis (2000-2007), when the region grew faster than many other emerging economies. ECA economies and employment levels in particular were then severely affected by the 2009 international financial crisis and the ensuing Eurozone economic slowdown; job creation remains sluggish in the post-crisis recovery. Serbia was one of the countries most affected by the crisis - unemployment rose from 18 to 22.4 percent from 2007 to 2012, and then fell to 20.1 percent in 2013.
2. Around 2012, only about half of the working-age population was working in ECA. In 2012, the average unemployment rate – covering those looking for jobs but who cannot find them- for Europe and Central Asia stood at 14 percent, and about half of all unemployed people have been looking for a job for more than a year. Young and older workers, women, and ethnic minorities are more likely to be jobless or employed in informal or low-wage jobs. For example, one in five young people in ECA is neither working, nor searching for work, nor studying.
3. In Serbia, as of October 2013, only 39 out of 100 individuals aged 15 or above were working. Only 33 in 100 women were working outside the home, compared to 46 among men in the same age range. These low employment rates reflect a combination of high unemployment and low labor force participation.
4. Market reforms that increase competition in domestic markets and improve the climate for private-sector development pay off in terms of achieving both job creation and productivity growth, although results take time to materialize. Initially, economic restructuring means that jobs are both created and destroyed. As countries further modernize their economies, job creation outpaces job destruction and this then translates into higher levels of employment.
5. Countries that reformed early and have integrated into global markets, the so-called ‘advanced modernizers’, have been more successful in creating more jobs than ‘late modernizers’, which have implemented reforms slowly or unevenly. The regional report puts Serbia among the group of intermediate modernizers together with other countries in Southeastern Europe.
6. A small fraction (15-20 percent) of high-growth firms (the so called “Gazelles”), largely young, account for about two thirds of the new jobs created in the ECA region during 2004-08. Entrepreneurship levels, however, remain low, especially among late reformers, compared to other middle-income regions and the OECD. Thus, Serbia needs to translate entrepreneurship potential into successful creation of new businesses in order to accelerate job creation.

7. Skills gaps hinder employment prospects, especially of youth and older workers, due to the inadequate response of the education and training systems to changes in employers' demand for skills. In Serbia, according to the 2012 PISA international assessment, one third of 15 year-olds lack basic literacy skills needed in the workplace. In terms of basic numeracy skills, the gap between Serbia's overall performance and that of OECD countries in the PISA test is equivalent to one full year of schooling. Addressing the skills mismatch challenge will require rethinking the fundamentals of education, training, and life-long learning systems.
8. Employment is also hindered by high taxes on work for those transitioning to formal jobs from inactivity or unemployment. On average, labor taxes amount to 37 percent of labor costs in Europe and Central Asia. In Serbia, this figure was 39% in 2011, and is even higher among low-wage earners. The main culprit in Serbia is the minimum social security contribution, which make any low-paying part-time job unviable in the formal sector. This and other barriers to employment hamper access to jobs especially among low-wage and part-time workers and second-earners in the household, who tend to be women, minorities, youth, and older workers.
9. Low labor mobility within countries prevents worker relocation to places with greater job creation potential. In Serbia, only 17% of the population 18 years or older report to have migrated from another city over the last 20 years. Migration abroad partly substitutes for low internal mobility, but worsens the demographic outlook in aging countries.
10. Overall, Serbia's two main jobs challenges are to: (i) continue reforms that foster private sector-led job creation in order to provide better formal job opportunities for the (pre-)transition generation, aged 40 and older today; and (ii) providing the right skills and education for the young generation. In the short-term, the reform agenda should focus on making so-called mini-jobs—that is, flexible part-time work—more viable in the formal sector by considering fiscally viable options to reduce or eliminate the minimum social security contribution; and by targeting services, benefits, and programs of the National Employment Service on active job seekers, not to all registered unemployed (of which more than half are not actually actively seeking employment). The revision of the National Employment Strategy offers an opportunity to arrive at a comprehensive, prioritized, and actionable roadmap to improve employment opportunities for the population.

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The report news story and related materials are available at:

worldbank.org/en/news/feature/2013/11/07/creating-more-and-better-jobs-in-europe-and-central-asia

And the full report can be found at:

openknowledge.worldbank.org/handle/10986/16570