Causality among dual education, reducing unemployment and entrepreneurial initiatives of youth in the countries of the Western Balkans

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Abstract. The aim of this work is to point out the causality among education, employment and entrepreneurial initiatives of youth labour. The significance of this trinity, as well as establishment of their good coordination and harmonization, is reflected in the fact that recently published „EU development strategy until 2020. indicates reform of educational system as the priority goal and insists on the „new knowledge for new professions“, development of private entrepreneurship and solving of high unemployment, which affects a great number of the European Union countries and beyond. In accordance with this, the author explains that there is a closer connection between educational institutions and business environment in the most developed countries, in which the youth unemployment rate is lower. Traditionally good professional education contributed to this to a great extent, helping in reducing of the youth unemployment rate, as well as all other categories of the unemployed persons also in the conditions of economic crisis and moderate economic growth. Unlike these countries, the countries of the Western Balkans are characterized by high youth unemployment rate, primarily resulting from insufficient connection between educational and scientific institutions and economic requirements. The opinion of the author of this thesis is that entrepreneurial education has to be the important component of economic strategy, which is directed to incitement of job creation and reduction of high unemployment rate. In further analysis of the issue of the youth unemployment, unfavourable environment for development of private sector and self-employment of the youth labour stands out. The author also singles out economic and financial crisis, putting them at the first place by their influence on high youth unemployment rate in the region. She gives them smaller significance due to the fact that the countries of the Western Balkans have found difficult to cope with high youth unemployment rate for several decades, this is, even before the beginning of the crisis at the end of 2008. According to her reviews, the author concludes that the countries of the Western Balkans should focus on the reform of educational policy and improve business environment, which would facilitate the investments in the countries of the region, so that they could have greater success in solving the problem of long-term unemployment and social exclusion of the youth labour.

Key words: entrepreneurial education, the youth, unemployment, countries of the Western Balkans

1. Introduction

Employment, entrepreneurship and education represent the important trinity. There is causality among them, which reflects in the fact that private entrepreneurship is a generator of creation of new jobs and employment, while entrepreneurial competencies, which have to turn business ideas into reality and make entrepreneurial activities more efficient, are developed through entrepreneurial education. However, it turned out that compatibility between the competencies of the youth labour and the needs on the labour market is not good in many countries, which is one of the causes of their high unemployment rate. Besides this, there are other causes of high youth unemployment as well, such as: lack of information about the possibility of getting the job in accordance with the planned career. According to this, International Labour Organization has warned that global situation regarding high youth unemployment was “alarming“ last year, with small possibility of any recent improvement (ILO,2012). This assertion may be confirmed with the fact that the unemployment rate in the whole Eurozone has reached 11.7% and 10.7% in the EU-27 in 2012 (Eurostat,2013). The EU data show that about 7.5 million of the Europeans, of the age of 15 to 24 years, neither work, nor they are included in educational process. Youth unemployment in the European Union was 23.6 percent in January 2013, which is twice of the adult unemployment (European Comission,2013). In other words, one out of five young Europeans on the labour market cannot find a job (European Commission,2013 a). This relation is much worse in Greece and Spain, this is, one of two young people in these two countries does not work. In the last four years, total youth unemployment rate was reduced three times, same as for the
adults. In this context, some estimations show that the unemployment rate in the Eurozone will still rise, from 11.7 percent (according to the newest available data) to 12.5 percent until the beginning of 2014 (Casert and Melvin, 2013). According to the same source, the lowest unemployment rates were recorded in Austria (4.3%), Germany and Luxembourg (both 5.3%) and the Netherlands (5.8%), while the highest unemployment rate was in Greece (26.8% in 2012) and Spain (26.1%).

The average unemployment at the level of the countries of the Western Balkans was about 22.8 percent in the fourth quarter of 2012, which is twice of the average unemployment of 11.2 percent for the countries of the EU11 (World Bank-Montenegro, 2013). Namely, although there was certain recovery and economic growth on the Western Balkans in the first six months of 2013, it was not reflected in the reduction of high unemployment rate. This confirms that the conditions on the labour market are still hard on the Western Balkans (EurActiv, 2012). However, the crisis of high unemployment did not only affect the majority of European countries and the countries of the Western Balkans, but this problem expands to many other regions in the world, which is indicated by the data that about 35% or 75 million young people in the world is unemployed (ILO, 2012). Besides this, according to the estimations of the International Labour Organization, the unemployed youth makes about 40% of the total global unemployment. According to these indicators, unemployment should be considered not only national and regional, but also a global problem. Having in mind this fact, as well as the fact that FYR Macedonia, Serbia, Bosnia and Herzegovina and Albania are among ten countries in the world with the highest youth unemployment rate, the aim of this thesis is to examine the features and causes of such high unemployment in the countries of the Western Balkans, as well as to analyze the possibilities of implementation of good practice of the countries which solved this problem. Thereby, we had in mind that, due to region specificity, all measures which were used in Austria, Germany or Finland, which have full employment, cannot be directly used, but they can help to determine better the guidelines of more efficient employment policy in the region.

Besides positive practical experiences, the latest literature has also been used in this thesis, which approached the unemployment problem from various aspects and as such, it may be very good platform for finding of new solutions in this domain. Also, we have also used the researches for giving of recommendations, which were conducted purposely for the needs of this thesis.

2. Literature Review

Earlier researches have shown that identification and nurturing of entrepreneurial competencies through educational process may contribute to long-term economic benefits to a great extent (McClelland & Winter, 1969); (Hatten & Ruhland, 1995);( Hansemak, 1998). Primarily, the support to entrepreneurial activities through entrepreneurial education may contribute to the increase of the number of new companies and to reduction of the level of unemployment, but also to reduction of mistakes in business dealings of the existing companies. Entrepreneurial education may also be the important component of economic strategy, which is directed to the incitement of job creation (McMullan, Long, & Graham, 1986). Also, it has special significance in preparation of the youth to be responsible and enterprising individuals who will become entrepreneurs or who will conduct researches in this field and thus contribute to sustainable economic development. Furthermore, education in the domain of entrepreneurship is generally related to programs which promote entrepreneurship as an option in career selection and educate about knowledge and skill acquisition for business establishment and development (Vesper & McMullan, 1988);(Bechard & Tolouse, 1998). Besides this, many researches have shown that the students who studied entrepreneurship as the main subject during the studies, mainly chose the profession of entrepreneur and started their own business. They did this more often that those students who
were not especially directed to entrepreneurship studies. However, more often one may find the opinion in the literature that entrepreneurship should not be studied only within higher education, but it has to be present at all levels of educational process (Radovic-Markovic, 2012). Indicating the great significance of entrepreneurship within the education, Ziolo (2006) pointed out that, besides studying entrepreneurship at all levels of institutional education, for shaping of entrepreneurial attitudes it was necessary to continue specialization in this field in the process of expert and professional training during the whole period of the one's action on the labour market. The need for introduction of entrepreneurial education is of special importance for the youth, who just enters the labour market. Besides Ziolo, a number of other authors analyzed it (Berger, et. al., 2012); (Cieślik, 2007); (Jankowska & Pietrzykowski, 2012; 2013); (Juchnowicz, 2005; 2007); (Kuratko, 2005). As recommended by the European Commission, entrepreneurial programs have to be included not only in the schools and faculties of economy, but also in the schools and faculties of technical profile, as the important, integral part of their curriculums. They have to provide development of entrepreneurial competencies, which have to adjust to modern economies based on knowledge and new challenges on the labour market. This is where an important question is asked spontaneously, namely what knowledge and skills should be provided to students during the process of formal and informal education? In this respect, many various opinions may be found in the literature. One of such opinions, presented by the scientists McMullan and Long (1986) strive for inclusion of the methods for incitement of creative opinion, ability to negotiate, development of new products and leadership in the educational entrepreneurial programs. Entrepreneurial programs should also offer knowledge for detection and analysis of business opportunities, as well as their incorporation in long-term business plans (Vesper, & McMullan, 1988); (Plaschka, & Welsch, 1990). Furthermore, these programs must have multidisciplinary and process-oriented approach, this is, new educational programs for entrepreneurs must be based on the exchange of goods practice through studying and networking of strategic partners (researchers, entrepreneurs, financiers, policy creators and others) (Radovic-Markovic, et. al., 2012 a). All these unified opinions imply the need for reformation of educational system and creation of new educational strategy, which will incite individuality of a person, give him/her freedom of thought and possibility of development of creativity and put it in the function of business environement and its requirements (Radovic Markovic, 2012 b).

3. Features of youth unemployment in the countries of the Western Balkans

In the first half of 2013, 2.5 million people were jobless on the Western Balkans (Centar za nove inicijative, 2013). In the region, Croatia had the highest youth unemployment rate (55.4%) in the second half of 2013. It is followed by Bosnia and Herzegovina and FYR Macedonia now, with the youth unemployment rate of 53 percent, followed by Serbia with 51.2 percent and Montenegro with 43.7 percent (The International Monetary Fund, 2013). (Graf. 1).
We will list the most important features and priorities for employment in the region (Eteris, 2013):

- For many unemployed persons in the region, it is characteristic that they would rather work in informal sector and receive the assistance for unemployed than work in formal sector of economy;
- The employed prefer to work in public enterprises regardless the smaller salaries, because of regularity and certainty of salaries;
- When employing, employers prefer persons with corresponding working experience and they discriminate older employees, women, young people and the persons with lower qualifications;
- Relatively high labour costs reduced potential demand for the labour;
- Low mobility of the labour;
- Inadequate sanctions for the employers who employ their employees illegally and who don't pay contributions for them.

It should be especially emphasized that high unemployment (despite many causes), cannot be primarily attributed to the influence of great economic crisis, having in mind that all the countries of the Western Balkans faced high unemployment long before its burst. Namely, economic crisis only aggravated this problem. This trend has been continued, although many countries from the region announced to be out of the recession recently. However, we are of the opinion that coming out of recession of the countries of the Western Balkans may not be considered certain without the increase of employment rate.

4. **Youth employment policy; possibilities for implementation of good practice of the european countries on the countries of the Western Balkans**

There is a big gap between the countries with the highest and the lowest youth unemployment rate within the EU-28. This difference is almost 50 percent among the member countries with the lowest and the highest youth unemployment rate - Germany (7.7 % in September 2013 ) and Greece (57.3 % in July 2013). Greece is followed by Spain ( 56.5 % ), Croatia (52.8 % ), Cyprus ( 43.9 % ), Italy (40.4 % ) and Portugal ( 36.9 % ) (Eteris,2013) . This rate is 26% in France and 21% in Great Britain. It is considered that such high youth unemployment rate in France is a result of inadequate knowledge and that the programs which they attend on the studies are too highly specialized. Namely, the employers cite that they don't have enough IT knowledge, they don't know English or design management (Caulcutt,2014). Also, the employers think that the youth lacks communication skills.
According to these data, the question is how certain countries successfully employed youth labour, while other countries cannot do that? The explanation may be primarily found in the dual training system. Namely, the students acquire academic education and working experience at the same time, they don't only attend classes as in many other countries. The advantages of this educational system are bringing of candidates closer to the labour market, which provides compliance of qualifications and the existing business environment. Dual educational system also enables the employers to spend more time with their potential employees and to get the insight in their skills and knowledge, which reduces the employer's risk of bringing bad personnel decisions.

„Europe has to solve the youth unemployment urgently, in order to save the entire generations of young people who fear that they will not find a job,“ said the representatives of French, Italian and German governments in the middle of this year (Reuters, 2013). Mixed measures were suggested on this occasion, including assistance to small factories and strengthening of science and education. In accordance with this strategy, the European Commission suggested the program called „Investment in the youth: Youth guarantees“.

The aim of the Youth guarantees program is to offer good job or continuation of education to all young people to 25 years of age within the EU, within 4 months after the end of formal education or after job loss (Eteris, 2013). This Program was adopted in April 2013 by the Council of Ministers of the EU22 on the recommendation of the EU Commission. All member countries of the European Union have to introduce this Program in order to solve youth unemployment. It implies fast reform of educational system which will be directed, more than ever, to practical knowledge (Eteris, 2013). The Program is based on the experiences of Austria and Finland, which showed that the investment in young people is very profitable. For example, application of this Program in Finland reduced youth unemployment significantly and provided for 83.5% in the period of three months, helping them to get the desired job, attend an internship or be included in some of training programs (European Commission, 2013 a). For some EU countries, implementation of the Program requires structural reforms. For example, public employment services have to be able to give corresponding advice for job to young unemployed persons and direct them to educational programs which are most relevant for them. In this sense, the dialogue between the unions, associations of employers, educational institutions and authorities is required, in order to provide the structure and kind of education which will be of practical use. International Labour Organization estimates that realization of this Program will cost the member countries about 21 billion € per year. European Social Fund (ESF) provided significant financial support to the Program (ILO, 2012).

In its recent report on global employment trends, International Labour Organization (ILO, 2012), lists five key fields of action of the youth employment policy:

1. Effect on the increase of aggregate demand and improvement of the approach to finances;
2. Training for easier transition from educational process to working process, in order to reduce dysfunctions on the labour market;
3. Acting with the aim of employment of young people, who are in the most unfavourable position;
4. Assistance to young people in starting the entrepreneurial business and in self-employment;
5. Protection of worker's rights in accordance with the international working standards, in order to ensure equal treatment of young people in all countries;
6. Focusing on small and medium-sized companies, which are the key point for entering on the labour market for majority of the unemployed.
Member countries which have the highest youth unemployment rate will have to start the implementation of this Program until the end of 2013, and other countries no later than the spring of 2014 (World Bank, 2013).

**4.1. Examples of good practice: Austria and Germany**

- Austria has the lowest unemployment rate in Europe of 4 percent, and only 2.5% of college-educated people is jobless (Traynor, 2012). Germany is right after Austria by the lowest unemployment rate of 5.7%. Even in the worst year of recession from 2008-9, Germany and Austria had minimum increase of unemployment (0.3% and 1% respectively) (Traynor, 2012). In the case of Austria, young unemployed persons, who are included in training programs, are not counted as the unemployed, which is not the case with other countries. If they would also been taken into consideration, youth unemployment rate would be somewhat higher, this is, from 15-24 years of age it would increase from 7.3% (national review) to 9.3% (Schweighofer, 2013). Also, according to the researches of Schweighofer (2013), about 15.5% are the unemployed between 50 and 59 years of age, which is twice the average unemployment rate in Austria.

- Germany has highly regulated labour market, which means that factories do not have possibility of easy firing of their workers. This also means that it is harder for young people to find a job, as the employers are not eager to risk and employ the worker who does not have working experience. However, Germany managed to solve the problem of youth unemployment with adoption of dual training. Without dual educational system, youth unemployment rate would be similar to the rate in France or Italy. Due to this, regulated labour market in Germany is in close symbiosis with the educational system. However, there is the opinion that dual system of training is not the only one which contributed to solving of the problem of employment in Germany. The fact that the labour is underestimated for 10% in Germany, while in Greece it is overestimated for over 30% (speaking of salaries) explains this (Traynor, 2012).

  The experiences of Austria and Germany are hardly applicable to the countries like Greece, Spain or the countries of the Western Balkans, which are affected by economic crisis to a great extent. Notwithstanding this, some positive lessons may be learned from their results. Primarily, it has to be taken into consideration that curriculums in Austria and Germany are relevant and compatible to the needs of the labour market. Furthermore, various measures are provided and directed to those groups which are mostly jeopardized. Also, key factors of training success in these countries completely correspond to the standards set by the International Labour Organization. Namely, according to the International Labour Organization (ILO, 2012), one should spend 3-4 years of training at work, using his/her position as the key resource for learning 4 days a week in the company and 1 day a week in the trade school. This training is in the function of the companies needs. Also, it is compatible and follows the curriculums in trade schools which lead to diploma. Besides this, low starting salary of some 12 – 46% of the average salary of qualified personnel of same vocation should be also mentioned. Intern salary amounted to € 300-800 during the first year of training, while it was € 550 to € 1600 in the third year. Switzerland and Germany have similar salaries for the beginners (Ryan, et.al., 2010); (Steedman, Hilary, 2010).

**4.2. Policy of youth employment in the countries of the Western Balkans:**

Measures and recommendations

Successful measures of economic policy should combine the requirements of supply and demand for the labour and, in accordance to this, motivate and capacitate the unemployed persons for work. Motivational measures include information, advice and guidance, educational measures of support to self-employment and other forms of activation measures on the labour market. The rights and responsibilities of the persons who look for a job are clearly defined. Their non-observance brings to reduction of financial assistance to the
unemployed and their removal from the register. Such „carrot and stick“ system proved to be successful in many EU countries. However, in the countries of the Western Balkans, conditions on the labour market are significantly different. Namely, common feature of labour markets in the countries of the Western Balkans is high informal employment. Therefore, the measures for supply and demand of the labour should increase employment rates and certainty of salaries, which is extremely important not only for economic development, but also for achieving of the goals of social inclusion of the unemployed and those who work in the informal sector of economy. The factors which affect the demand for labour and therefore the efficiency of the policy of the unemployed activation include total cost of labour, legal and administrative procedures for employment, possible sanctions for irregular practices of employment and other (Crnkovic-Pozaic and Feiler, 2011). Besides this, there is a need to determine the „profile“ of the people who are registered as the unemployed. Profiling of the structure of the unemployed helps to diagnose individual unemployment and estimate the risk of long-term unemployment and offer assistance in accordance to this (Weber, 2011). At this moment, only Croatia and Montenegro make difference between those people who have necessary skills and knowledge in order to include them immediately in the job search in accordance with their professional plan.

Due to the fact that the experiences of developed economies point out the significance of entrepreneurship in the process of employment reduction, we conducted the research in order to determine how much the youth is interested in establishment of their own companies and employing themselves. The research was conducted on the sample of 150 young people between 20 and 30 years of age, who are mostly (80%) graduate students of high business schools. The research in which almost equal number of male and female respondents participated (51% and 49% respectively), was conducted in Serbia. The respondents answered ten questions (Radovic-Markovic, 2012). The above mentioned research showed that young people show their interest for self-employment and catching in the entrepreneurial waters (43% of respondents said that they wanted to start their own business). To a question „What is of crucial importance for achievement of entrepreneurial business success“, the greatest number of the respondents (47%) responded that it was knowledge. Also, even 80% of the respondents confirmed this opinion with the answer that formal entrepreneurial education was required for incitement of entrepreneurial abilities of pupils and students, but that there were no such adequate programs. This supports our view that entrepreneurial programs should be introduced at all levels of education of students (from primary to university education). Also, it should be taken into consideration that each individual possesses creative abilities, but to what extent these potentials will be developed depends mostly on the level of their incitement. Namely, in this respect, education has crucial role and it depends mostly on whether „passive reproducitives“ or „active creatives“ will be educated. Therefore, the above mentioned research and similar researches conclude that training in the domain of entrepreneurship and acquiring of practical knowledge directly affect entrepreneurial competences. Due to this, this knowledge may be very stimulating for educational institutions to invest in this program and educate at all educational levels, starting already from the minimum age of children. In the longer term, this may have very positive effects on economic development, through the development of entrepreneurial culture among young people.

5. Conclusion

Great structural changes on the labour market in the countries of the Western Balkans, which emerged as a result of the transition process, together with slow and unreformed educational system, affected a big gap between supply and demand for the labour. In order to reduce the gap, good educational system is required as well as offering of possibility for a life-time education. They are of vital importance for long-term economic development and therefore for reduction of unemployment. This implies reforming of educational system with
using of the examples of good practice of some of the countries which we analyzed in this thesis. In order to solve the problem of youth unemployment, it is especially important to take measures constantly and implement them parallel on three fronts: through active youth programs – system of practical work – through education in trade schools and faculties – and through tertiary vocational education (high and trade schools). According to the opinion of some scientists, these are the key factors of success in solving the youth unemployment problem at the same time (Lassnigg, 2013). Besides this, it is necessary to remove high level of corruption in education, which features all the countries in the region. Therefore, the states of the region have to start systematic settling with the problem of corruption. The diplomas which are not covered by knowledge may contribute directly to further increase of unemployment. Removal of the existing barriers and improvement of business environment would significantly contribute to the increase of employment and opening of new jobs, which would give the chance to young and unemployed persons to be socially involved. All of this requires fast reforms, which have to be followed by political will and support of civil society. Namely, the reforms should be approached immediately and despite the crisis. The crisis itself may be beaten with new initiatives and active economic employment policy and thus it may redeem social and economic consequences to the youth, who are one of socially mostly jeopardized categories of the population.

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