

# Youth Unemployment and Entrepreneurship in selected Central and Eastern European (CEE) Countries - Comparative Perspective

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## Key messages

- **Youth unemployment rates across Europe including the CEE countries significantly dropped in the previous decade reaching the lowest level since 2009**
- **Albeit solid trends, there are still many challenges ahead of the policy makers mainly referring to the job quality and still considerable share of youth outside the labour market and education (youth in NEET status)**
- **Strengthening youth entrepreneurship could bring important benefits to youth population and societies in general, helping transition from education to the labour market**

## Youth unemployment in selected CEE countries – historical perspective and current state

Only a decade ago, researchers and policy makers were discussing the alarmingly high youth unemployment as one of the main economic and societal problems in Europe. Youth unemployment at the EU level in 2013 amounted to 23.7%, while some countries (Greece, Spain and Croatia) had more than 50% of the unemployed youth. Apart from economic losses, a large share of unemployed youth could result in deepening social tensions and brain drain risks bringing many other negative consequences in the long term (Eichorst et al. 2013).

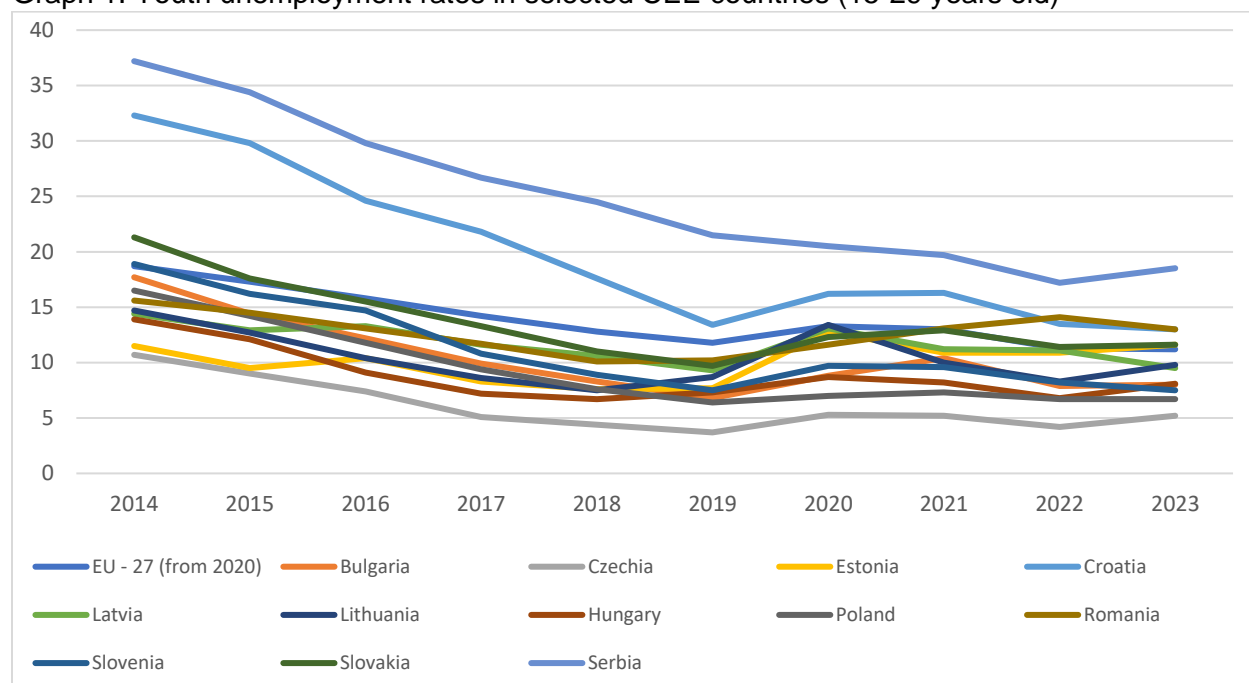
Following general improvements in the economic situation and applied youth employment policies, particularly Youth Guarantee (YG) schemes implemented under Youth Employment Initiative (YEI) over the last decade, both overall and youth unemployment rates in Europe significantly decreased (OECD, 2023). With around 4.5 million people (aged 15 to 29) unemployed, unemployment rates in the EU-27 amounted to 11.2% in 2023, being at the lowest level since 2009. There are, however, noticeable differences at the national level. Germany and Czech Republic with youth unemployment rates of 5% and 5.2% respectively are considered top performers. Situation in the Central and Eastern European (CEE) countries<sup>1</sup> is slightly worse, particularly if considering the Balkan countries. Croatia and Romania are slightly above the EU average, although both experienced significant reduction in the youth unemployment, particularly Croatia that reduced share of unemployed youth from 32.3% in 2014 to 13% in 2023. Reducing youth unemployment by half over the last 10 years, Serbia, as an EU candidate

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<sup>1</sup> Central and Eastern European Countries (CEECs) is an OECD term for the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania. In this paper, Republic of Serbia has been added to the CEE countries falling under the same geographical area.

country, had 18.5% youth unemployment rate in 2023, the highest among the observed countries (Graph 1).

Graph 1. Youth unemployment rates in selected CEE countries (15-29 years old)



Source: EUROSTAT

Global perspective shows that selected Eastern European countries, a part of the CEE region, although successfully reduced youth unemployment, is still facing difficulties to ensure higher youth employment ratio, while the NEET rates, referring to youth neither employed nor in the process of education, also considerably higher if compared to the EU-27 countries (Table 1). With only one in four young people (15 to 24 years old) in the status of employed person, Eastern Europe experienced challenges in providing a good quality offers for youth, whereas the labour market deficiencies proliferated as a result of war in Ukraine (ILO, 2024). Unlike in Central and Western Asian countries where around 40% of youth population reported that their living standard is worse off than their parents, the figures for Northern, Southern and Western Europe and Eastern Europe show more negative perception of social mobility since 52% and 53% respectively feel living worse compared to their parents (ILO, 2024a).

Table 1. Youth employment indicators (15 to 24 years old)

	Youth unemployment rate		Youth employment-to-population ratio		Youth NEET rate	
	2000-2004 average	2023	2000-2004 average	2023	2000-2004 average	2023
<b>Central and Western Asia</b>	18.3	13.8	34.9	34.9	28.4	18.6
<b>Eastern Europe</b>	21.3	13.3	30.5	25.3	15.5	12.9
<b>Northern, Southern and Western Europe</b>	16.3	14.4	39.4	39.2	12.6	9.9
<b>EU – 27</b>	19.5	14.7	34.1	34.5	12.3	9.6
<b>World</b>	12.6	13.0	44.1	35.0	22.4	20.4

Source: ILO

Despite observed improvements, this paper argues that improvement of the youth position in the labour market is still one of the important development issues. It would be naive to think that the youth unemployment issue is fully solved. Besides challenges referring to job quality, low salaries and noticeable skills mismatches, responsible youth employment policies are necessary to ensure youth adaptation to frequently changing labour market dynamics including one related to emergence of the “gig” economy characterized by high share of freelancers and side-employment. Additionally, youth policies should take into account the fact that the youth population is more vulnerable to external shocks such as COVID-19 crisis, as more often working under temporary contracts and in informal economy, while being overrepresented in the vulnerable economic sectors (Eurofound, 2021).

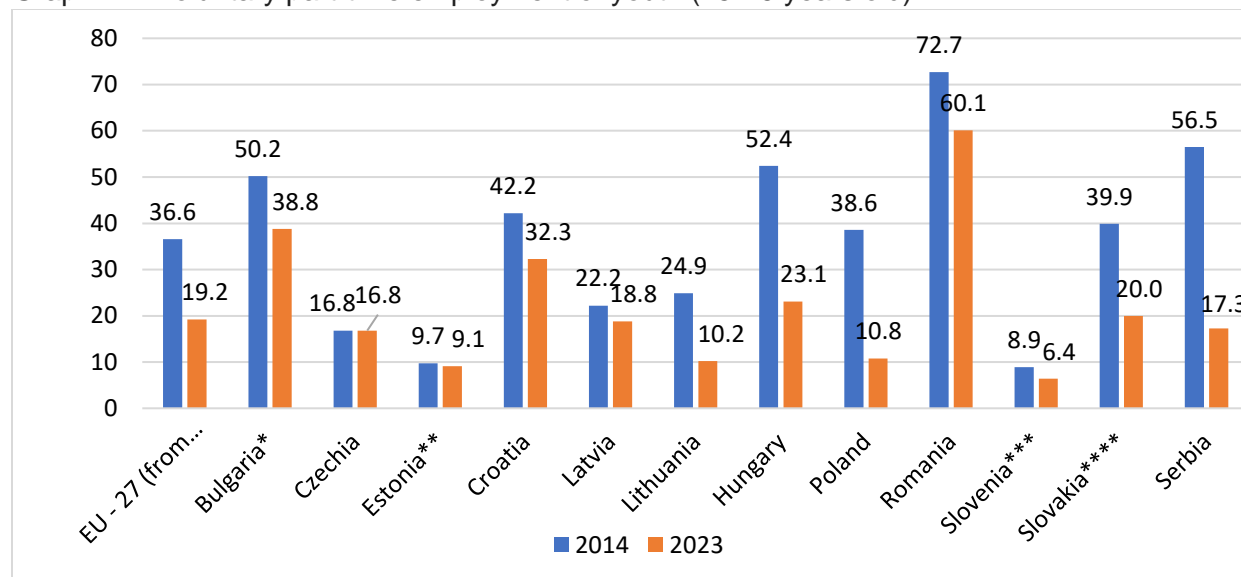
### Main challenges ahead

Analysis of the current employment data reveals several challenges that should be considered in the following period:

- (1) The share of part-time employment has been relatively stable in the observed period, being around 23% of the total employment in the EU-27. In all of the observed CEE countries the share of population working under part-time arrangements has been considerably lower if compared to the EU-27 average, being even negligible in countries like Bulgaria, Romania and Croatia, with 3%, 4% and 5% respectively. However, the share of involuntary part-time work among youth is still high. This might indicate insufficient labour market opportunities for the youth being forced to work under part-time contracts, as well as existence of precarious working conditions, especially in CEE countries (Graph 2). Having no or less experience compared to older workers, they sometimes accept working under less protective contracts

and under less favourable conditions. This is especially the case in Romania and Bulgaria where around 60% and 38.8% of part-time employed respectively, fall under involuntary part-time employment group.

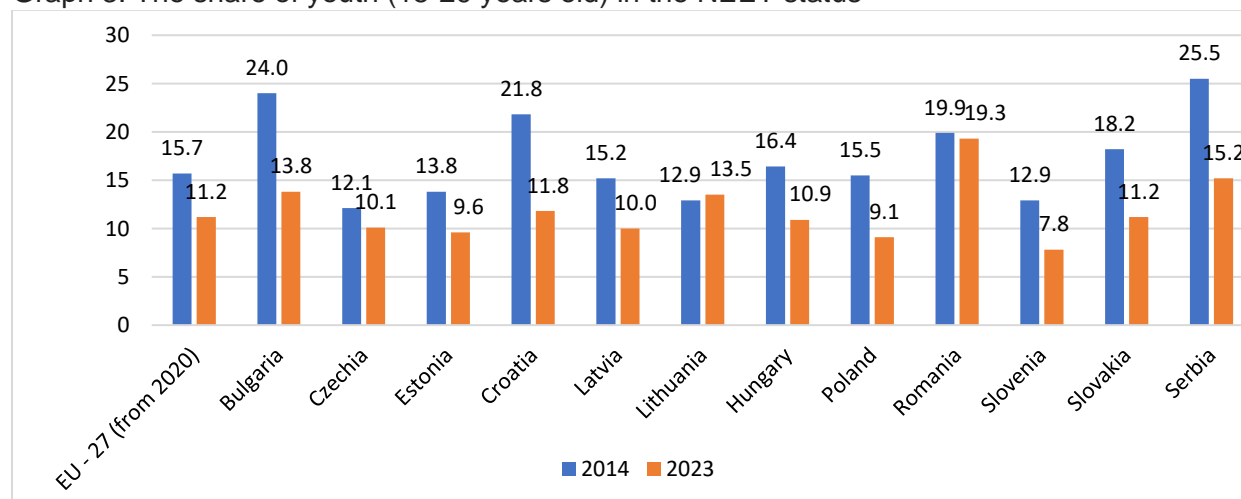
Graph 2. Involuntary part-time employment of youth (15-29 years old)



Source: EUROSTAT; \*The last available data for 2017; \*\*There is only available data for 2015 as benchmark; \*\*\*The last available data for 2021; \*\*\*\*The last available data for 2020

(2) There is a considerable share of youth in NEET status. Most of the observed CEE countries have NEET rates around the EU-27 average of 11.2%. The share of youth in NEET status is particularly high in Romania and Serbia with 19.3% and 15.2% respectively. Lithuania is the only among the observed countries where share of youth in NEET status increased in the observed period being around 13.5% in 2023, 0.6 percentage points higher than in 2014 (Graph 3).

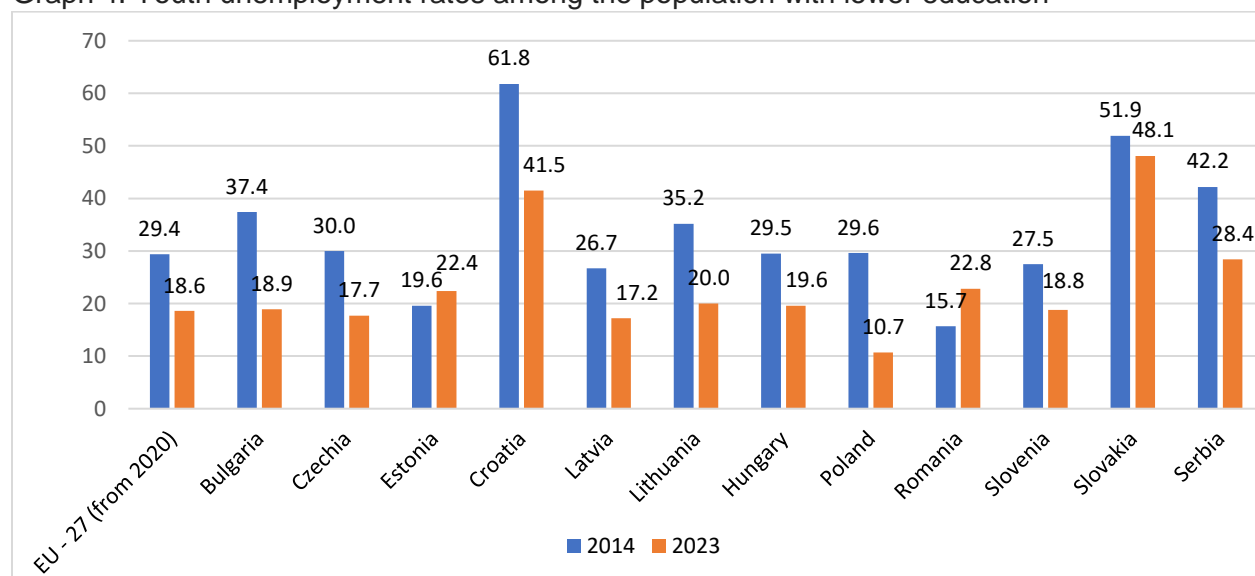
Graph 3. The share of youth (15-29 years old) in the NEET status



Source: EUROSTAT

- (3) Discrepancy between the labour market supply and demand could be identified when observing persistently high unemployment among youth with lower education, ones with less than primary, primary and lower secondary education (Graph 4.). Youth in Slovakia and Serbia are facing severe difficulties to find a job since the unemployment rates within this subgroup amounted to 48.1% and 28.4% respectively. Among the analysed 12 countries, only Poland (10.7%), Latvia (17.2%) and Czech Republic (17.7%) are below the EU-27 average (18.6%).

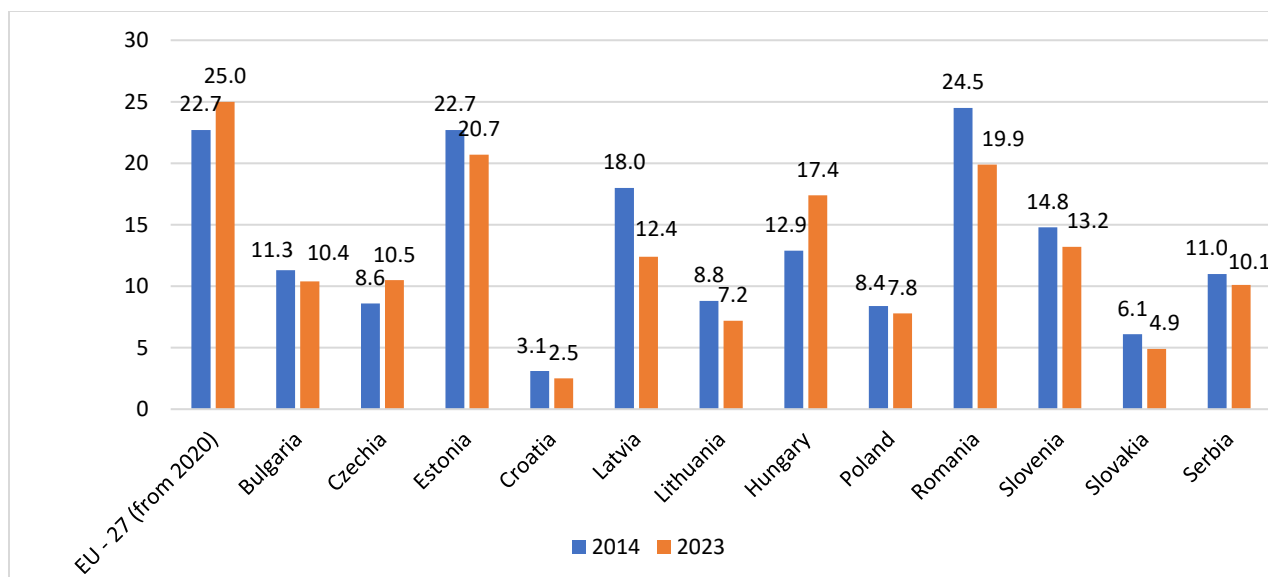
Graph 4. Youth unemployment rates among the population with lower education



Source: EUROSTAT

- (4) Finally, another illustrative example of an insufficiently developed education system in the CEE region represents the low employment rate among the youth with lower education. Not only that all of the observed CEE countries failed to stimulate youth with lower education to enter the labour market, but in some of the countries it could be noticed trend of lowering youth employment rates in this group.

Graph 5. Youth employment rates among the population with lower education



Source: EUROSTAT

## Youth entrepreneurship insights

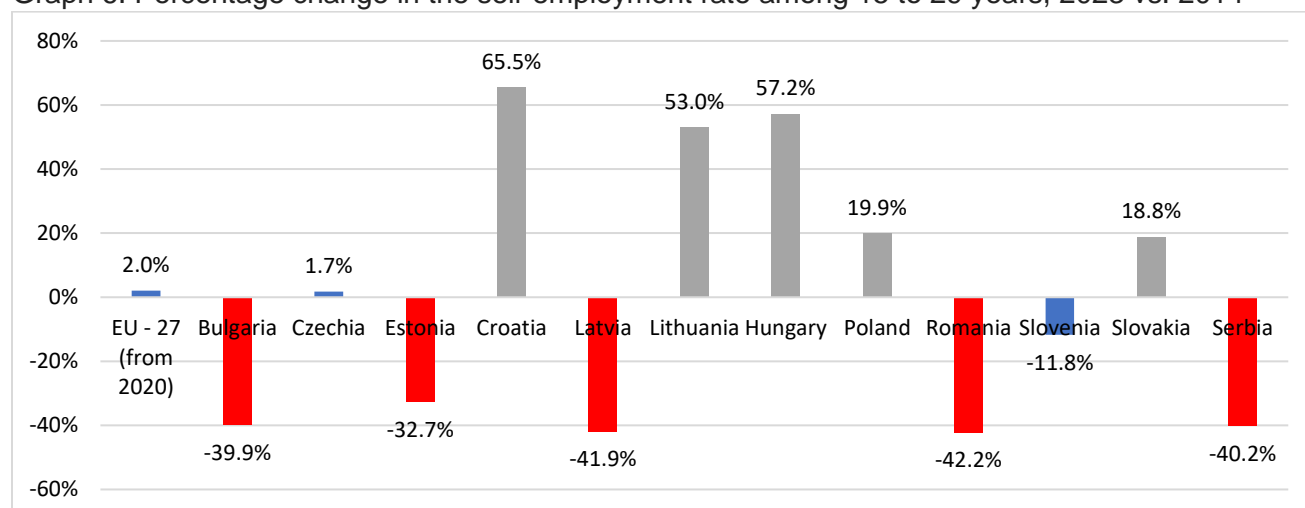
Strengthening youth entrepreneurship is considered important in terms of facilitating smoother transition from education to labour market and helping youth to become more active in managing their career. Additionally, there is evidence proving that entrepreneurship could be also beneficial for non-entrepreneurs as entrepreneurial skills could help them acquire experience and skills important to secure their employment. From that perspective, entrepreneurship is perceived as a new basic competence (Stergiou & Filippidis, 2023).

Entrepreneurship dynamics in the EU show a certain discrepancy between enthusiasm to start own business and the real efforts. While around 40% of the youth between 15 and 30 years prefer being self-employed rather than employee, only 5% and 4% respectively are working on start-up ideas or managing a new business (less than 3.5 years old), (OECD, 2024). In general, in countries where the young population is more interested in self-employment often coincides with higher entrepreneurial activities. Eurostat data shows quite divergent dynamics with regards to self-employment across the CEE countries. While 59% and 57% youth in Lithuania and Croatia prefer self-employment over being an employee, only 28% of youth in Estonia showed enthusiasm for becoming self-employed. Changes in the rate of self-employment among youth (15 to 29 years old) are shown in Graph 6.

Among the most frequently reported barriers for entrepreneurship, youth indicate lack of capital and resources, fear of failure and the lack of skills. Among the EU member CEE countries, youth in Poland reported the highest fear of failure (around 58%), while at the same time youth in youth in Poland, Latvia and Slovak Republic show the highest confidence in their own skills necessary to start own business (OECD, 2024). The optimism with regards to start-up growth potential and job creation is also considerably different among the observed countries. In most of the CEE countries, young entrepreneurs (18 to 30 years) show a higher level of optimism compared to older population (18 to 65 years). Only in the three CEE countries – Romania,

Slovenia and Lithuania, young entrepreneurs report lower entrepreneurial objectives than the rest of population.

Graph 6. Percentage change in the self-employment rate among 15 to 29 years, 2023 vs. 2014



Source: EUROSTAT (Red color refers to the highest reductions, while the grey ones refer to the highest increases. Other countries (in blue) recorded stable share of self-employment)

## Concluding remarks

CEE countries succeeded in lowering youth unemployment in the previous decade. Following the implementation of the Youth Guarantee, which guarantee young people up to 24 years old a support to find employment or continue education in 4 months period after completing formal education, most of the European countries significantly lowered NEET rates making a solid progress in achieving SDG 8.6 referring to the labour market integration of young people. By achieving target 8.6 countries aim to substantially reduce proportion of youth in NEET status. However, the achieved progress has been hardly even in all CEE countries. Eastern Europe countries are still facing difficulties in achieving higher employment rates, while the inactivity rates in some countries are still higher if compared to pre-COVID-19 period. In Romania and Bulgaria for example, involuntary part-time employment is widely spread, while Serbia, as being outside the EU, has just started piloting Youth Guarantee.

There are many other challenges with regards to youth position in the labour market. Inequality in youth unemployment outcomes from the perspective of educational attainment is very high. Youth with lower education are facing higher risks of being unemployed while also recording lower participation in the labour market. Reform of the education system and implementation of informal education programmes should be considered in order to address these issues. Many issues are country-specific, thus requiring custom-made policy solutions.

Entrepreneurship support programmes could help improving the position of youth in the labour market, equipping them with important skills necessary to set up own business, but also with other skills that may be useful for their careers. Recent studies show that youth entrepreneurs, in average, are likely to introduce new products and export if compared to the adult ones. It seems that policy makers should continue investing efforts in untapping potential of youth

entrepreneurs through tailored support mechanisms that would take into account specific sectors, different youth subgroups, phase of the entrepreneurial idea, etc.

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