

**THE IMPACT OF EDUCATION AND TRAINING SYSTEMS ON THE LABOUR MARKET
PARTICIPATION OF YOUNG PEOPLE IN CEE ECONOMIES.
A COMPARISON OF POLAND AND SLOVENIA¹**

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Summary

Little attention has been given to youth unemployment in transition countries. However, it has significant detrimental effects in factors that affect welfare in the long term, like human capital accumulation and fertility rates.

The aim of this paper is to study the determinants of labour market participation of young people in Poland and Slovenia, two countries that implemented different reform paths to the market system. The analysis is carried out using individual level data drawn from the labour force survey rounds in 1997 and 2002. The focus is on education and training systems.

In most transition countries, unemployment rates of young people below 25 are twice as high or even higher than the national average. In 2002, in Poland the ratio of youth to adult unemployment was almost 3, while in Slovenia it amounted to almost 2.8. Both are much higher than the EU average (1.9) and also than in other transition countries, such as Bulgaria where it amounted to 2.1 in 2000.

Over the considered period, from 1997 to 2002, the youth to adult unemployment rate is increasing in Slovenia and decreasing in Poland. Such a reduction is explained by the sudden increase in the unemployment rate of prime-aged workers, involved in mass-layoffs in the late 1990s when the unemployment rate more than doubled. The consequence is that young unemployed in Poland have to face a double competition, from their more skilled contemporaries and from unskilled, but more experienced adults.

Similar to most OECD countries, also in the two considered countries, young teenagers (15-19) have a lower participation, but higher unemployment rate than young adults (20-24). This suggests that two very different paths are offered to young workers in almost every transition country. On the one hand, some young workers enter a positive virtuous circle that leads from education to (and) training to work. This is the vast majority of young people with a very high rate of human capital accumulation. On the other hand, some groups of young people get stuck into unemployment. The young teenagers who are already unemployed are at very high risk to constitute the bulk of long-term unemployment.

We test this general issue estimating a multinomial LOGIT model of the probability to participate in the labour market for a sample of young people (15-24). Five different statuses are considered: education, permanent employment, temporary employment, self-employment, unemployment and inactivity. The estimates provide a vivid picture of the labour market experience of the youth segment of the workforce.

We find that for young women the differences with respect to men tend to abate in Slovenia over time. In this country, young women tend to have a pattern of labour market participation very similar to men, except in 2002, when they experience a dramatic reduction of their relative risk to be in permanent or temporary employment. In Poland, gender differences in participation rates tend to be instead significant and conspicuous. Young women have a lower relative risk to be unemployed than young men. Moreover, tertiary educational attainment works as a buffer against unemployment especially for the young adults.

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