ABSTRACT

IDENTIFICATION OF DETERMINANTS OF THE UNEMPLOYMENT RATE IN EUROPE WITH PARTICULAR EMPHASIS ON THE BALKAN REGION

Jonida Rada

This study focuses on the empirical identification impact of the level of financial development, human capital endowment, and economic growth on the unemployment rate for a panel of 34 European countries observed over 2000–21. Using advanced panel data analysis methods for the full sample and heterogeneous subsamples (high-income, upper & upper-middle-income countries, and the Western Balkans), our results reveal an inverted U-shape relationship between the level of financial development and the unemployment rate. This is confirmed also in subsamples. Furthermore, the obtained results prove the linear and adverse impact of human capital endowment and economic growth on the unemployment rate. The study suggests that policymakers should implement policies to ensure a robust financial system, investment in human capital accumulation, and economic development to reduce unemployment in Europe and thus increase the efficiency of the labor market. We formulate, in addition, policy recommendations addressing disadvantaged groups, particularly females and youth. Policy recommendations are formulated for the general sample and Western Balkan regions specifically.