Main results from the ETF study: How labour markets, human capital and migration interact in the Western Balkan countries

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A POLICY-ORIENTED RESEARCH PROJECT

• Guided by a common analytical framework: tracing the interrelationships between migration, human capital formation and labour markets

• 6 country studies: Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, Serbia

• 3 statistical background studies: (i) estimating net migration flows by skill groups, (ii) macro-regional econometric study of the interrelationships, (iii) a supply-demand model of labour market scenarios to 2030

• Regional comparative report

• 6 Validation Workshops with academics and policy-makers

• Final Regional Conference (1 December 2021)

*This designation is without prejudice to positions on status and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.
WHAT MAKES THIS STUDY DIFFERENT FROM OTHERS?

• Analyses most recent migration trends and interlinkages between migration, human capital and labour markets in WB6 – including case studies

• Contributes with three technical studies which estimate:
  ✓ Emigration by level of education using the novel cohorts approach (brain drain/brain gain)
  ✓ Interactions between migration, human capital and labour market for WB5 using PVAR models
  ✓ Labour supply and labour demand for 2020-2030 under different scenarios

• Presents new directions of policy actions at national level in cooperation with international partners, including the EU.
SETTING THE SCENE: THE ANALYTICAL FRAMEWORK

MIGRATION
- Skills composition
- Flows to EU and other regions
- Circular/return migration
- Migration policies

HUMAN CAPITAL FORMATION
- Investment in human capital
- Education and training system (content & quality)
- Education policy
- Training/education abroad

LABOUR DEPLOYMENT
- Labour supply – labour demand
- Skill gaps; skill-jobs mismatches
- Labour market effects of trade, FDI, and remittances
- Various policies (labour market policies, regional policies)
WHAT DO WE KNOW ABOUT RECENT MIGRATION TRENDS FROM WB6?
STOCK OF WESTERN BALKAN MIGRANTS ABROAD, 2010-2020

Note: Data for Kosovo are not available. Serbia includes Kosovo. Share of migration to total population as of 2020 on the right axis.

AVERAGE NET MIGRATION RATES (PER 1000 POPULATION), 2010-2019

Source: Leitner (2021) based on National Labour Force Surveys
FIRST RESIDENCE PERMITS ATTAINED IN EUROPEAN COUNTRIES BY MAIN DESTINATION, 2010-2014 AND 2015-2019

Source: Eurostat, First permits by reason [migr_resfirst]
FIRST RESIDENCE PERMITS ATTAINED IN EU BY PURPOSE, 2010-2014 AND 2015-2019

Source: Eurostat, First permits by reason [migr_resfirst]
AGE STRUCTURE OF EMIGRANTS FROM WB6 TO EU

Source: Eurostat
WHAT ARE THE MAIN PUSH AND PULL FACTORS OF MIGRATION IN WB6?
MEAN MONTHLY EARNINGS BY OCCUPATION, EUR (PPS), 2018

Source: Eurostat
LABOUR MARKET DRIVERS

Source: SEE Jobs Gateway Database.
EMPLOYMENT RATES BY EDUCATION AND GENDER

Source: SEE Jobs Gateway Database
STRUCTURAL MACRO-ECONOMIC DIFFERENCES ACROSS WB6: SHARE OF EMPLOYMENT IN MANUFACTURING IN TOTAL EMPLOYMENT (%)

Source: wiw Annual Database using Eurostat LFS statistics
TOP 5 SECTORS WITH HIGHEST FDI INFLOWS IN WB6, 2010-2019 (€ Million)
BRAIN DRAIN OR BRAIN GAIN: WHAT ARE RECENT TRENDS FROM WB6?
EMIGRATION RATES BY EDUCATION LEVEL, 25+, IN %, 2010

Source: IAB Brain Drain Database (Brücker et al., 2013).
The only study available with the estimates as of 2010.
THE NOVEL COHORT APPROACH TO ESTIMATE RECENT BRAIN DRAIN/GAIN
THE CUMULATIVE NET MIGRATION FLOWS BY EDUCATION: 2015-2019

Source: Leitner (2021) based on National Labour Force Surveys
THE NOVEL COHORT APPROACH
THE CUMULATIVE NET MIGRATION FLOWS BY EDUCATION: 2015-2019

Source: Leitner (2021) based on National Labour Force Surveys
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INTERNATIONAL STUDENTS MOBILITY FROM WB6

**Number of tertiary students abroad**

- AL: Around 25,000 students abroad in 2018
- BA: Around 15,000 students abroad in 2018
- ME: Around 5,000 students abroad in 2018
- MK: Around 10,000 students abroad in 2018
- RS: Around 20,000 students abroad in 2018

**Share of tertiary students abroad (%)**

- RS: Around 60% in 2018

Source: UNESCO UIS statistics
Note: * Number of students from a given country studying abroad, expressed as a percentage of total tertiary enrolment in that country
HOW DO MIGRATION, HUMAN CAPITAL AND LABOUR MARKET INTERACT IN THE WB6?
A “vicious circle” of interrelationships emerges if the domestic labour market:

- does not generate enough jobs - especially for highly educated persons
- fails to fully utilise its workforce and their skills

Under such conditions people are pushed to migrate and leave the country. As consequence outward mobility – especially of the highly educated:

- generate shortages of high-skilled workers for carrying out certain services
- Such shortages can become a trap for the economy and its sectors to:
  - ✓ invest
  - ✓ innovate
  - ✓ being competitive and attracting FDI

This “vicious circle” can be broken and turned into a “virtuous” one if there is a proper coordination between:

- demand and supply of skills
- the quality and orientation of the education system
- labour market functioning
- the migration policy framework

Furthermore, outward mobility is likely to generate positive impacts if there is engagement of migrants and their networks abroad to:

- start cross-border economic activities and attract FDI
- establish new trade links
- transfer knowledge, skills, technology
- invest at home thereby contributing to job creation
CASE STUDIES OF INTERRELATIONSHIPS

Case study 1 of triangular relationships:
• Health professionals

Case study 2 of triangular relationships:
• IT professionals
ENROLLMENT IN TERTIARY EDUCATION PROGRAMMES IN HEALTH AND ICT VERSUS OTHER PROGRAMMES

Note: Data for Kosovo are not available.
Source: UNESCO Institute for Statistics
EMPLOYMENT IN HEALTH AND ICT SECTORS

Health professionals: medical doctors, nurses and midwives per 100,000 inhabitants, 2017

Source: Eurostat [hlth_rs_prsrg]

The ICT sector’s share in total employment and change in ICT employment in the 2016-2020 period

Note: Share of employment in the ICT sector to total employment, in percent – left axis. Change in employment in ICT sector, in percent – right axis.
Source: wiw Annual Database.
Case Study 1 of Triangular Relationships: Health Professionals (HP)

**Facts**
- 7,000 doctors work abroad (13% of doctors working in the region)
- 10,000 nurses work abroad (10% of nurses working in the region)
- Real numbers are higher

**Why HP leave**
- HP fail to find a decent job at home
- Public sector remains the main employer
- Private sector is underdeveloped
- Weak public spending on health is an impediment to generate new jobs for HP
- Better earnings and working conditions abroad

**Consequences**
- Further shortages of HP
- Deterioration of provision of health care services
- Questionable whether it is worth training HP if they are destined to move abroad.

### Mean monthly earnings, pps, 2018

![Graph showing mean monthly earnings for different countries.](image)

**HP from WBs in Germany**

![Graph showing HP from WBs in Germany from 2015 to 2020.](image)

Source: Eurostat, DE Stats.
Case Study 2 of Triangular Relationships: IT Professionals

Facts
- Emigration of ITs to DE more than doubled: up to 2,700, (rise of 170% for 2015-2020)
- Enrolment in IT programmes: up to 6% in 2019.
- Online Freelancers: increases fast (e.g. Serbia up to 3.5 per 1000 inhabitants)

Why ITs leave
- Emigration because of better earnings and working conditions abroad, but
  - part is coming back and starting their companies;
  - part establishes business connections and attract foreign companies to invest in WB6
- Recent graduates, via remote work, offer more services to foreign companies abroad, without the need to emigrate

Consequences
- Share of ICT sector to GDP, up to 4% in 2020.
- Share of FDI to ICT: up to 7% in 2020
- Contribution of IT sector to employment: low (3%), but rising by 50% over 2016-2020

Mean monthly earnings, pps, 2018

ITs from WB6 in Germany

Source: Eurostat, DE Stats.
PROGRAMMES COMBINING SKILLS DEVELOPMENT WITH MOBILITY

Existence of (mostly private) education/training offers that combines training investment with migration prospects

- **DEKRA Akademy**, one of the largest private education providers in Germany, is operational in Albania (2015) and Kosovo (2019) to offer professional training for nurses as well training courses in German language.

- **Heimerer College** is another training provider in healthcare professions since 2010, accredited by the Kosovan authorities: dual-track model, training students for labour opportunities in Germany and for the local Kosovo labour market.

- **DEKRA Working Group** is also engaged in recruitment process in Bosnia and Herzegovina, North Macedonia and Serbia.

- Importance of **Microsoft Development Centre** in Serbia since 2005: **Semos Education Serbia** provided free online training for 5,000 young people in a project (within the framework of Microsoft Global Skills), through mentoring workshops and training related to several ICT occupations (Software Developer, Data Analyst, IT Administrator, AI Practitioner, etc.).
PROJECTING LABOUR SUPPLY AND LABOUR DEMAND: 2019 – 2030 SCENARIO ANALYSIS
PROJECTING LABOUR SUPPLY AND LABOUR DEMAND
2019 – 2030: SCENARIO ANALYSIS  (LEITNER, 2021b)

- **Base scenario:** extrapolation of past trends (labour supply & labour demand): in most countries: switchover points from ‘excess labour’ to ‘labour shortage’

- **Labour supply policies:**
  - Labour market policy scenario: increasing activity rates
  - Improved education scenario: upgrading educational attainment

- **Labour demand policies:**
  - Structural change scenario: upgrading skill-content of labour demand
  - High GDP growth scenario

- **Development scenario:** this scenario combines the four active policy scenarios; tailored to different countries’ needs, i.e. upgrading of labour supply and labour demand side through educational and activation policies; and through industrial/regional and other growth policies
WHAT CONCLUSIONS AND POLICY RECOMMENDATIONS?
a sustained development strategy and expansion of economic activities that need well-trained and educated workers

economic leapfrogging in the context of ‘near shoring’ in post-Covid period by attracting higher foreign direct investment with a stronger impact on employment

cooperation between foreign and domestic companies to facilitate technological spill overs, avoiding being stuck in a ‘functional specialisation trap’ in low-value added functions

using the comparative advantages (geographical position, cheap labour), but also ‘soft’ factors such as cultural proximity and the reputation of the ‘skilled/ hard-working workers’

a structural shift in the economy from labour to skill-intensive activities which could counteract skilled emigration and retain skilled labour force

improving attractiveness of peripheral regions (infrastructural connectivity, governance, business support, facilities for health and educational/training needs)
Recommendation 2: Adjusting employment policies to the needs of domestic and international labour markets

✓ implementing strong activation policies (especially women, low skilled), and active labour market policies for youth for better skills-jobs matching

✓ better monitoring of skills and occupations in demand and supply, both at national and international level

✓ exploiting the potential of online labour markets and digital platforms, with strong investments in digital and ICT skills, and training schemes with domestic and foreign companies

✓ providing specific incentives and easy start-up conditions for companies to support the development of selected economic sectors with high potential

✓ levelling up the employment conditions in both public and private sectors in terms of job quality and working conditions
Recommendation 3: Adapting education and training policies for producing a modern and skilled workforce

- further investment into education/training to improve quality and relevance, aligning better with the skill needs especially of the private sector
- adapting the educational curricula and training requirements to new trends in both domestic and international markets
- Improving VET quality through more investment in infrastructure, training programmes and work-based learning
- developing accessible lifelong learning systems for upskilling and reskilling adults, up-grading skills of older age cohorts (i.e. acquiring digital skills)
- promoting cooperation with the education and VET institutions of main destination countries (e.g. twinning, dual certification programmes, common curricula, student exchanges, international traineeships)
Recommendation 4: Tapping the potential of emigrants/diaspora

- a cross-institutional approach at national level for managing migration and better coordination of policies across all stakeholders (private and public)
- mobilising the engagement of diaspora through investment, business development and know-how transferability
- promoting the return – also ‘virtual’ – of migrants abroad, improving the policy framework for the reintegration of returnees (short term migrants, permanent migrants and diaspora)
- negotiating bilateral agreements to support migrants abroad, favouring temporary mobility and exchange schemes
- improving institutional governance, avoiding back-sliding towards political instability and regional fragmentation
Recommendation 5: EU’s support to WB6 to extend the skills’ pool and further invest in human capital formation

- expanding dramatically WB6 participation in EU programmes in pre-accession stage, close to mimicking the position of member states
- developing new instruments and mechanisms which motivate and encourage the return of students/researchers, scientists, professionals from WB6
- encouraging more fluid mobility both ways in the EU exchange programmes to ensure both outbound and inbound mobility between WB6 and the EU
- further support for upgrading the research infrastructure and training/educational facilities, scientific laboratories, opening of new regional centres of excellence
- encouraging destination countries to contribute to skills acquisition and further investment in skills development in the WB6 through EU funding
- developing programmes combining skills development with (circular/return) mobility in sectors with high labour mobility to address skill needs of both countries (ie. Talent Partnerships)
There is no reason that the WB6 could not in due course follow the example of the successful catching-up processes of the Visegrad countries:

✓ Geographic location, relatively good endowment of skilled labour force, and accession perspective (plus substantial financial, institutional and technical support pre- and post-accession)
✓ A strong re-industrialisation process through FDI, integration into international production networks (IPNs), including the next stage of digital skills-based IPNs

vital conditions:
✓ anchorage in EU integration /accession process
✓ political stability at national and regional levels
✓ increasing regional economic integration process