Brain drain, human capital and the role of social infrastructure in the Western Balkans

30th Meeting of the WBIF Project Financers’ Group

November 11th, 2020

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Agenda for today’s meeting

1. Emigration and Brain Drain
2. Economic Context
3. Education and Skills
4. Health and Care
5. Affordable Housing
6. Reversing Brain Drain?
WB6 people see social infrastructure investments as a top priority

In which of the following areas should your government invest its resources as a priority?

- **Kosovo**: 30.9%
- **Albania**: 27.6%
- **North Macedonia**: 24.7%
- **Serbia**: 23.5%
- **Montenegro**: 12.9%
- **Bosnia & Herz.**: 11.1%

- Energy sector
- Transport infrastructure
- Social infrastructure
- Tourism
- Agriculture
- Science and technology

*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.*

Source: Balkan Barometer 2020.
Emigration and Brain/Skills Drain

A new wave - losing the best and brightest
New wave of emigration out of WB6 begins in the 2010s

- On average, between 2014-2018, 139K people emigrate yearly
  - In 2018, 169K people left
  - Figures may underestimate reality

- Top destination countries: Germany, USA, Austria, Slovenia, Italy

- Main push and pull factors include:
  - Wage differentials
  - Employment opportunities
  - Quality of life
  - Institutional quality

Source – OECD migration statistics; CEB staff calculations.
A heavy toll on WB6 societies because of brain drain

- “Positive selection”: young, highly educated/skilled individuals more likely to leave
- Emigration is not circular
- Despite large outflows, intention to emigrate still high

Would you consider leaving and working abroad?

Source: Balkan Barometer 2020.
Economic Context

Lack of opportunities in the Western Balkans exacerbates brain drain
Insufficient pace of economic convergence to EU levels

- WB6 GDP per capita is growing - but slowly, and remains equal to only 36% of EU-28 average

- Labour productivity growth has been mixed
  - All countries still lag behind the EU-28 average
  - MKD and MNE growth rates still below EU-28 growth rates

* Kosovo data unavailable

Source: ILO
Value added in economic activity is low

- Low added-value sectors still dominate employment shares in many countries
  - Agriculture
  - Retail
  - Some manufacturing

- FDI inflows tend towards low-growth sectors
  - Higher-value added sectors investment limited

Source: ILO and United Nations Statistics Division
Full potential of women and youth is not realised

- Employment situations differ between and within countries by various categories.
- Female participation is low by EU and regional levels, especially in Bosnia and Herzegovina and Kosovo.
- NEET rates of young people are notably large in most WB-6 countries.

Source: ILO
Brain drain and underinvestment in social sectors are intertwined

- Insufficient investment in social sector
- Human capital not achieving full potential
- Harms long-term labour and capital productivity and economic competitiveness
- Slows GDP growth and convergence

Increases brain drain/emigration
Education and Skills

Striving to form the workforce of the future
A changing labour market puts WB6 jobs at risk

- Labour Market in WB
  - Low productivity growth concentration
  - High-vulnerability (automation and economic shocks)

- Requires a move towards higher-skilled activities
Resource limitation and poor outcomes in Education

- Severe lack of resources in schools
  - Especially for schools serving low-income students
- Qualified teacher numbers limited in some countries
- Test scores, on average, are much lower in WB-region compared to EU levels

Source: OECD PISA
Lack of early childhood education options (especially in BIH & MKD) results in:

- Lower/widening educational outcomes of future generations (especially for the poor)
- Contribute to limiting female labour force participation

Under-supply of pre-primary education = bad outcomes

* Kosovo and Montenegro data unavailable

Source – ILO; UNESCO
Labour market hurt by limited vocational training

- Vocational education training is limited in the WB-region
- Increasing VET can help boost labour supply skills
  - Reduce skills-mismatch
  - Up-skilling of existing workers

* Kosovo and Montenegro data unavailable
Health and Care

Meeting population needs to mitigate brain/skills drain and develop human capital
The economic cost of bad health in the WB6 is enormous

- An estimated 275,000 productive life years are lost each year due to premature mortality in WB6
- 80% attributable to non-communicable diseases

Source: Author’s calculations using IHME GBD, ILO, and National Statistical Offices data
Despite progress, WB6 health systems struggle to meet population needs in full

- Underinvestment in health systems has left them poorly resourced
- High OOP spending is impoverishing households
- Some socioeconomic inequities persist
- Covid-19 has brought to light pre-existing vulnerabilities

Users are unhappy with existing health and care services

Average rating: quality of health services, 2016

- Dissatisfaction with health infrastructure and services is widespread in WB6
- Satisfaction is similarly low with long-term care

Source: Eurofound, EQLS 2016
High informal care burden is a possible push factor?

- Low use of formal care arrangements
- Family responsibilities main obstacle to female participation in formal labour markets
- Care services in destination countries *may* constitute an additional push factor for some

Inactive due to care responsibilities
(as a share of total inactive, ages 18-65, excluding students and retired)

<table>
<thead>
<tr>
<th>Country</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>40%</td>
<td>80%</td>
</tr>
<tr>
<td>Albania</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>Bosnia and Herz.</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>20%</td>
<td>60%</td>
</tr>
<tr>
<td>Kosovo</td>
<td>20%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations using LITS III
Health workers are fleeing the region at an alarming rate

- Outflows of doctors growing faster than in EU13 following accession
- Few health workers return or immigrate from abroad
- As a result: shortages of key health staff begin to appear

Affordable Housing

Cost pressures in urban areas may limit young people’s potential
Housing is an excessive burden on household budgets

- Rate of housing cost over-burden among highest in Europe
- Utility costs difficult to meet for many households – despite large investments in energy sector

Source: Eurostat.
Note: data for Albania, Bosnia & Herzegovina, and Kosovo is missing.
Housing prices are on the rise and satisfaction is low

Subjective well-being: Satisfaction with accommodation

- Low satisfaction with accommodation compared to EU
- Housing prices are increasing faster in cities than in rural areas

Source: EUROFOUND, EQLS 2016.
Note: data for Bosnia & Herzegovina and Kosovo is missing.
Youth is disproportionately affected by housing pressures

- Effects on youth’s ability to move to high-productivity areas
- Countries with large number of young adults still at parental home also tend to see larger “brain drain”

Source: EuroStat and WEF.
Note: Data for Albania, Montenegro, North Macedonia, and Kosovo is missing.
Reversing Brain Drain?

Boosting social infrastructure investment
EU-IPA funds have limited focus on social sectors

- Historically, EU transfers into the region have focused on structural governance and competitiveness issues
- Transfers to social sectors have been relatively low
- Investment Plan of Western Balkans encouraging but firmer commitments for social infrastructure needed

Source: European Commission
The WBIF as a force for social investment

- WBIF can and should mitigate brain and skills drain
- Technical assistance grants have helped enormously (highest sectoral multiplier)
- Investment grants have been a disincentive in the past due to shift in sectoral focus
- Connectivity is necessary but not sufficient: social investments are crucial for brain drain and overall sustainability, inclusiveness, and resilience
WB6 people see social infrastructure investments as a top priority

In which of the following areas should your government invest its resources as a priority?

- Kosovo: 30.9%
- Albania: 27.6%
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- Serbia: 23.5%
- Montenegro: 12.9%
- Bosnia & Herz.: 11.1%

Source: Balkan Barometer 2020.
Thank You!

Questions?


Selected References

https://www.rcc.int/download/docs/2020-06-Balkan-Barometer-Public-Opinion_final.pdf/bf27f9fc10de8a02df9db2b60596f0cd.pdf

Santic, D. (2019). *Highly-Skilled Return Migrants to the Western Balkans: Should we count (on) them?*


https://openknowledge.worldbank.org/handle/10986/32481

Annex
Annex – Socioeconomic differences in educational output

Average reading Pisa score of students of top and bottom socio-economic quartile

Source: OECD and CEB Staff calculations
Annex – Functional illiteracy high

Functional illiteracy of students

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>EU-28</td>
<td>21.7%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Albania</td>
<td>50.3%</td>
<td>52.2%</td>
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<tr>
<td>Bosnia and Herzegovina</td>
<td>53.7%</td>
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<tr>
<td>Kosovo</td>
<td>76.9%</td>
<td>78.7%</td>
</tr>
<tr>
<td>Montenegro</td>
<td>41.9%</td>
<td>44.4%</td>
</tr>
<tr>
<td>Serbia</td>
<td>33.1%</td>
<td>37.7%</td>
</tr>
</tbody>
</table>

source: PISA and CEB staff calculations
Annex – Educational resources and outputs

Material deprivation and test scores of by socioeconomic characteristics

* students mean performances from all four socioeconomic groups represented for each country
** schools from all four socioeconomic groupings are included

* Source: OECD and CEB Staff calculations

Source: EUROFOUND, EQLS 2016
Annex – Wellbeing and health outcomes

Subjective well-being: “How satisfied are you with your life these days?”

Life expectancy at birth, 2008-2018

Source: EUROFOUND, EQLS 2016

Source: Eurostat
Annex – Care for dependents

Children aged less than 3 years in formal childcare, 2018

Source: Eurostat. Data for Albania, Bosnia and Herzegovina, Kosovo, and Montenegro not available.

Care providers for household dependents

Source: Author’s calculations using LITS III
Annex – Health financing

Public and out-of-pocket health expenditures, 2017

Source: World Bank
Annex – Human resources for health

![Graph showing physicians and nurses per capita, 2017](image)

**Source**: World Bank

![Bar chart showing doctors aged 55+ as a share of total, 2018](image)

**Source**: Eurostat