

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

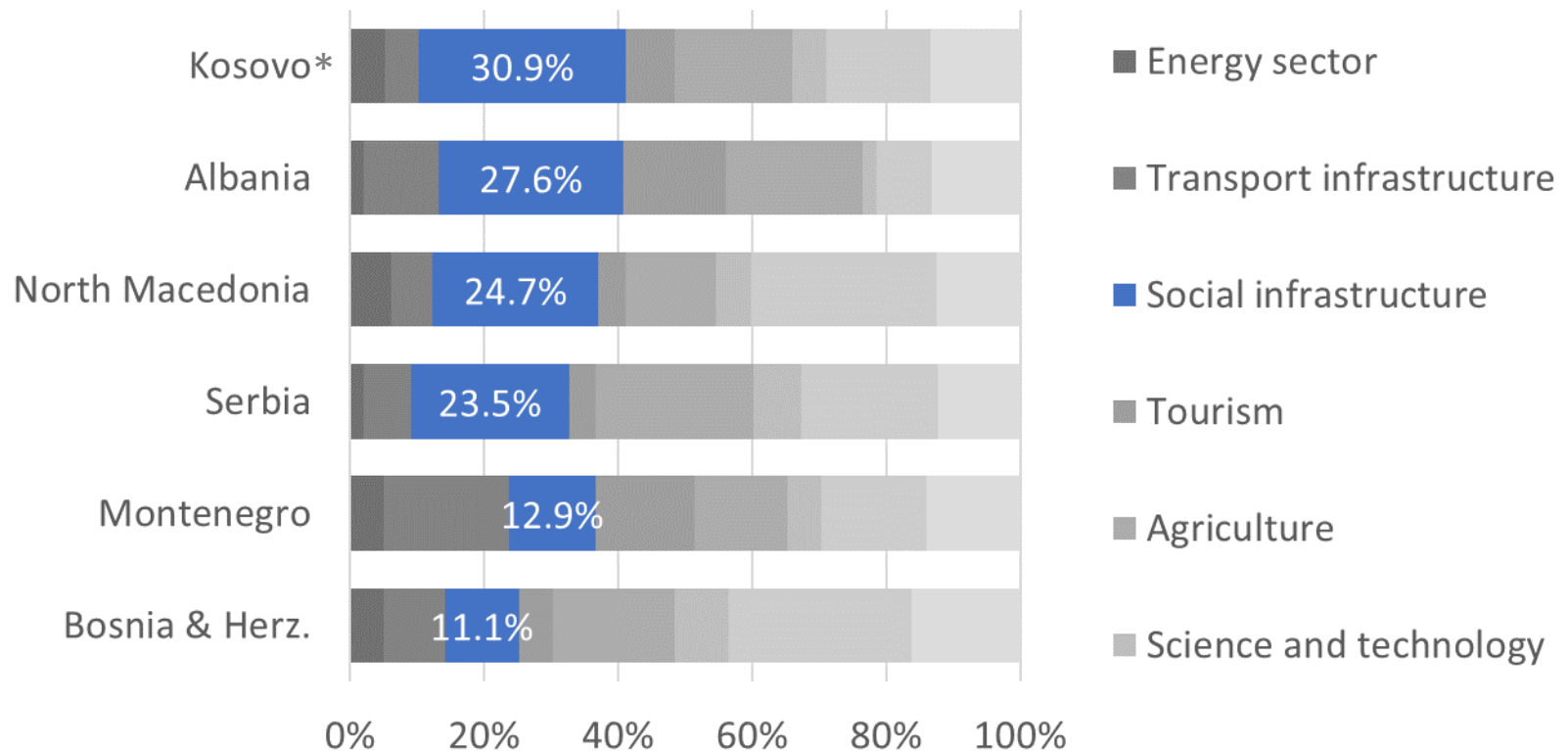
Edo Omic & Alessia Thiebaud

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?



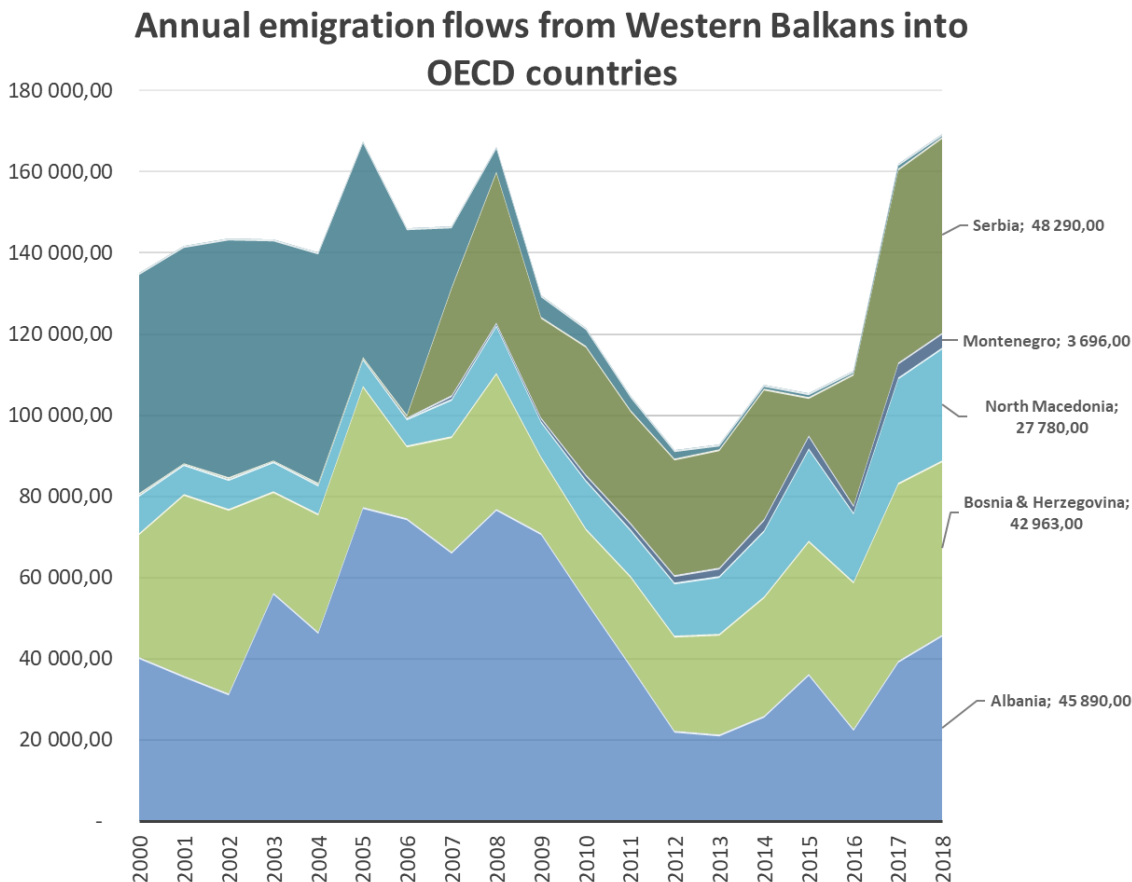
* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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

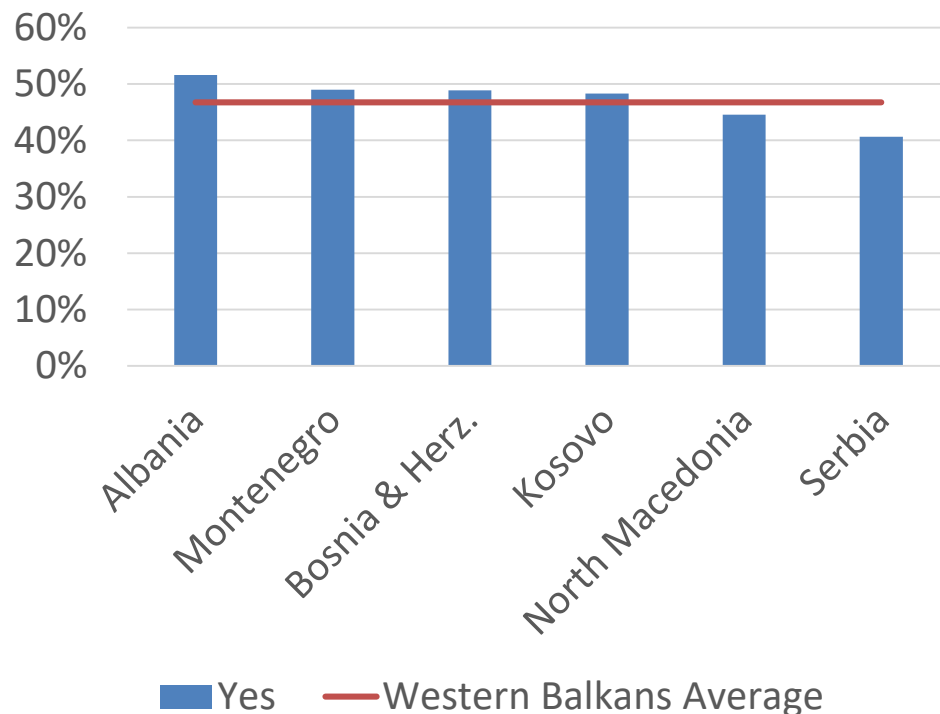


Source – OECD migration statistics; CEB staff calculations.

- **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

A heavy toll on WB6 societies because of brain drain

Would you consider leaving and working abroad?



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

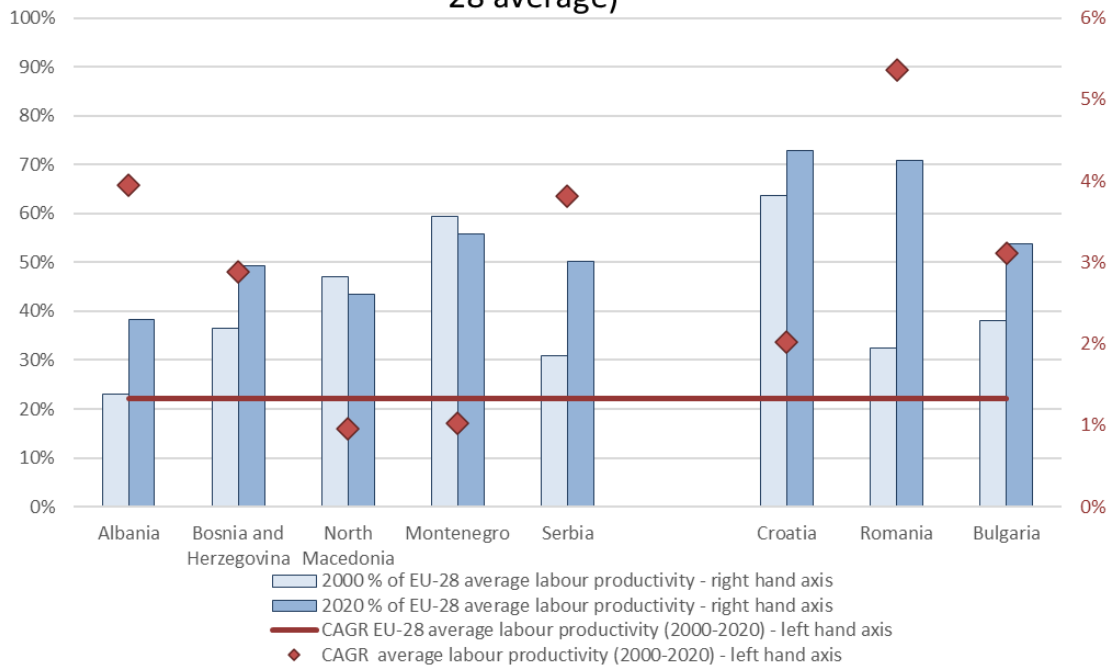
Source: Balkan Barometer 2020.

Economic Context

Lack of opportunities in the
Western Balkans exacerbates
brain drain

Insufficient pace of economic convergence to EU levels

Labour productivity growth and level - since 2000 (% of EU-28 average)

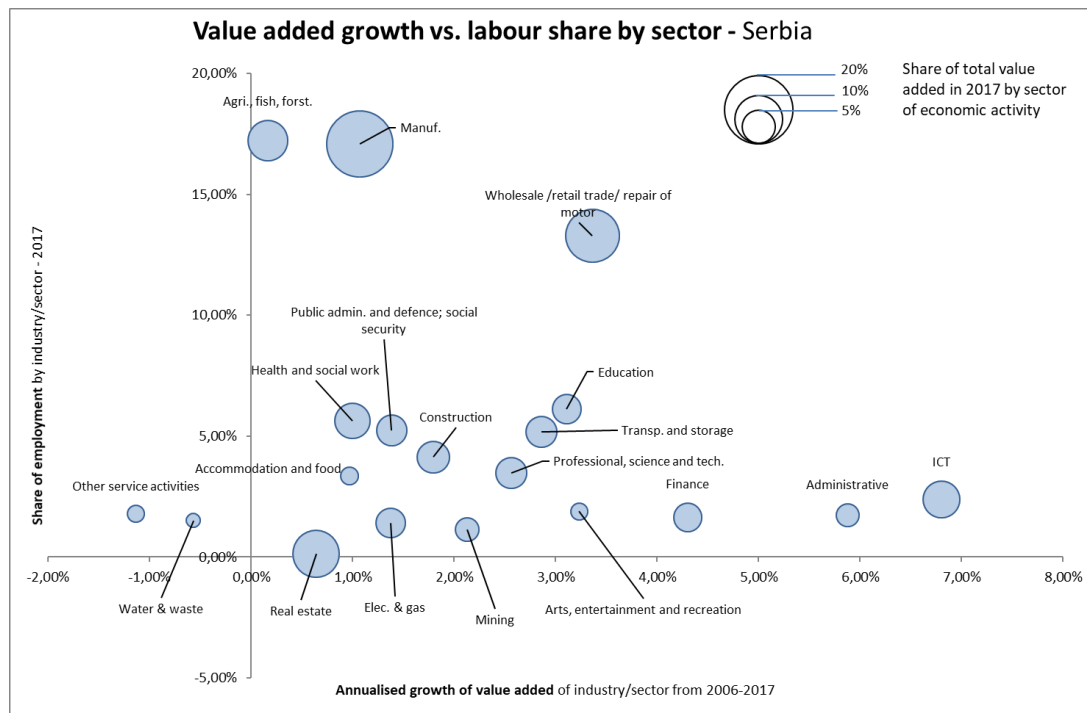


- WB6 GDP per capita is growing - but slowly, and remains equal to only 36% of EU-28 average
- Labour productivity growth has been mixed
 - All countries still lag behind the EU-28 average
 - MKD and MNE growth rates still below EU-28 growth rates

* Kosovo data unavailable

Source: ILO

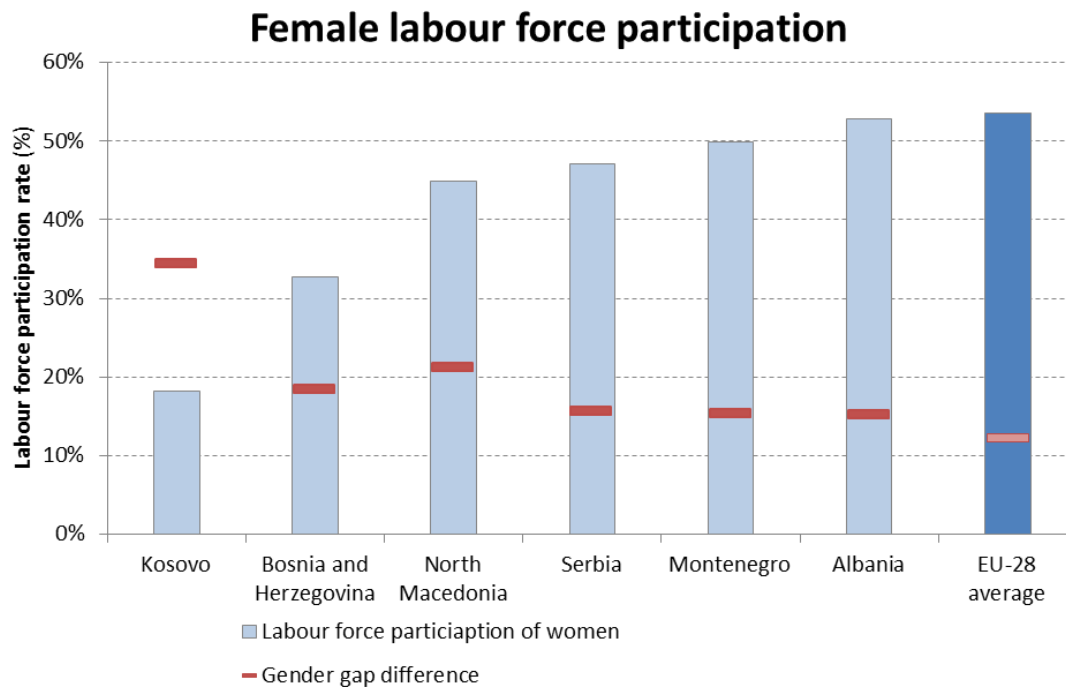
Value added in economic activity is low



Source: ILO and United Nations Statistics Division

- **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

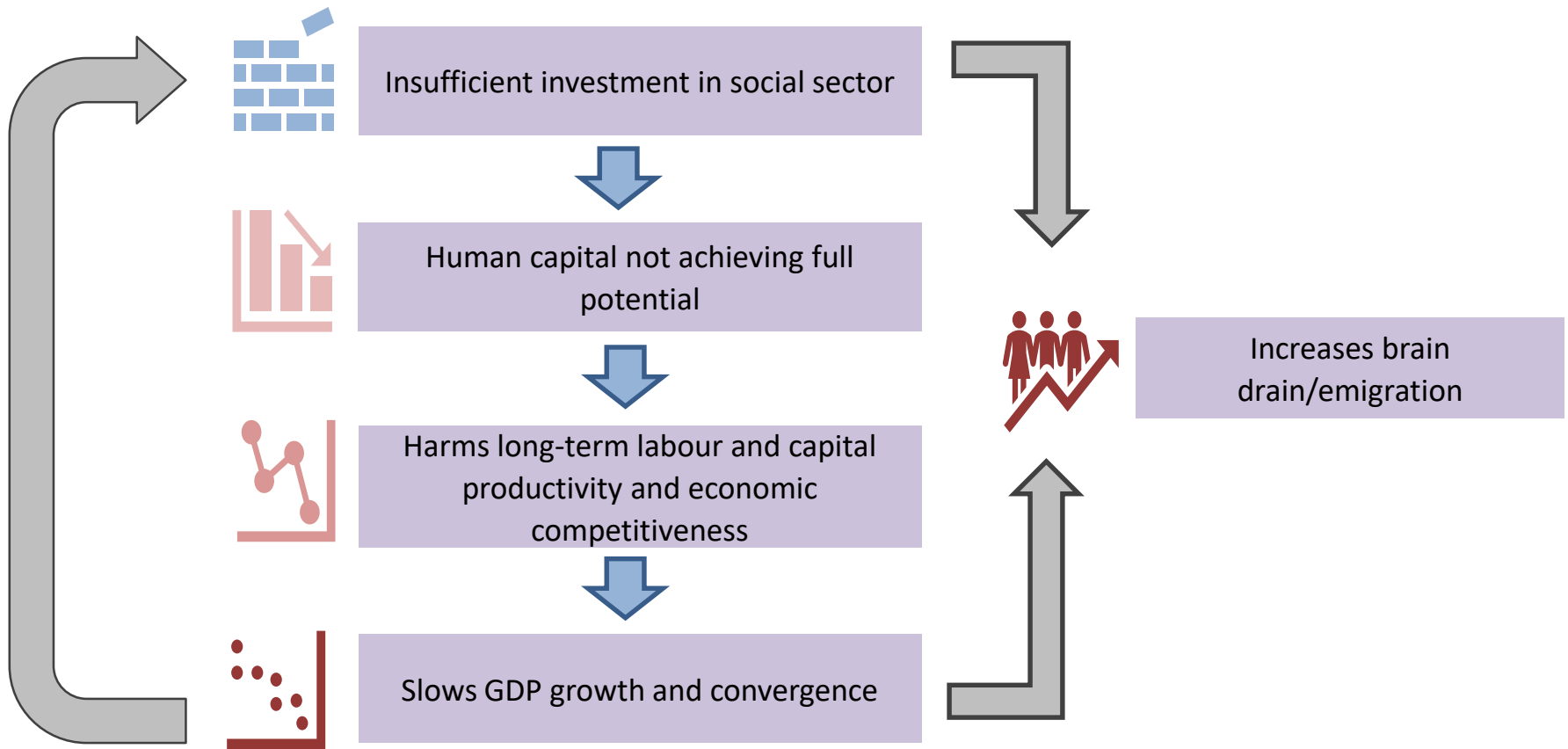
Full potential of women and youth is not realised



Source: ILO

- 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

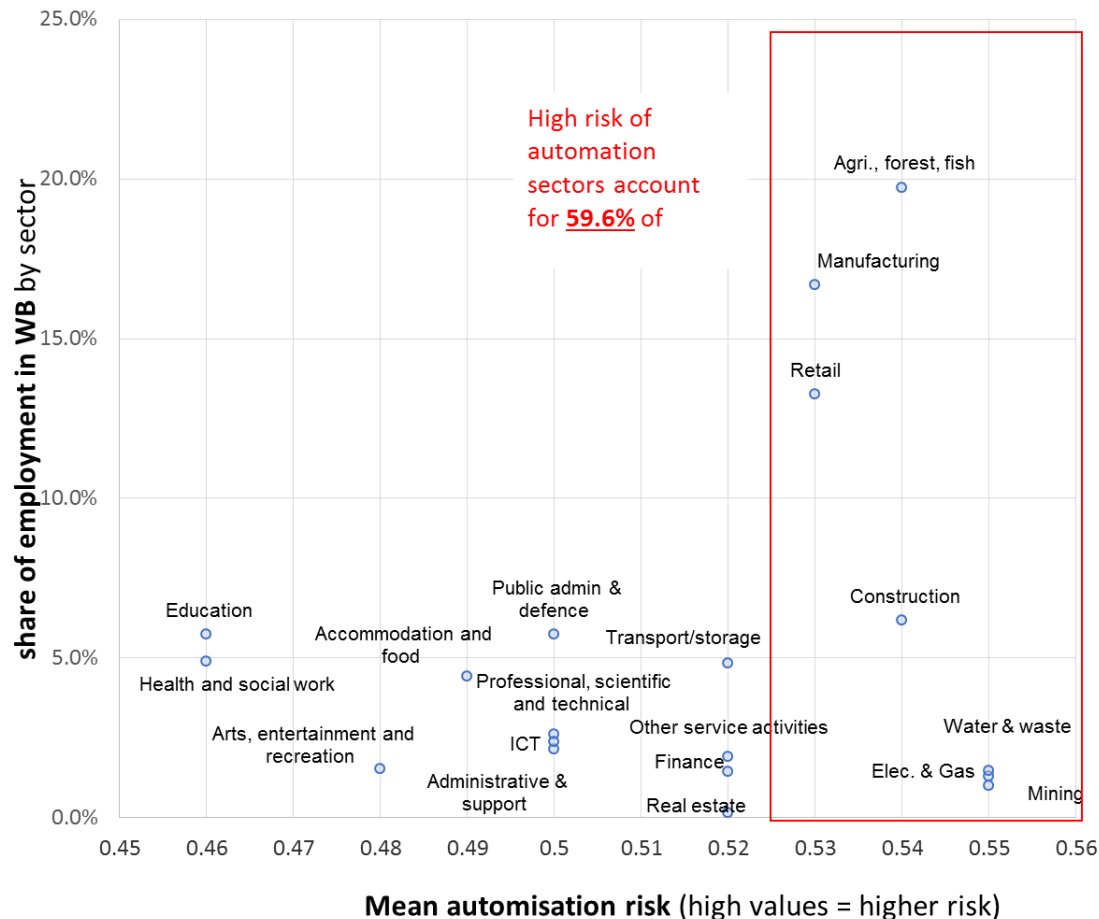
Brain drain and underinvestment in social sectors are intertwined



Education and Skills

Striving to form the
workforce of the future

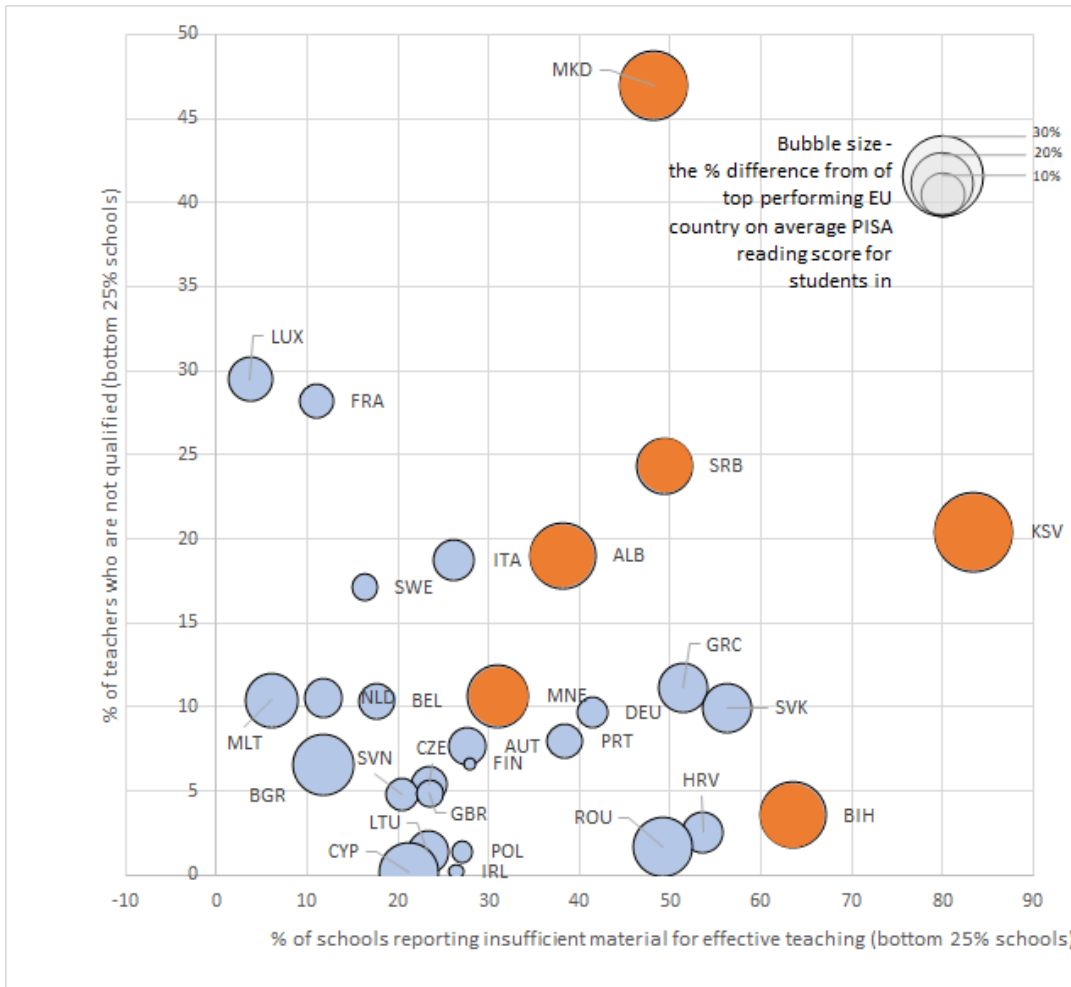
A changing labour market puts WB6 jobs at risk



Source: ILO and Pouliakas (2018)

- **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

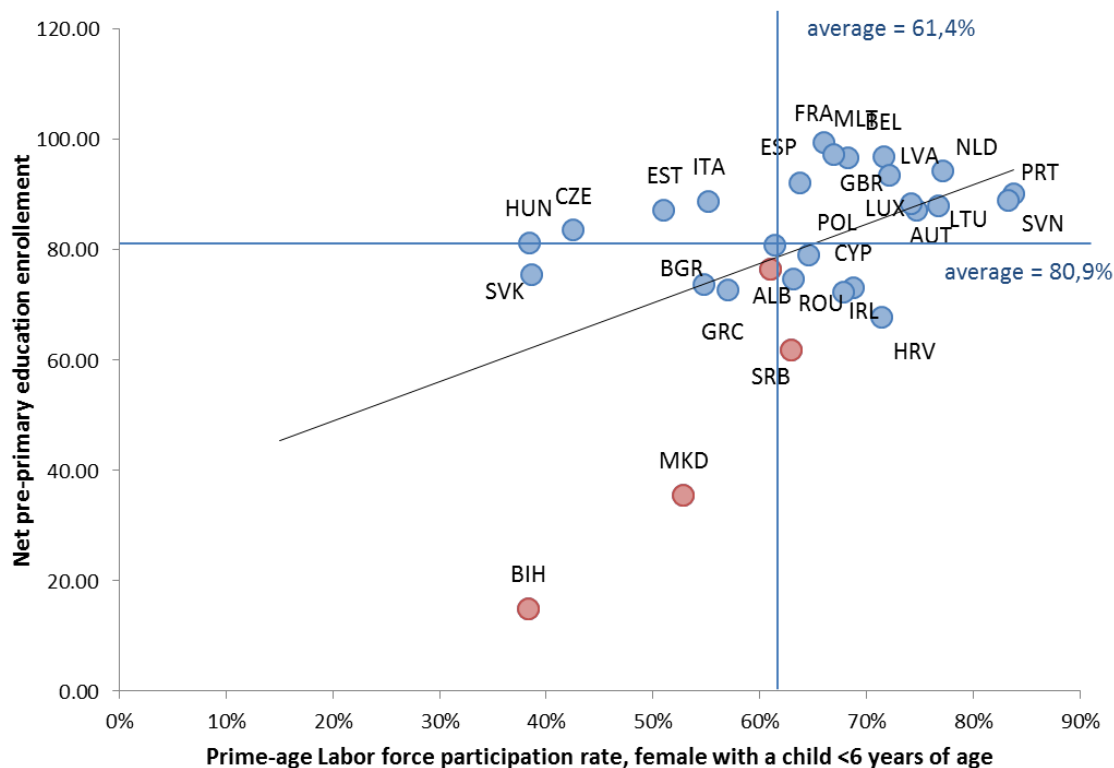


Source: OECD PISA

- **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**

Under-supply of pre-primary education = bad outcomes

Early-childhood education rates



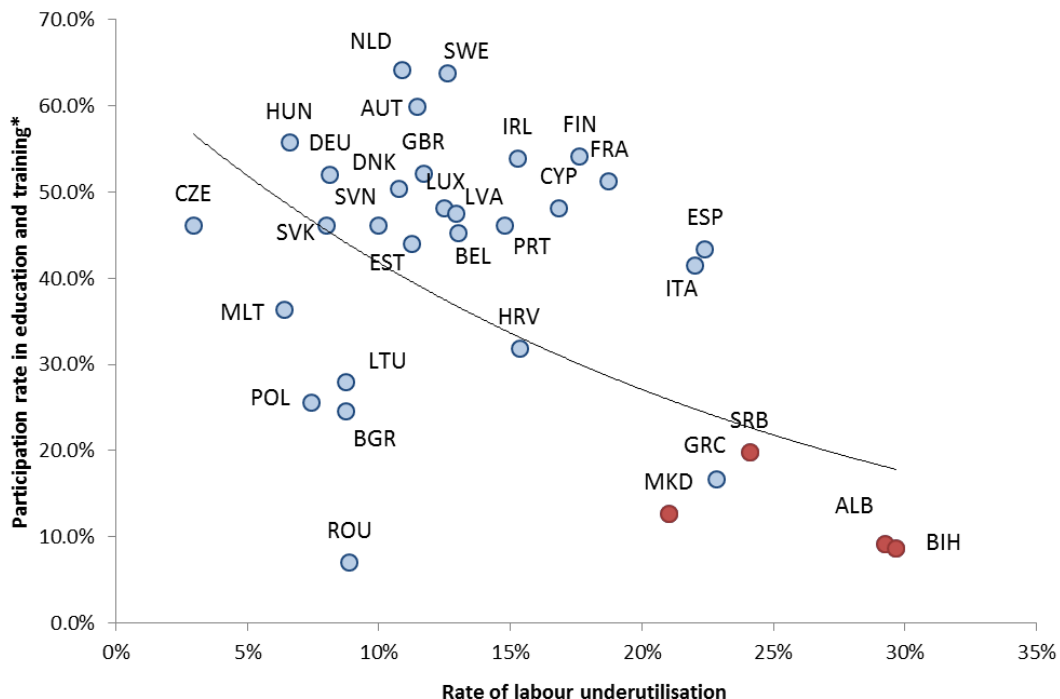
- Lack of early childhood education options (especially in BIH & MKD) results in:
 - Lower/widening educational outcomes of future generations (especially for the poor)
 - Contribute to limiting female labour force participation

* Kosovo and Montenegro data unavailable

Source – ILO; UNESCO

Labour market hurt by limited vocational training

Labour underutilisation in the Balkans



Source - Eurostat; ILO *participation rate in education and training in last 12 months (2016) - 25 to 64 years

* Kosovo and Montenegro data unavailable

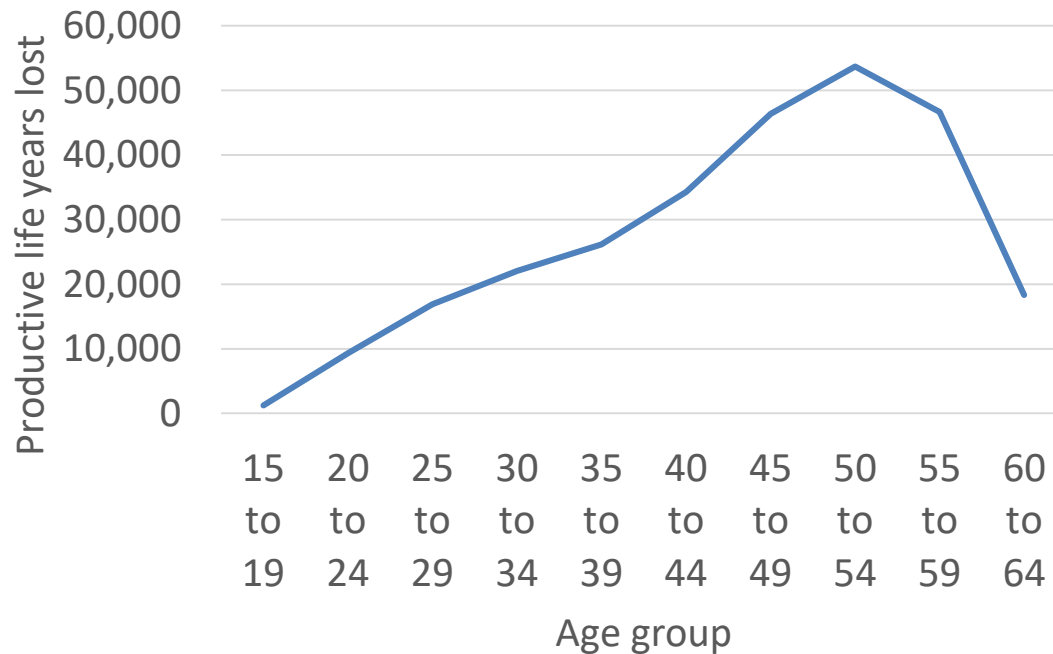
- Vocational education training is limited in the WB-region
- Increasing VET can help boost labour supply skills
 - Reduce skills-mismatch
 - Up-skilling of existing workers

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

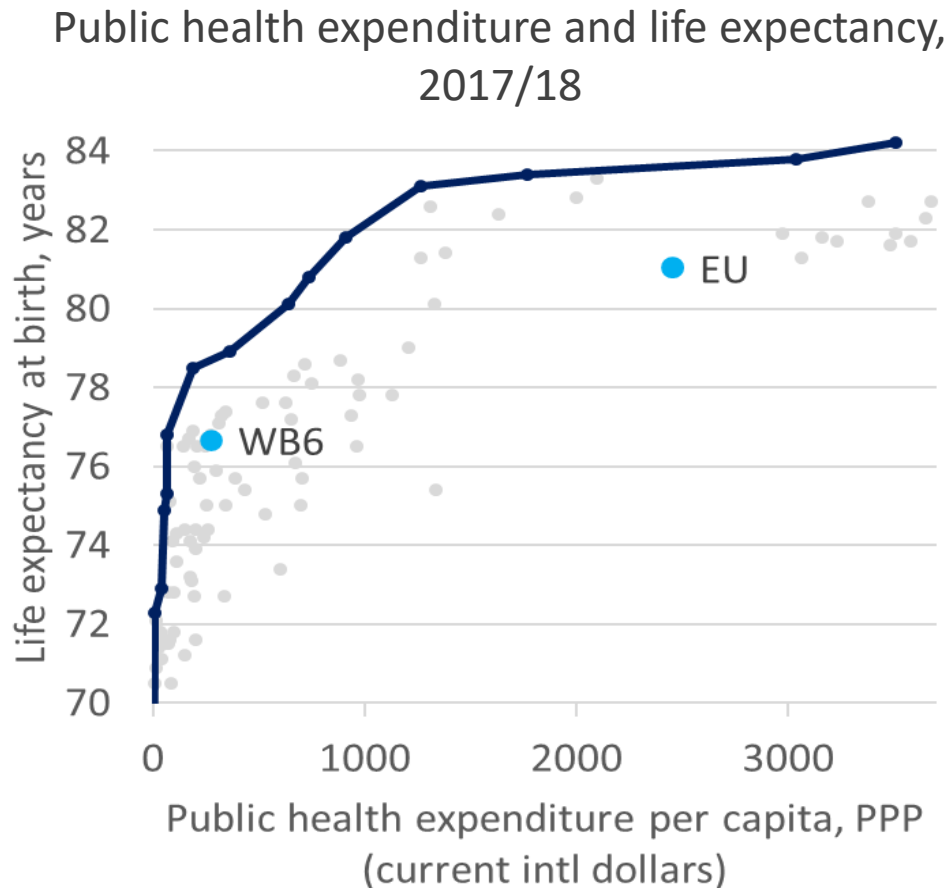
Productive life years lost due to premature deaths, WB6, 2017



- 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

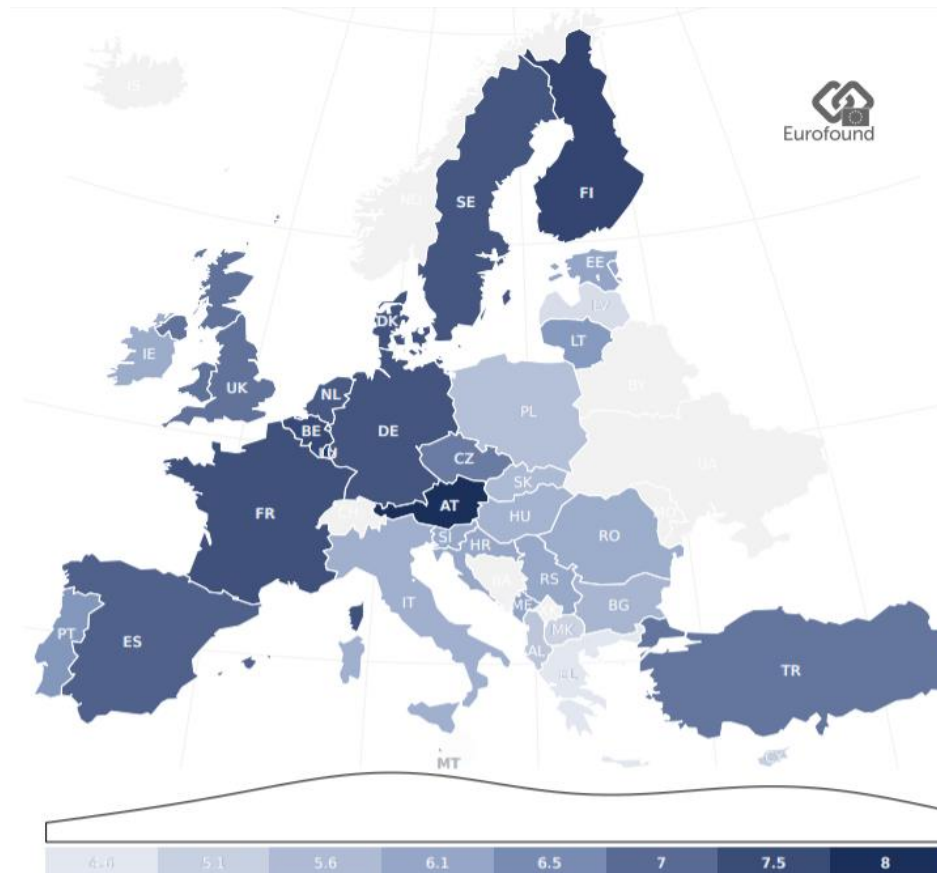


Source: World Bank. Note: data missing for Kosovo.

- 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

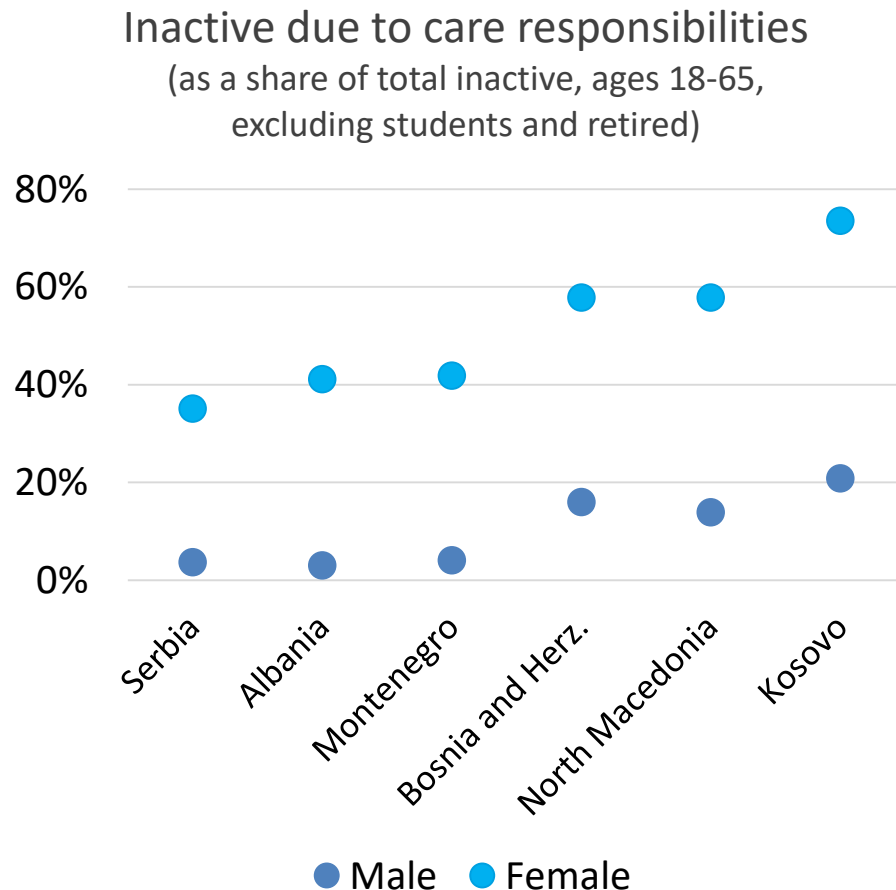
Average rating: quality of health services, 2016



Source: Eurofound, EQLS 2016

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

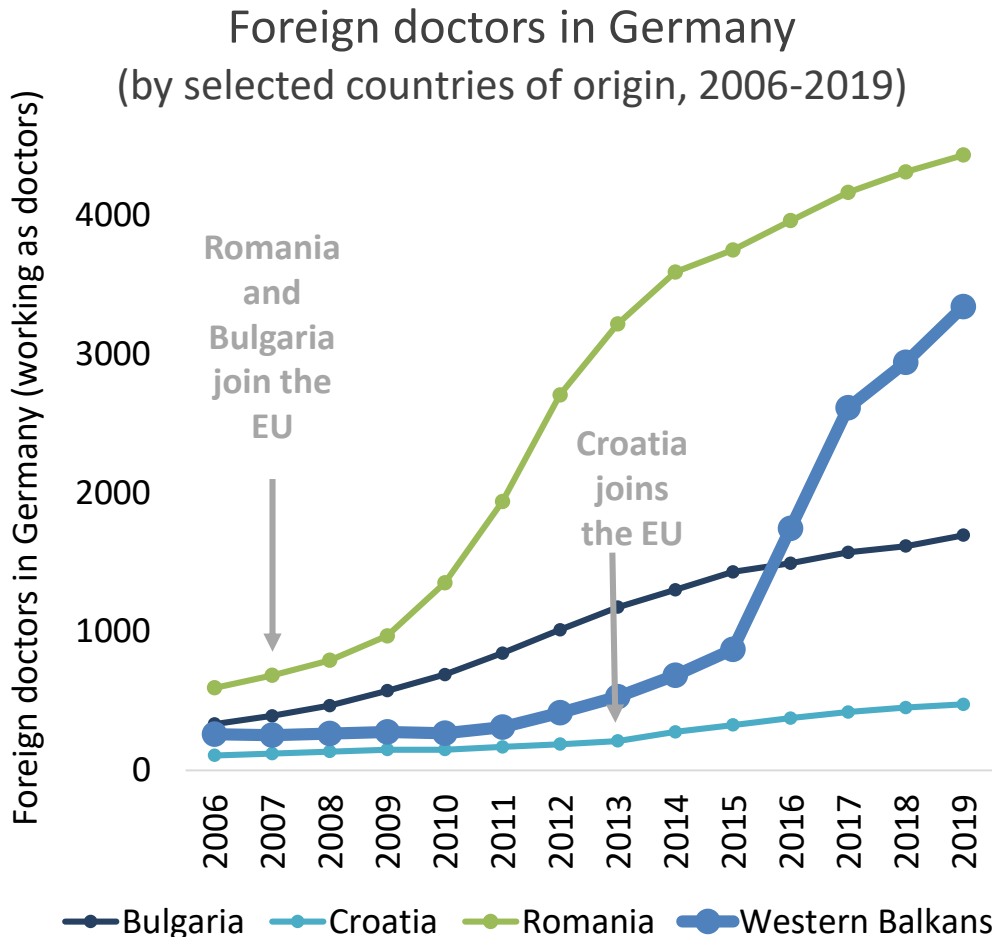
High informal care burden is a possible push factor?



Source: Author's calculations using LITS III

- 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

Health workers are fleeing the region at an alarming rate



Source: World Bank, forthcoming.

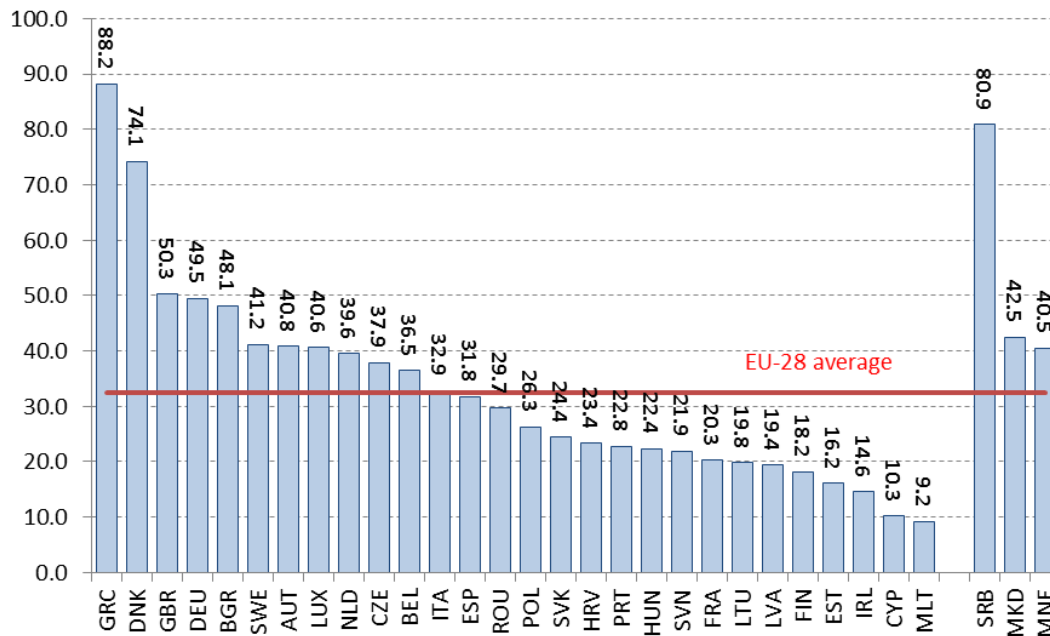
- Outflows of doctors growing faster than in EU13 following accession
- Few health workers return or immigrate from abroad
- As a result: shortages of key health staff begin to appear

Affordable Housing

Cost pressures in urban areas may limit
young people's potential

Housing is an excessive burden on household budgets

Housing cost over-burden rates (%) - 2018



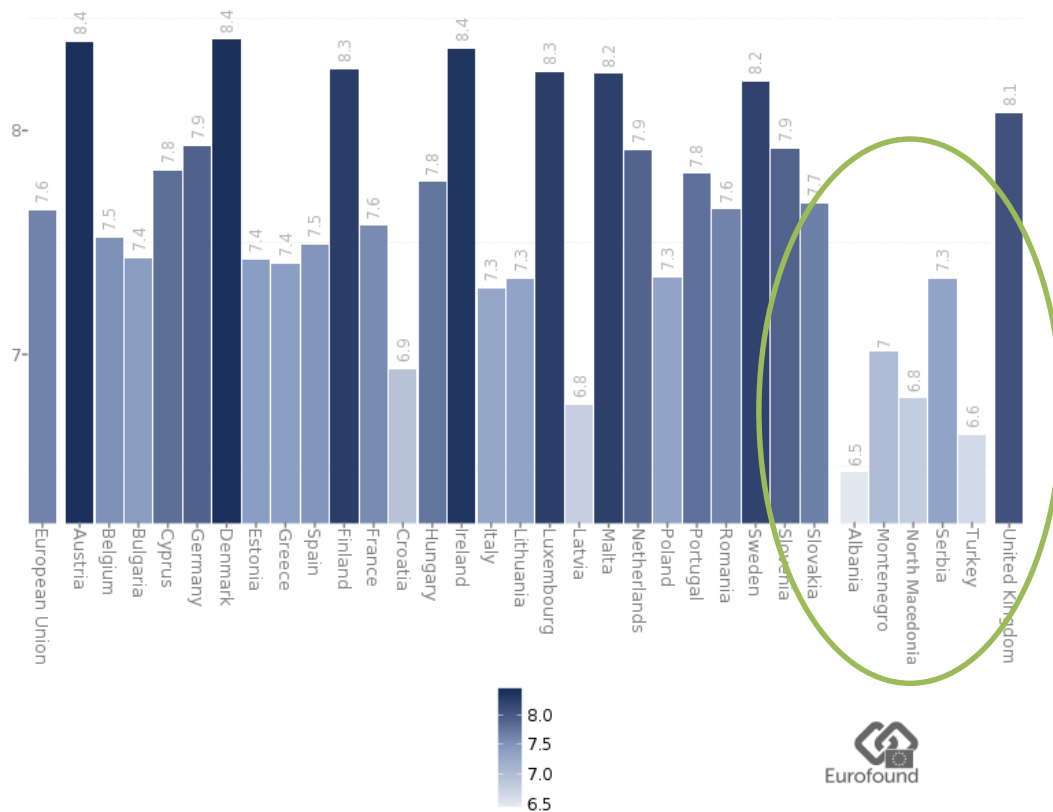
- Rate of housing cost over-burden among highest in Europe
- Utility costs difficult to meet for many households – despite large investments in energy sector

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

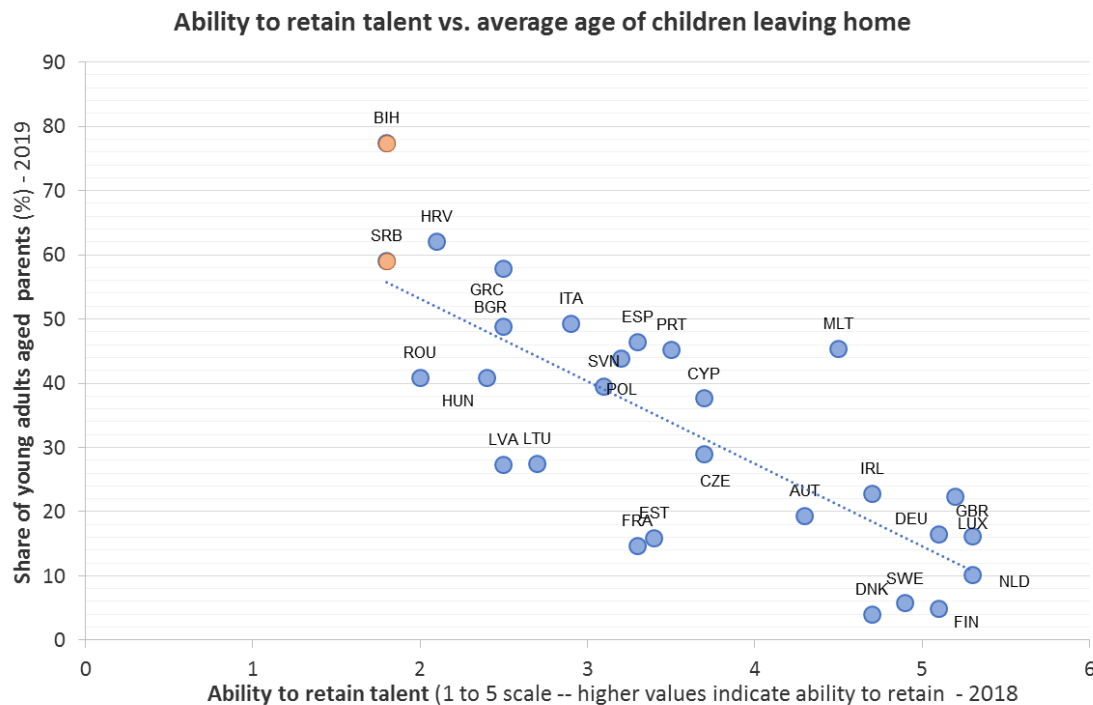


- Low satisfaction with accommodation compared to EU
- Housing prices are increasing faster in cities than in rural areas

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.

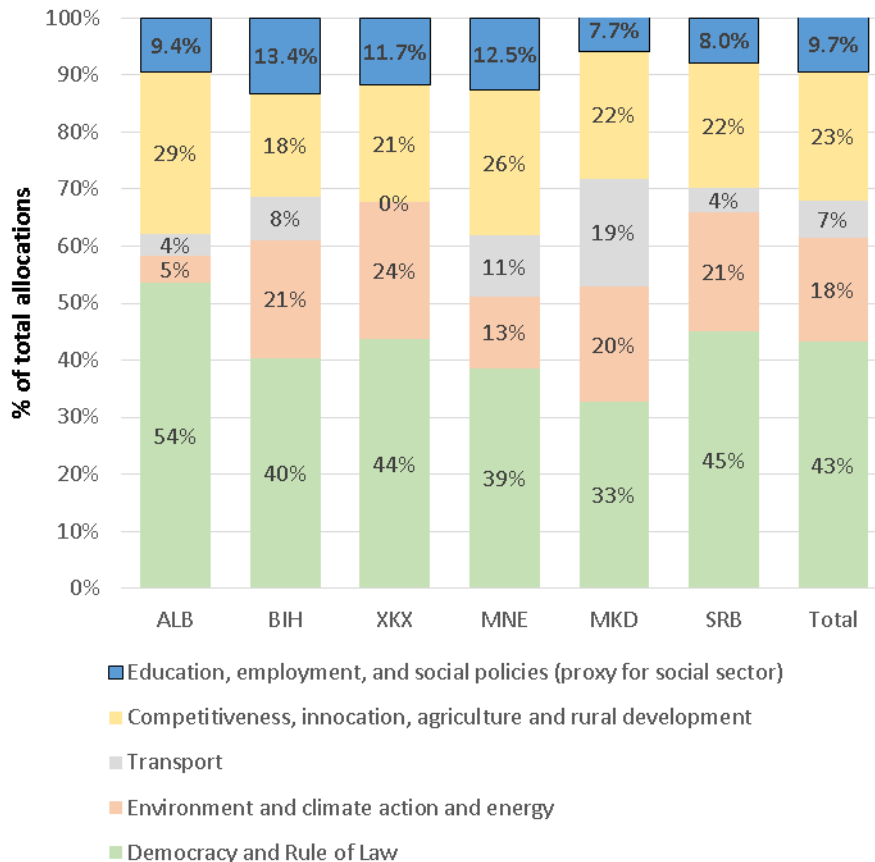
Note: Data for Albania, Montenegro, North Macedonia, and Kosovo is missing.

Reversing Brain Drain?

Boosting social infrastructure investment

EU-IPA funds have limited focus on social sectors

IPA II 2014-2020 funding allocations



- 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

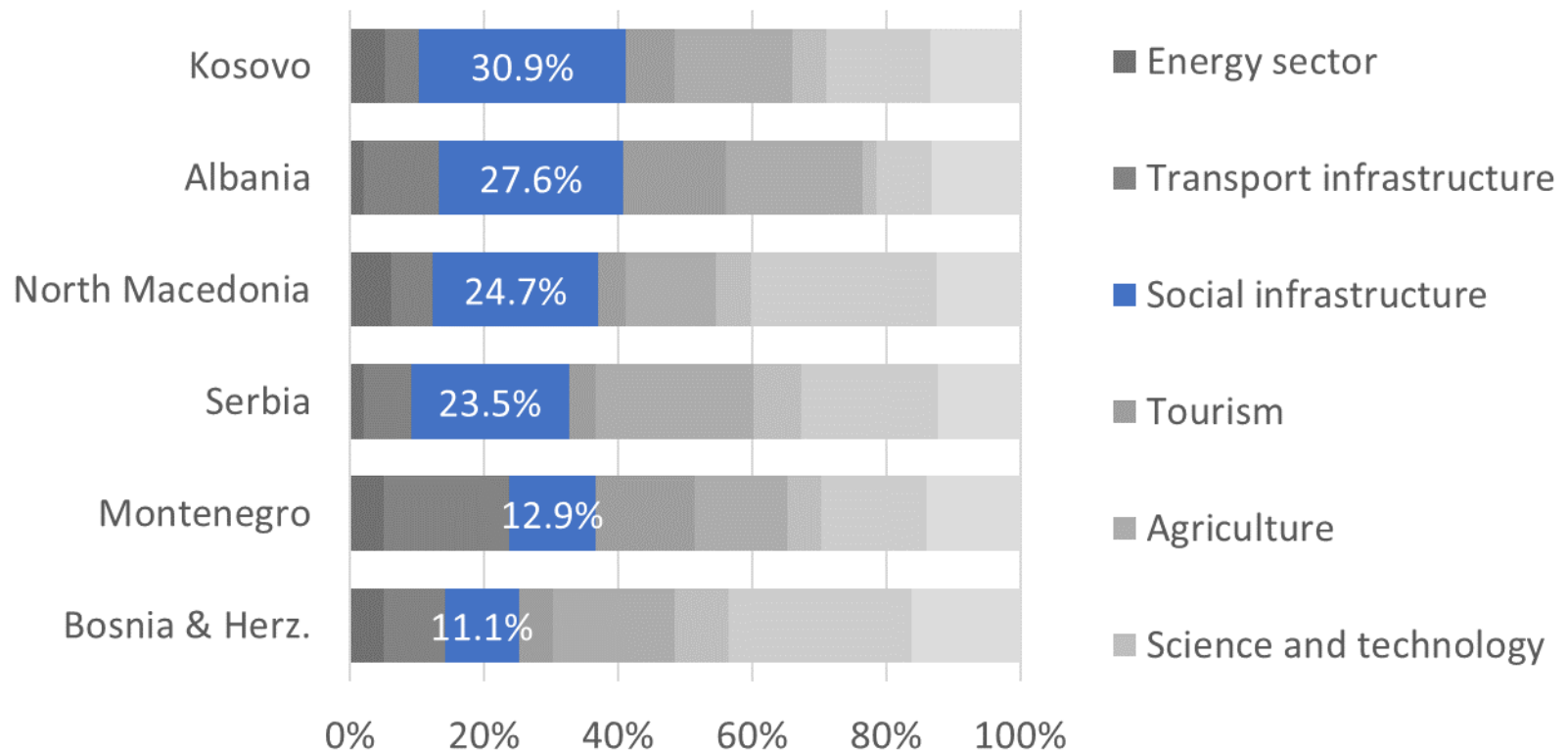
Source: European Commission

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?



Source: Balkan Barometer 2020.

Thank You!

Questions?

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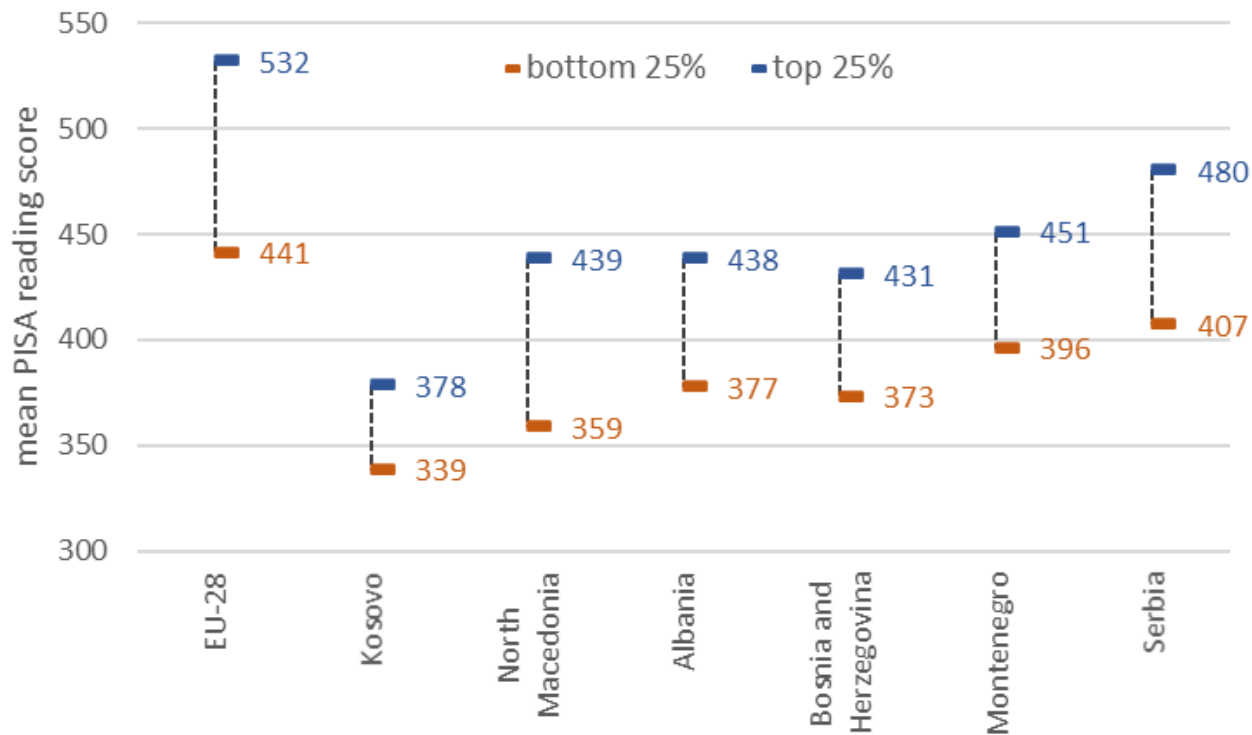
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Annex

Annex – Socioeconomic differences in educational output

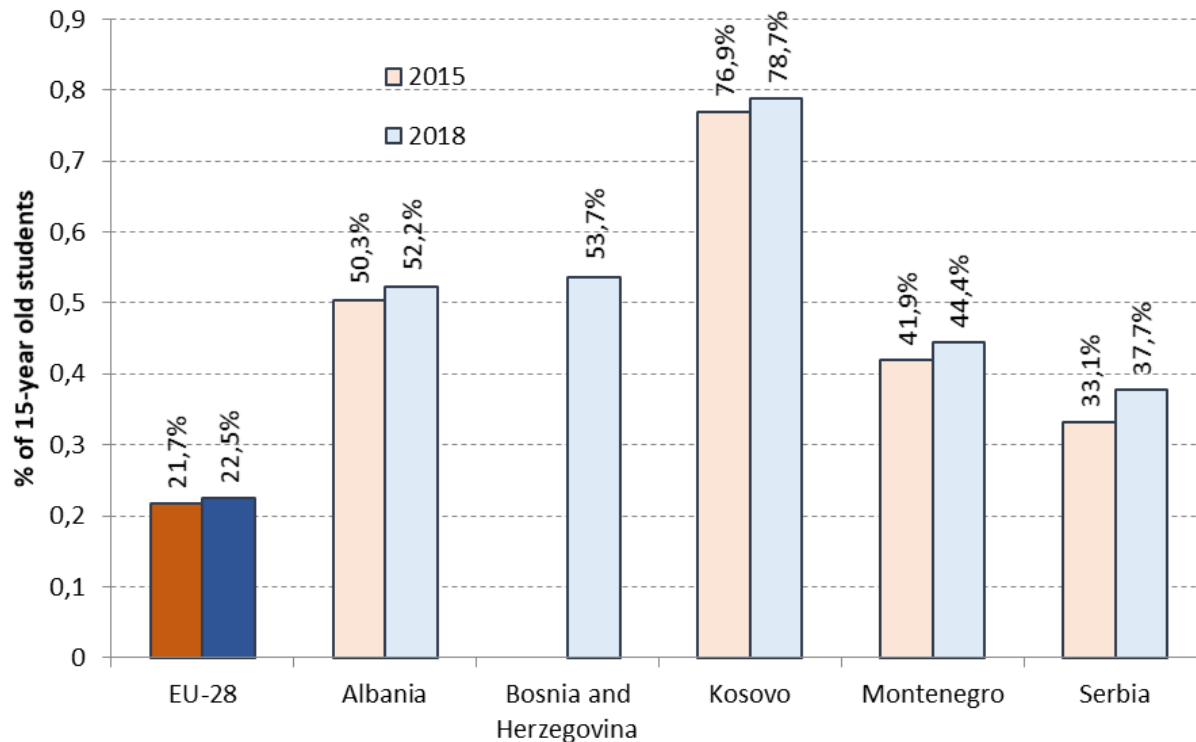
Average reading Pisa score of students of top and bottom socio-economic quartile



source - OECD and CEB Staff calculations

Annex – Functional illiteracy high

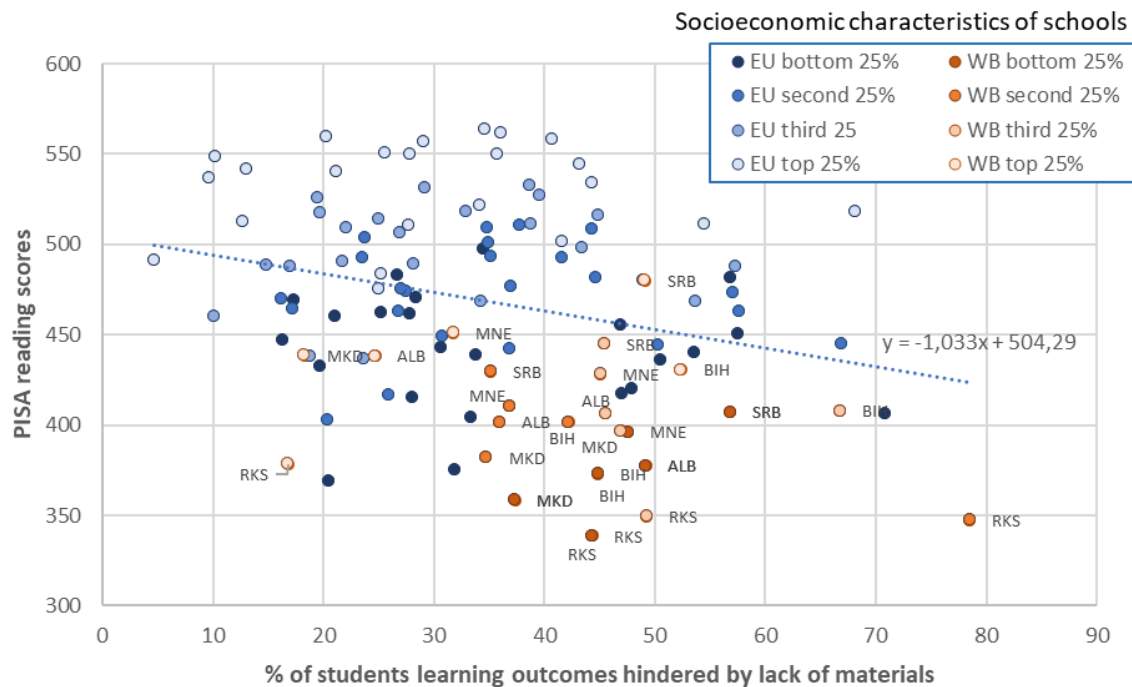
Functional illiteracy of students



source- PISA and CEB staff calculations

Annex – Educational resources and outputs

Material deprivation and test scores of by socioeconomic characteristics



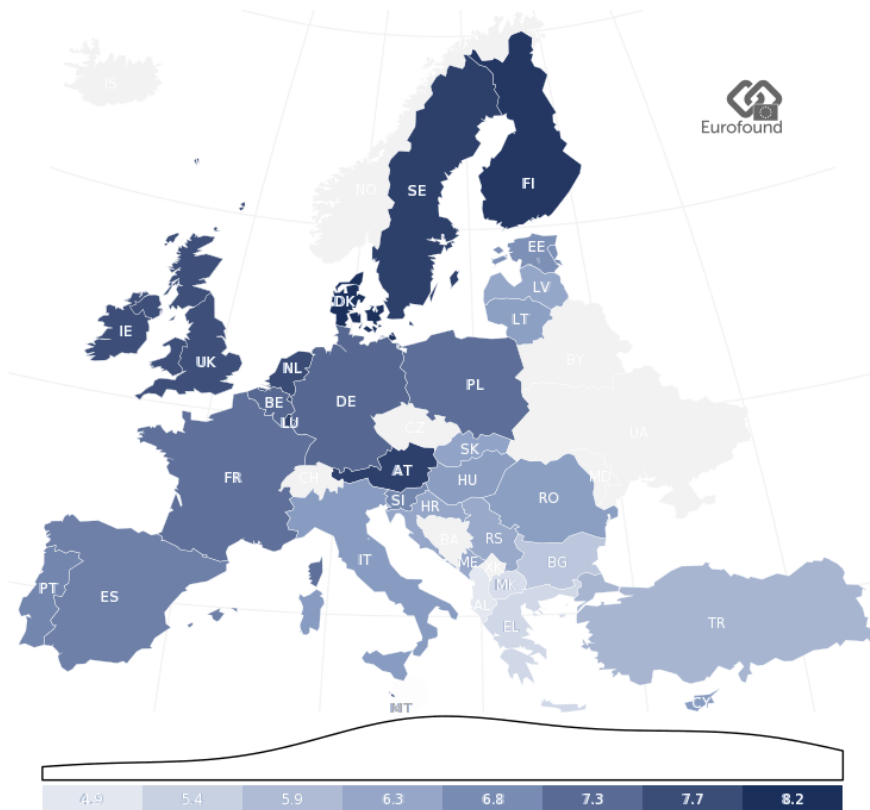
* students mean performances from all four socioeconomic groups represented for each country

** schools from all four socioeconomic groupings are included

source - OECD and CEB Staff calculations

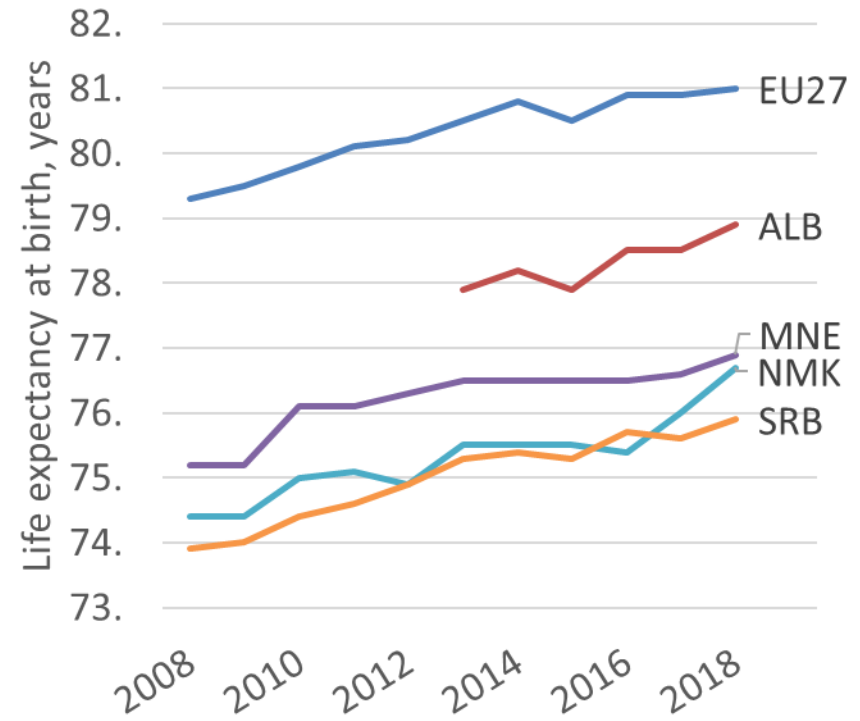
Annex – Wellbeing and health outcomes

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



Source: EUROFOUND, EQLS 2016

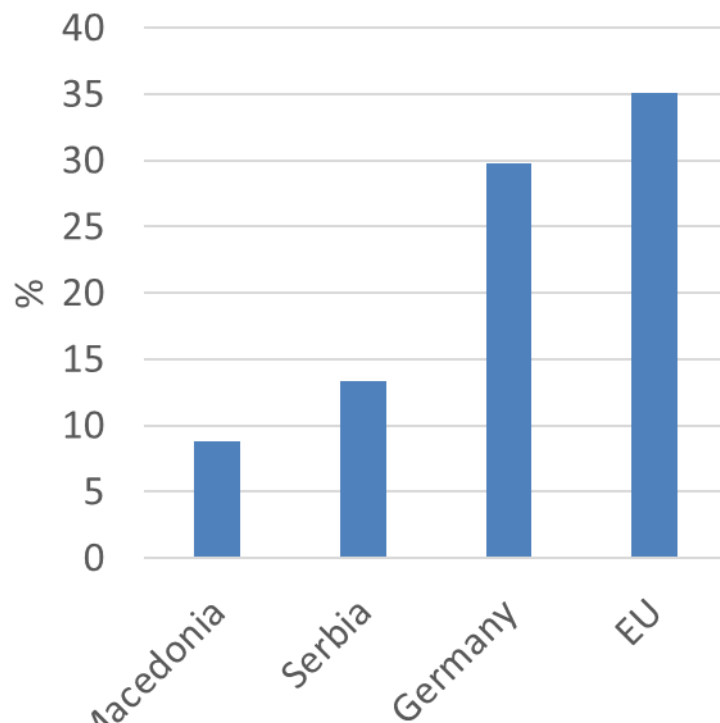
Life expectancy at birth, 2008-2018



Source: Eurostat

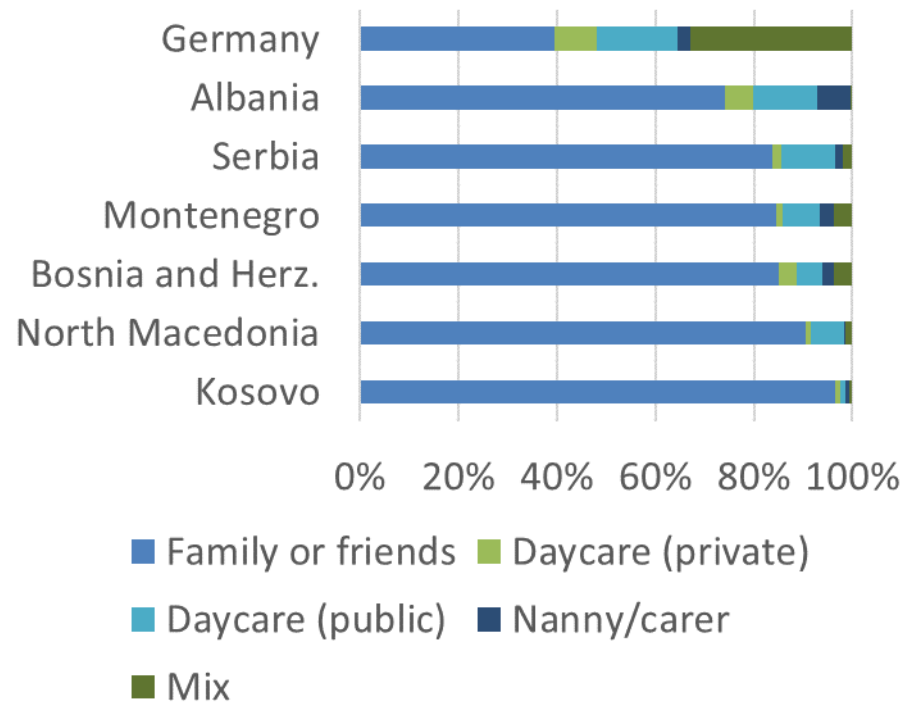
Annex – Care for dependents

Children aged less than 3 years in formal childcare, 2018



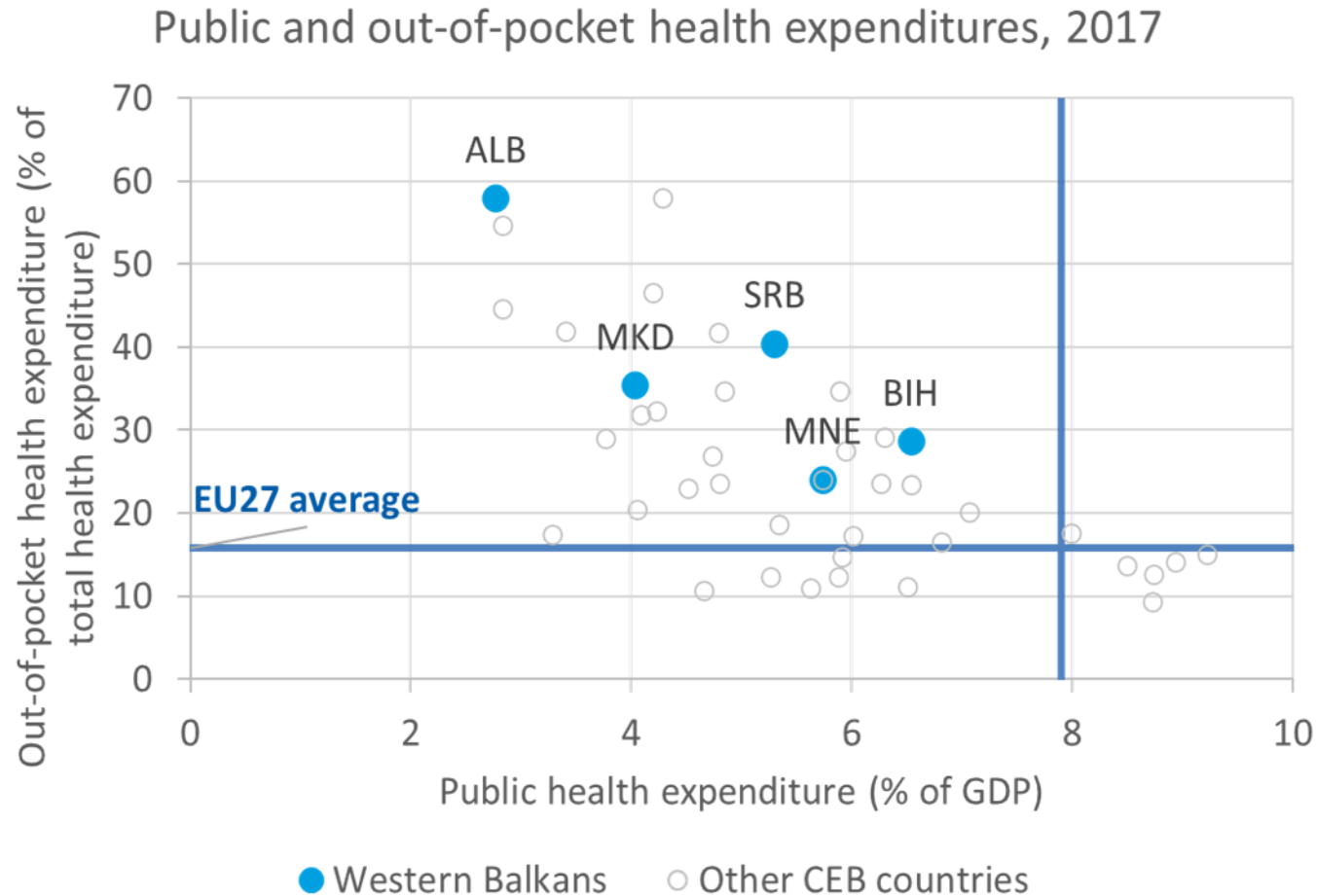
Source: Eurostat. Data for Albania, Bosnia and Herzegovina, Kosovo, and Montenegro not available.

Care providers for household dependents



Source: Author's calculations using LITS III

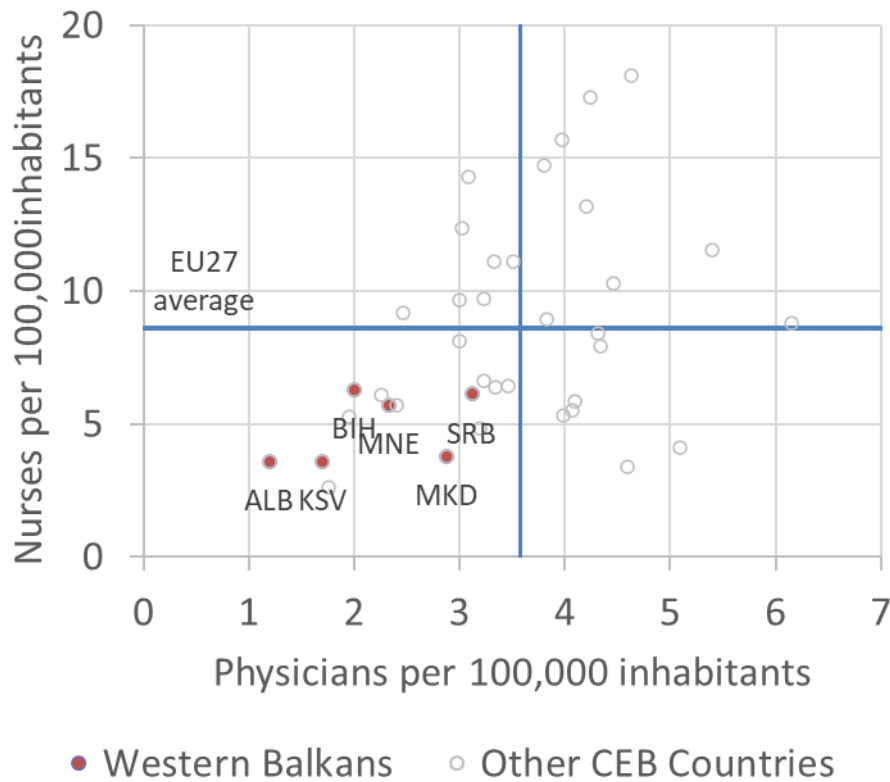
Annex – Health financing



Source: World Bank

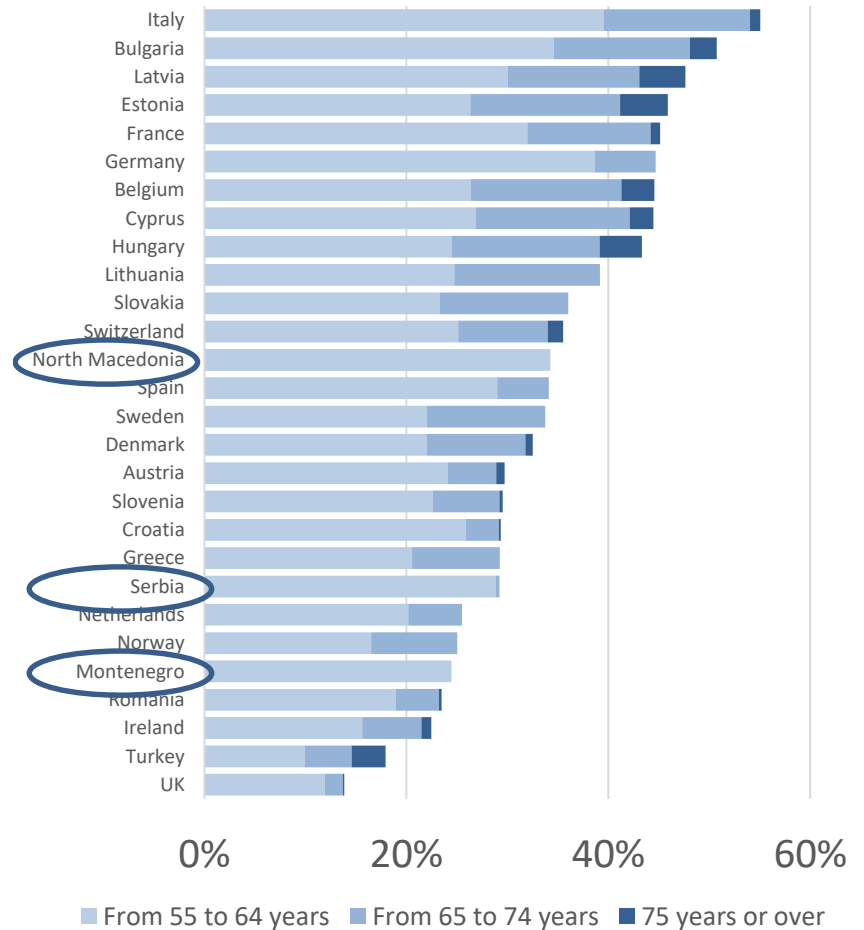
Annex – Human resources for health

Physicians and nurses per capita, 2017



Source: World Bank

Doctors aged 55+ as a share of total, 2018



Source: Eurostat