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Research Report

The impact of migration to the EU on labour shortages in the Western Balkans: Policy implications

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The impact of migration to the EU on labour shortages in the Western Balkans:

Policy implications

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The impact of migration to the EU on labour shortages in the Western Balkans:

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Executive Summary

Emigration from the Western Balkans (WB) to the European Union (EU) has long been a significant source of workers for the EU. In light of population ageing and the twin (digital and green) transitions in the EU, and as candidate countries for EU membership, their contribution may be more relevant than ever. At the same time, the outflow of workers from the WB has exacerbated labour and skill shortages across occupations in the region, depleting the talent pool needed for economic development. This challenge – while also an opportunity – requires immediate attention. Based on new research findings, this policy brief highlights incentives that encourage (i) emigration from the WB region and (ii) immigration to EU countries. In particular, it examines the impact of emigration on labour shortages in the WB and proposes timely **policy recommendations for WB and EU policy makers**. The policy recommendations are in three main categories: (i) industrial policy to address labour shortages and boost technological development, (ii) migration and skills development policies, and (iii) improving data quality for market research and academia.

Keywords: Pull and push factors of migration, migration aspirations/desires, destination decision, choice model, migration policy, skills development, Western Balkans, EU

JEL classification: F22, O15

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The impact of migration to the EU on labour shortages in the Western Balkans: Policy implications

1. INTRODUCTION

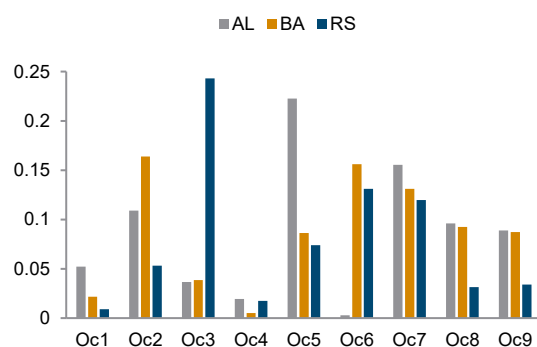
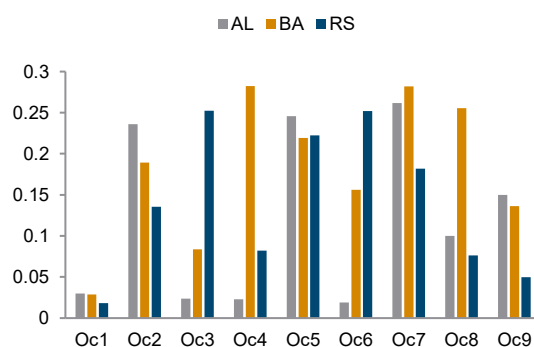
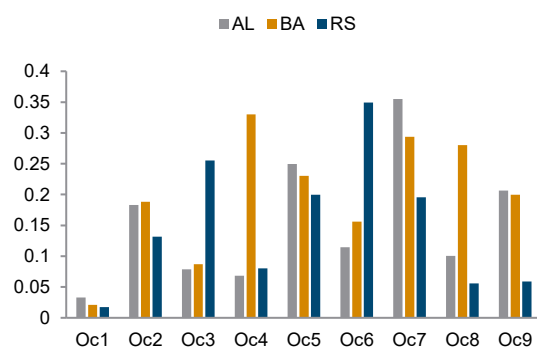
The Western Balkan countries Albania, Bosnia and Herzegovina, Kosovo,¹ Montenegro, North Macedonia and Serbia are each on their respective paths towards become European Union Member States (European Commission 2024). Accession to the European Union can offer significant socio-economic advantages for candidate states, but there are also risks to mitigate. Skills shortages due to migration, can be such a risk.

Labour markets in both the Western Balkans (WB) and the European Union (EU) face significant labour and/or skill shortages (EURES 2023). In the context of the WB, recent reports² identify a lack of skilled workers as one of the key obstacles for local enterprises - especially small and medium-sized enterprises (SMEs), which are the backbone of local economies.

For Albania, Bosnia and Herzegovina, and Serbia, the share of firms surveyed by the World Bank as part of the STEP Skills Measurement Program experienced labour shortages across all 1-digit ISCO-08 occupations. A large share of firms face serious challenges in finding suitable employees in all these occupations (see Figure 1). Labour shortages of greater than 10% are found in all three countries for the occupational clusters 'Skilled agricultural, forestry and fishery workers' (Oc6) and 'Craft and related trades workers' (Oc7). In addition, Serbia has a distinctly high (25%) shortage of 'Technicians and associate professionals' (Oc3), and Albania has a shortage in 'Service and sales workers' (Oc5) of above 20%. When considering shortages of skilled and experienced labour, figures are strikingly high for all occupational groups except 'Managers' (Oc1). Despite being generally high throughout, general as well as skilled and experienced labour shortages vary considerably across the three countries.

¹ This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the International Court of Justice (ICJ) advisory opinion on Kosovo's declaration of independence.

² An increasing number of reports (mostly prepared with Serbia in mind) aim to identify key constraints for SMEs in the WB; for an example, see a recent report by the Centre for Advanced Economic Studies (CEVES), supported by GIZ and available in Serbian (Udovički et al. 2023). Another useful report – also studying Serbia – is the Enabling Environment for Sustainable Enterprises (EESE) report developed by the Serbian Association of Employers (2022) with the technical support of the International Labour Organization (ILO). As these reports discuss, while SMEs have immense relevance for WB economies and (often) great export potential, they face numerous severe obstacles, such as (i) lacks of capacity, access to finance, and skilled workers or (ii) administrative barriers and the twin - digital and green - transitions. The above-mentioned reports offer extensive policy recommendations grouped by theme in order to encourage sustainable industry development.

Figure 1 / Firms facing different forms of shortages in three WB countries (%)**Panel A: Shortage of labour (%)****Panel B: Shortage of skilled labour (%)****Panel C: Shortage of experienced labour (%)**

Note:

- ISCO Occupation
- Oc1 Managers
- Oc2 Professionals
- Oc3 Technicians and associate professionals
- Oc4 Clerical support workers
- Oc5 Service and sales workers
- Oc6 Skilled agricultural, forestry and fishery workers
- Oc7 Craft and related trades workers
- Oc8 Plant and machine operators and assemblers
- Oc9 Elementary occupations

Sources: Albania's Wave 4 of STEP survey (2017); Bosnia and Herzegovina's wave 3 of STEP survey (2016-2017); Serbia's wave 3 of STEP survey (2015-2016). Oc0 (Armed forces) was excluded due to insufficient data. Weights are used in the calculations.

Emigration from the WB to the EU – a result of, among other things, a lack of economic convergence between the two regions (European Commission 2023b) - has long been a significant source of labour for the EU. According to the OECD (2023), the WB countries are among the top origins of migrants in the EU. The WB is a region with a complex political and economic history, which continues to shape its present-day realities. As mentioned above, the WB countries (also known as the WB6) – are all EU candidate countries at different stages of preparation for accession.

The outflow of workers from the WB has exacerbated labour and/or skill shortages across occupations in the region, depleting the talent pool needed for innovation and economic development. This leads to a vicious cycle in which emigration – often of the highly skilled and educated individuals (i.e. brain drain³) – further weakens the local economy and labour market, which in turn encourages further migration. The emigration of youth, who are typically the most dynamic and adaptable segment of the labour force, intensifies these challenges and limits the region's capacity to innovate, adapt and develop.

³ "Brain drain" occurs when the share of high-skilled migrants among the total migrant population of a country is larger than the corresponding share of high-skilled residents among the total resident (non-migrant) population of a country' (Arandarenko 2021, p. 10).

This policy brief sheds light on how migration and skills-development policies as well as improved data collection may mutually benefit labour markets in the WB countries and the EU. It draws on new empirical insights from the [GS4S](#) working paper ‘Skills-oriented migration in the Western Balkans: Linking workers’ migration aspirations to skill shortages in destination and origin countries’ (Beckers et al. 2024)⁴ (see Text box 1).⁵ In addition to being crucial for understanding the broader socioeconomic dynamics underpinning migration trends, these insights can also inform policies that mitigate the adverse effects of emigration from the WB, paving the way towards a common strategy for addressing skills, migration and development in the WB region and the EU.

TEXT BOX 1 / NEW FINDINGS: MIGRATION ASPIRATIONS IN THE WB ARE INFLUENCED BY LABOUR SHORTAGES ‘AT HOME’ AND ABROAD

A new working paper (Beckers et al. 2024) provides an empirical analysis of migration aspirations in Albania, Bosnia and Herzegovina, and Serbia. **This research finds that** people wish to emigrate (at least temporarily) due to an interplay of (i) pull factors in EU countries, such as better economic opportunities and demand for specific skills, and (ii) push factors in the WB, including high unemployment and low wages:

- › **Migration aspirations** are particularly pronounced among **younger people** (especially those with **higher levels of education**) and people with **close family members living abroad**.
- › Migration aspirations are also influenced - among a variety of tangible and intangible factors - by **labour shortages in WB and EU countries**. People working in occupations for which there is a significant **national shortage** of skilled or experienced labour are **less likely to want to leave** their home country. Conversely, the existence of **labour shortages in the destination country** significantly **increases migration aspirations**, particularly in high-demand sectors, such as health care, IT and construction.
- › Individuals are much more likely to prefer a destination country where their occupation is in shortage, which reflects the **demand-driven nature of migration flows**. Germany is by far the most popular destination (attracting nearly 40% of surveyed individuals with migration aspirations).

In general, the findings highlight how migration aspirations depend on labour market conditions both in the potential destination country and the country of origin. The decision to migrate is shaped by a range of economic, social and family-related factors. Addressing these factors, particularly by improving local labour market conditions in the WB, could play a crucial role in reducing migration flows and mitigating the adverse effects of labour shortages in the WB region.

The remainder of the policy note is structured as follows: Section 2 discusses incentives to migrate based on the working paper (Beckers et al. 2024) supplemented by secondary sources, highlighting the incentives for migration from the WB region to the EU, both at the origin and destination. Section 3 presents policy recommendations for addressing labour shortages in the WBs caused by migration. Finally, Section 4 summarises the key points of the policy note.

⁴ <https://gs4s.eu/working-paper-series/>

⁵ The term ‘origin country’ here refers to the country of residence and not necessarily the nationality of potential migrants in the WB region.

2. INCENTIVES TO MIGRATE?

2.1. EU incentives

There are many different factors that draw workers from the WB to the EU. Besides visa liberalisation for the WB since 2009 and plans to facilitate mobility further awaiting EU accession, incentives are mainly economic in nature.⁶

We situate our discussion in a broad and evolving policy framework on the **new EU skills agenda** following the 2023 European Year of Skills. A key role of the Year of Skills was to contribute to the development of skills for the successful twin transitions to ‘digital’ and ‘green’ economies. To investigate skills shortages and provide policy input, the European Centre for the Development of Vocational Training (Cedefop), an EU agency, built a tool to provides **skills intelligence on the demand in the EU member states**.⁷ Such intelligence could be used to target mobility of skilled workers, yet such is still in the planning stages. The mobility of students and researchers has kicked-off years ago through i.e. the Erasmus+ program (European Commission 2020).

Prior to the Year of Skills, the Commission presented its package on *Attracting skills and talent to the EU* (COM (2022) 657), which presented, among other things, an operational pillar and a forward-looking pillar, with the announced intention to address EU labour market shortages in i.e. the health care. Moreover, it presented the EU Talent Partnerships, which may facilitate traineeships. The Communication held that Talent Partnerships should “combine direct support for mobility schemes for work or training with capacity building and investment in human capital, including skills development, vocational education and training and operationalisation of work-based exchange schemes” (COM (2022) 657, p. 12). However, **the WB are not target countries for Talent Partnerships**.

Another output of the Year of Skills is the November 2023 *Skills and Talent Mobility Package* offering policy measures to address labour and skill shortages *in the EU, potentially drawing in WB citizens* (European Commission 2023a). The package included a recommendation on the recognition of qualifications of third-country nationals (EU 2023/7700) for **faster recognition of qualifications and skills** obtained outside the EU. Moreover, a legislative proposal was presented on a regulation establishing an EU Talent Pool to **allow for better matching** of labour and skills needs in the EU with skilled third-country nationals, potentially also from the WB countries (COM (2023) 716). At present, the proposal is still under examination by co-legislators and the Talent Pool regulation is under attack by the Council (i.e. ministers of the member states) (Council of the EU 2024a). The Council, for instance, objects to prioritising participants in EU Talent Partnerships through the development of a “EU Talent Partnership pass”. EU Talent Partnerships aim to foster mutual benefits for the country of origin and the EU by offering (temporary) labour mobility and training “for the jobs of tomorrow” (Hooper 2021). Our paper concluded that Talent Partnerships could be a good instrument for steering labour migration in a mutually beneficial direction. Without prioritising Talent Partnerships, a functioning Talent Pool could exacerbate brain drain from the WB.

⁶ A more detailed overview of the literature on labour migration from the WB to the EU is presented in our working paper (Beckers et al. 2024). The literature review and the analysis in the working paper inform our discussion here on different incentives driving migration from the WB to the EU.

⁷ www.cedefop.europa.eu/en/blog-articles/welcome-skills-intelligence-online-tool

Moreover, there is the 'New Growth Plan for the Western Balkans' (adopted by the European Commission on 8 November 2023), which proposes to offer some of the **benefits of EU membership to the region in advance of accession in order to boost economic growth and accelerate socioeconomic convergence** (European Commission 2023b). One of the objectives is enhancing economic integration with the EU's single market through free movement of services and workers, which is a possible priority area of the Growth Plan.

All these skills and integration related policies for workers are still in the planning phase or not targeting workers from the WB.

Economic factors that draw WB citizens to EU countries, particularly those with strong economies (e.g. Austria, Germany and Sweden), are **better wages, higher standards of living, and more opportunities for career advancement** compared to those found in the WB. In addition, as a result of demographic change, the demand for skilled workers is particularly high in these countries, and many EU countries have introduced policies to attract workers from outside the bloc to fill gaps in various sectors (e.g. health care, IT and construction), though not all of these policies specifically target the WB (for an example from Germany, see Text Box 2).

TEXT BOX 2 / GERMANY AND THE WB

Germany's **Western Balkans Regulation (WBR)**, which has been extended indefinitely beyond its original end date of 2023, allows 50,000 permits per year (up from 25,000) for WB nationals to enter the German labour market in non-regulated professions regardless of their qualifications. The WBR has been in high demand: between November 2015 and May 2020, the Federal Employment Agency granted 244,167 (preliminary) approvals (Brücker et al. 2020). Furthermore, under the new **Skilled Immigration Act** (Fachkräfteeinwanderungsgesetz – FEG), Germany has a well-established system of shortage lists, which identify occupations for which there is significant demand for workers. This system simplifies the process for skilled non-EU workers to obtain visas and work permits in shortage occupations. Healthcare professionals, IT specialists and engineers are among the most sought-after workers, and these fields often align with the skills of potential migrants from the WB.

The presence of substantial **diasporas**, resulting from a long history of emigration from the WB region earlier waves of emigration, particularly in the 1960s, 1990s and early 2000s, also plays a significant role in attracting new migrants. Family and other social networks provide both practical and emotional support to new arrivals, thereby reducing the risks and uncertainties associated with migration and making the prospect of moving to a new country more appealing. For instance:

- › In 2020, according to UN Department of Economics and Social Affairs (DESA) statistics, the worldwide stock of migrants from the region amounted to 15% of Serbia's total domestic population, around 21% of Montenegro's, 33% of North Macedonia's, 44% of Albania's, and 48% of Bosnia and Herzegovina's.
- › The countries of the EU and the European Free Trade Association (EFTA) – that is, Iceland, Liechtenstein, Norway and Switzerland – are the main destinations of emigrants from the WB. While Albanian migrants are concentrated in Italy and Greece, migrants from other WB countries mainly live

in Austria, Germany, Switzerland and Scandinavian countries. However, emigration to Croatia and Slovenia, two neighbouring EU countries, has been increasing in recent years.

- › Individuals from the WB often have relatives who migrated during earlier waves of emigration, particularly in the 1990s and early 2000s. These family connections continue to facilitate new migration flows.

The **social and political stability of EU countries** is another important pull factor. For many people from the WB, the prospect of living in a country with a well-functioning government, a robust legal system and access to high-quality public services is a significant draw. These perceived aspects of life in the EU, particularly in contrast to the more unstable political and economic environments in the WB, make migration an attractive option for those seeking a better quality of life (Arif 2019). Moreover, for individuals with families, the prospect of providing their children with better educational opportunities is a powerful motivator to migrate (Beckers and Boschman 2019).

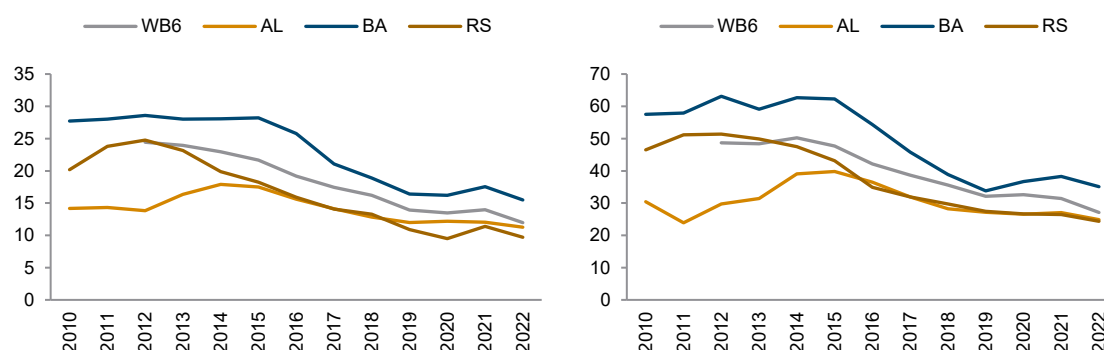
These factors, combined with the economic opportunities available in the EU, create a strong pull for individuals from the WB to migrate.

2.2. WB incentives

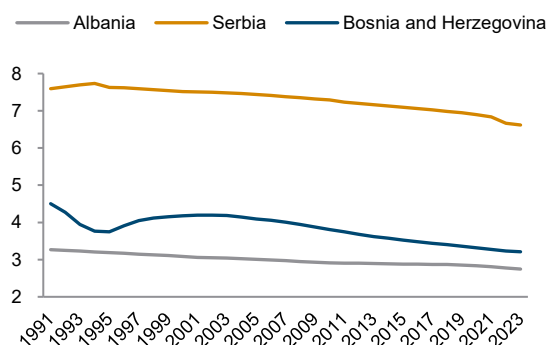
Incentives driving migration from the WB are equally important, particularly in the context of ongoing economic challenges in the region. **High unemployment** (Panel A in Figure 1), especially among **young people** (Panel B in Figure 1), is one of the main push factors. In Albania, Bosnia and Herzegovina, and Serbia, unemployment rates have steadily declined since 2010. However, they remain stubbornly high, even as the educational composition of the workforce has improved and the share of high-skilled workers in the working-age population has increased. The lauded decline in unemployment is mostly due to the reduced size of the resident population (Figure 2) and the decreasing number of people in the labour force. This creates a situation in which young people – and even those with university degrees – struggle to find jobs that match their skills and qualifications (a phenomenon also known as ‘brain waste’) (Kubiciel-Lodzińska and Maj 2021). The lack of opportunities at home encourages many to seek work abroad, where they believe their skills will be more valued and rewarded.

Figure 2 / Unemployment rates in the WB6 and three selected WB countries: 2010-2022 (%)

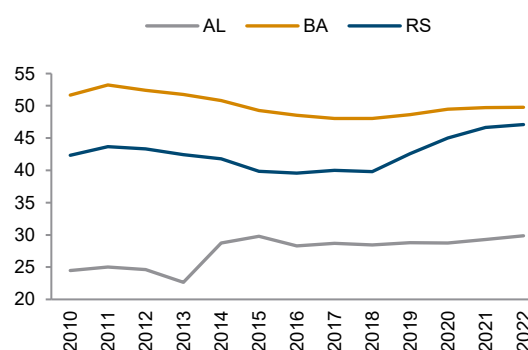
Panel A: Total unemployment rate (15-64 years) Panel B: Youth unemployment rate (15-24 years)



Sources: SEE Jobs Gateway, the Vienna Institute for International Economic Studies (wiiw), Vidovic et al. (2020).

Figure 3 / Population size of three selected WB countries, 1991-2023, million

Source: World Development Indicators of the World Bank

Figure 4 / Average monthly gross wages, Austria = 100 (PPP EUR-based)

Note: Wage data refer to register-based survey data for the Western Balkans and to gross wages of national accounts in Austria. Albania: methodological break 2013/2014.

Source: SEE Jobs Gateway Database (Vidovic et al. (2020)), based on data provided by national statistical offices and Eurostat; authors' calculations.

Low wages in the WB are another important push factor. Wages are often significantly lower than in the EU, making migration an attractive option. For example, in 2022, the average wage measured in purchasing power parity (PPP) was only about 30% of the Austrian level in Albania, 47% in Serbia, and 50% in Bosnia and Herzegovina (Figure 2). This suggests that an improvement in local labour market conditions could reduce the outflow of workers, presuming that wages in the potential destination remain constant and that all else remains equal. Remittances are an important source of income for many households in the WB. This, in turn, helps to reduce poverty, which further incentivises migration. According to the World Bank-initiated Global Knowledge Partnership on Migration and Development (KNOMAD n.d.), in 2023, the share of remittance inflows accounted for 17.6% of the GDP in Kosovo, 10.9% in Montenegro, 10.4% in Bosnia and Herzegovina, 9% in Albania, 7.7% in Serbia, and 3.1% in North Macedonia.

Another important push factor is the mismatch between the education system and the labour market in the WB. Despite recent improvements in the educational composition of the WB workforce, there is a significant disconnect between the skills that individuals acquire through formal education and the needs of the local labour market. This skills mismatch exacerbates the problem of youth unemployment and makes it difficult for even highly educated individuals to find suitable employment (brain waste). As a result, many young people may see migration as the only viable option for achieving their career goals and improving their quality of life (see Beckers et al. 2024).

Finally, political instability and weak governance also contribute to the desire to migrate. Many individuals in the WB are disillusioned with the political systems in their countries, where corruption, a lack of transparency, and inefficiency are widespread (Büchner et al. 2024; Gara and Fetai 2024). This sense of political stagnation and a lack of progress creates a feeling of hopelessness, particularly among members of younger generations, who see few opportunities for advancement or improvement in their home countries. The perception that the political situation is unlikely to improve in the near future drives many to seek better opportunities elsewhere.

3. TACKLING EMIGRANT-BASED LABOUR SHORTAGES IN THE WB: WHAT ARE THE POLICY OPTIONS?

In this section, we present policy recommendations for policy makers in the WB and the EU. Our recommendations focus on specific policy fields central to the GS4S project or, more specifically, on migration from and skills development in the WB in the EU context.

3.1. An industrial policy framework to address labour shortages and boost technological development

The analysis above highlights the need to improve labour market conditions in WB countries, as realities such as high (long-term) unemployment and inactivity rates motivate emigration from the region. In this regard, it comes as no surprise that industrial policy has a role to play and should be approached strategically by WB governments.

One way to improve labour market conditions in sectors affected by labour shortages is to increase investment by high-tech multinational enterprises (MNEs) based in western EU member states, which can primarily be facilitated through the employment of highly skilled and highly educated foreign workers. The employment of highly educated natives could also be improved by increasing the availability of suitable skill-matching programmes (see Section 3.2 below). However, as the vicious cycle demonstrates, labour shortages make it difficult for investors to find suitable candidates. Thus, for breaking this vicious cycle, we may need to attract highly educated and highly skilled labour for new high-tech investment projects. In this context, industrial policy must devise suitable means for governments to introduce special programmes aimed at attracting highly skilled and experienced foreign workers, particularly in areas where businesses face significant shortages. For instance, EU cohesion policy funds should be leveraged to provide financial incentives (e.g. tax credits) for foreign workers in sectors experiencing labour shortages. This would also enable foreign-owned companies to offer higher-paying jobs to skilled foreign-born workers with more years of experience.

This is like talent visa programmes that have long been in place in Scandinavian and western EU member states, which have successfully addressed skilled labour shortages by attracting high-skilled migrants (Papademetriou and Sumption 2013; OECD 2019). The dynamic effects of these developments could drive wage increases in the affected occupational groups. For instance, the production segment of MNEs tends to offer lower wages compared to other areas, such as finance and business services, headquarters functions, and R&D/ICT business functions (Ghodsi and Landesmann 2024). Innovative jobs, such as those associated with a high degree of patenting activities (Ghodsi et al. 2024), typically command higher wages, leading to greater value added in the economy.

The positive spill-over effects of such a transfer of technology from MNE parents based in western EU countries on other sectors of WB economies should not be overlooked. A long-term positive outlook for the WB countries could be gained by encouraging MNEs to create highly paid jobs, such as those in patenting activities. An increasing share of the population with improved skills and education would then foster long-term growth in other sectors of the economy via a larger demand effect. Such industrial long-term growth would allow for sustainable development, gradually narrowing the wage gap between WB and EU countries. This implies that wage growth in high-paying jobs in the WB should surpass that in the EU member states.

In addition to developing WB SMEs and within the framework of the EU's industrial and trade policies, the WB could benefit from greater involvement in European value chains. The concept of friend-shoring and near-shoring, aligned with the EU's strategic autonomy agenda, could incentivise multinational enterprises (MNEs) to invest more in the region. Encouraging MNEs to establish greenfield and brownfield projects in the WB could help to develop the local economy and create high-quality jobs with better wages. Regulatory convergence between the WB and the EU is one important factor in motivating European MNEs to invest in the WB. Establishing a 'Patent Box' via offering tax credits to MNEs that innovate and receive grants on their patents in the WB could be another policy to attract high-tech MNEs. As seen in the post-2004 EU enlargement in Central and Eastern Europe (CEE), countries like Poland and Czechia experienced significant economic growth and labour market development as MNEs helped to build up their industrial base over the past two to three decades. By learning from these cases and creating policies suitable for the WB context, industrial development could create the necessary conditions for retaining skilled workers. Job creation in the WB driven by MNEs in Western Europe could also help to raise wages and improve overall labour market conditions, thereby making emigration less attractive. In these considerations, it is useful to highlight that industry development, including via the role of EU-based MNEs, should be approached strategically by WB governments. However, industrial development policies should be discussed extensively elsewhere and are out of the scope of this brief.

To directly support innovation and creation of quality jobs (including skilling opportunities) among WB companies, governments must (individually and possibly jointly) support access to financing for innovative businesses and programmes and encourage cooperation among actors to increase impact. This can be accomplished in many ways. Adding to previous reports (several of which are cited in this policy brief), we highlight the potential of discovering and nurturing superclusters. The USAID project in Serbia – "Serbia Innovates" – is an example of such an initiative. The project, implemented by ICT Hub in partnership with the Public Policy Research Center and WM Equity Partners, brought together over 100 organisations from the private sector, academia and government to develop cutting-edge industries. It identified several superclusters: high technology in the agriculture and food industry; the gaming environment and virtual reality; Web3 and blockchain technology; and advanced solutions in medical technology and biotechnology (USAID 2024). According to the project factsheet, the blockchain supercluster will receive further support. Similar initiatives could be implemented across the region, especially with the support from the EU. In that context, these programmes might present avenues for collaboration in the areas of industry development and skilling between WB and EU.

3.2. Policy recommendations related to migration and skills development

Recommendations for the WB

Other ways to improve labour market conditions include improving the flow of information, which would allow the market to function more efficiently by better connecting and matching workers with specific skills and education to jobs that require those skills and qualifications. While it must be noted that people cannot be held back from trying their luck elsewhere, the GS4S working paper (Beckers et al. 2024) and our discussion here strongly suggest that addressing and preventing brain drain and brain waste should

be a priority in the WB. To this end, WB policy makers should pay particular attention to migration policies, labour market policies and skills development policies.⁸

- › Ensure **better matching (alignment) of talent and jobs** in and between both regions. This can be achieved by **developing tools and platforms offering information on labour market needs** and **improved coordination** between public employment services, business associations, ministries of employment, and other stakeholders in WB countries. One of numerous concrete examples comes from the GS4S case study on Estonia (forthcoming), where there is strong collaboration between (i) the Estonian Qualifications Authority (Kutsekoda), which produces sectoral and other studies to look at longer-term labour market needs, and (ii) the Estonian Unemployment Insurance Fund (EUIF), whose main tool is the short-term-oriented interactive *labour demand barometer*.⁹ Together, these organisations offer a clear picture of the Estonian labour market, which allows for designing effective active labour market policies (ALMPs). Establishing and applying practices of horizontal collaboration and knowledge sharing between national institutions and ministries in WB countries could positively affect the flow of information and data availability (see Section 3.3). Importantly for the WB context, and especially for Serbia, data on employers' perspectives and needs is already being collected, such as in the 'Enabling Environment for Sustainable Enterprises in Serbia' report (Serbian Association of Employers 2022) or surveys conducted by the National Employment Service. It is therefore feasible to explore how (joint) future data-collection efforts and improved coordination among key actors could better inform labour market shortage indicators and lead to improved alignment of talent and jobs.
- › The creation of jobs that make for a positive occupational trajectory should be encouraged. With respect to retaining and attracting workers to return, evidence from Poland (Grabowska 2016) on returns shows that this must be understood as part of an **occupational trajectory** of returning migrants and should be looked at by combining models of **opportunity structures and agency**. To create quality jobs in the WB region, it is important to support local SMEs (for relevant references, see footnote 7) and to strategically attract foreign direct investment (FDI). In addition, particular attention should be paid to the need to better align WB (higher) education policies and systems as well as ALMPs with the needs of local labour markets. Mismatches between the two (see recommendations below) have long been recognised as an important issue. In addition to the non-negligible unemployment rate in the region (including among the highly educated), there is often a mismatch between the *skills needed* in the labour market and the *skills acquired* during years of study. Such factors further worsen employment prospects and encourage emigration. Hence, while education systems are not to be understood as being 'in the service of' labour markets, it would make sense to consider how the two could be better aligned. Examples of positive cooperation between higher education institutions and employers already exist in the region, with one relevant initiative being the Case Study Club at the University of Belgrade's Faculty of Economics.¹⁰ The club allows employers to present concrete problems and offer mentorship to interested students; so far, this has resulted in internship/job opportunities, but also awards at international case study championships and scholarships. Such programmes should be further supported and encouraged by WB governments across fields of study through funding schemes or other incentives.

⁸ In 2019, the World Bank (2019) published extensive policy recommendations for Serbia in the area of skilling. Many remain relevant today.

⁹ www.tootukassa.ee/en/barometer/map

¹⁰ <https://casestudyclub.org/en/o-nama/>

- › Additional emphasis should be placed on **developing ALMPs** that encourage **lifelong learning and re-/up-skilling**. The EESE report showed that employers (in Serbia) are increasingly aware of the need to provide training opportunities to their employees, yet access to finance has also been identified as a major obstacle. WB governments should further develop funding opportunities for employers (especially SMEs) who wish to foster their employees' skills development. The same holds true for the support for digitalisation, which has recently been identified as a major factor encouraging participation in training among WB employees (Jansova and Stronkowski 2024).

Recommendations for the EU

In the introduction, the New Growth Plan for the Western Balkans (European Commission 2023b) was discussed. It aims to bring the WB closer to the EU by offering some of the benefits of EU membership to the region in advance of accession so as to boost economic growth and accelerate socioeconomic convergence. Enhancing economic integration with the EU's single market through the free movement of services and workers is a possible priority area of the Growth Plan, which is a strategy endorsed by our projects' initial findings.

- › **Enhancing the free movement of services and workers** is to be welcomed. As an instrument to even out economic imbalances between the EU member states and the WB, free movement probably has a limited significance (Ruist 2018). However, free movement allows workers to engage in "circular" mobility (i.e. mobility back and forth), which is an important reason for migrant workers to return to their country of origin (Krisjane et al. 2016).
- › In the field of migration policy, expand the EU Talent Partnerships to **EU-WB skills and talent partnerships and align them with EU and WB labour market and industrial strategies**. Both regions face similar labour shortages. Skilling people together and facilitating various forms of mobility (both permanent and temporary or circular) should address these shortages and facilitate workers who aspire migration.
- › Our research shows that a tool like the Talent Pool could be a good instrument for steering labour migration in a useful direction by **giving workers proper insights** into their opportunities for skills and career trajectories. The co-legislators would do wise not to strip the Talent Pool proposal from the link with the EU Talent Partnerships so that the efforts put into developing Talent Partnerships do not go to waste.
- › In the field of educational policy, develop (more) Erasmus+ **vocational education and training (VET)** programmes that promote cooperation between industries in both WB and the EU, thereby fostering skills development and knowledge sharing. This could help to create a more balanced and mutually beneficial workforce to be engaged in cross-border exchanges.

It should be emphasised that any migration, labour market, skills development or educational policy will ultimately fail to stimulate mutual projects in skilling people or to (re-)attract WB talent to return home if there are no jobs at the right skill level, **future prospects and political stability in the WB**.

3.3. Policies to improve data quality available for market research and academia

A key finding from the GS4S projects' initial results is the lacking of quality data. For understanding and analysing the complex and interrelated issues of migration and skilling, a researcher needs data to produce evidence, which in turn is needed for evidence-based policy making.

Recommendations for the WB

WB countries should significantly improve the availability of quality data on local labour market needs. To predict and respond to labour force shortages, it is first necessary to understand them. At the moment, labour force surveys (LFSs) are often used to look at general trends in the labour market, and results are presented at varying levels of detail across countries. In addition, employer surveys are sometimes (though rarely) used to illustrate existing shortages and prospects. Both kinds of resources need to be improved, alongside data on emigration from the WB region (which is relevant in the context of this brief). We suggest the following:

- › **The available labour market data and metadata should be presented in a transparent, complete and harmonised manner** with clear methodological remarks where necessary. This step, which is feasible in the short term, would allow for a better understanding and increased use of the available information. Having sufficient harmonisation across WB countries would greatly facilitate comparative analyses. However, it is important to emphasise that there are significant disparities among WB countries with regards to the availability of data and relevant reports/studies.
- › **Data availability regarding sectoral and occupational labour shortages, including their change over time (i.e. time series data) should be significantly improved.** At the moment, data on labour shortages is most often unavailable, and unemployment rates are used to illustrate the broader picture. When available (e.g. in the findings of employer surveys), data on labour shortages come with serious limitations and a lack of methodological clarity. These kinds of 'snapshots' of the status quo do not allow for an accurate analysis of labour market needs and developments, nor do they enable meaningful estimations of future labour market needs.
- › **Data should also be improved with regards to previous occupations and education fields of the unemployed and, where applicable, of inactive populations.** This is needed to take comprehensive approaches to education and ALMPs.
- › WB countries (at the individual and possibly the regional level) should explore **additional tools and research efforts to study labour market changes and shortages.** A lot could be learned from several EU member states, such as Estonia (as noted above), which uses a *labour market barometer* to predict needs in key occupations and to assess how these have (or have not) been addressed over time. This tool is based on employers' perspectives and developed for key (priority) occupations, and it offers clear, accessible information to interested stakeholders – including workers and students. The barometer should first be developed for WB countries individually, but efforts to create platforms for easy comparison between countries would also be welcome. To that end, it would be necessary to coordinate and decide on a harmonised/coherent approach and methodology.

In the area of emigration, a lot more should be done to ensure more accurate estimates of emigration numbers, to provide data on occupations and destination countries of emigrants, to deal with the issue of temporary vs. permanent migration, and to capture circular migration. At

the moment, it is virtually impossible to correctly estimate emigration numbers for a range of reasons, such as the fact that most people do not deregister from their home municipalities after having moved abroad. Regarding the other above-mentioned points, there is little or no data available. However, it is useful to note that many of the challenges are also faced by EU member states. Solutions, alongside improved cooperation between statistical offices and border control/police, could be additional incentives for people to de-register. In addition, a GS4S case study on Serbia (upcoming) suggests that it is necessary to strengthen professional associations in WB countries in order to improve the availability of data regarding emigration and professional trajectories of workers in key occupations who have moved abroad. Strong professional associations could also improve contact with emigrants from the region, implement circular mobility programmes (e.g. Talent and Skills Partnerships), and facilitate and register return migration.

Recommendations for the EU

Our research focus of the underlying working paper was on the labour shortages and emigration from the WB to the EU. We've highlighted considerable shortcomings in the data collection in the WB. Nevertheless, we also see some ways in which the EU can contribute to addressing the data scarcity. Besides assisting the WB countries in their efforts to strengthen their statistical resources we recommend that

- › The **EU Immigration Portal** can be used more effectively. The EU should provide available data on sectoral and occupational labour shortages e.g. through a link to such data made available by other EU bodies, such as from the Cedefop tool on **skills intelligence on the demand in the EU member states**. It may take a long time before the Talent Pool is operational, while this data can be linked now without requiring new legislation.
- › Next, the European Commission can do more to **keeping up to date the EU Immigration Portal**. To this end the Commission can push the Member States to update it more regularly, it is more efficient to contract out the mapping of member state policies.
- › The EU should also promote and establish a **clear link between WB and EU data**. Creating a data 'bridge' is essential for **research** into skill mobility in the WB-EU migration corridor and key for **evidence-based policy making**.

4. SUMMARY AND CONCLUDING REMARKS

This policy brief highlights the significant impact of emigration from the Western Balkans (WB) on labour shortages within the region. As WB countries continue to face talent depletion (i.e. brain drain) due to migration to the European Union (EU), the resultant skill shortages pose a major challenge to local economic development. However, these challenges also present opportunities for policy makers to design targeted industrial and migration policies that can alleviate labour market pressures while fostering technological advancement and sustainable growth.

The recommendations outlined in this brief focus on three key areas: industrial policy frameworks to address labour shortages and promote technological development, migration and skills development policies to mitigate brain drain and enhance workforce capacity, and the improvement of data quality to support market research and policy making. In addition to helping to tackle the immediate issue of labour

shortages, implementing these recommendations will put the WB region in a better position to enjoy long-term economic resilience and closer integration with the EU.

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