

# The impact of migratory movements on the labour market in the countries of the Western Balkans

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## ABSTRACT

Migration is one of the most current topics in the world today. The most common causes include wars, or climate changes, while there are also migrations caused by economic reasons, and their goal is pursuit of better material existence, achieving a higher standard of living, better conditions of employment, education, and therefore better conditions of life. The subjects of this analysis are economic migration and contemporary migration trends, i.e. the immigration and emigration of foreigners to and from the countries of the Western Balkans (WB). Macroeconomic indicators point to the stabilization of labour markets in the second decade of the 21st century, although economies have been stagnating. The question arises whether this is a consequence of a higher rate of economic growth or is it induced by depopulation and reduction of the working population? The aim of the paper is to point out the necessity of managing migration flows in these countries and the need to guide migrants in the labour market. The paper consists of two parts. The first part provides an overview of previous research on migration, the concept and types of migration. The second part of the paper consists of an empirical analysis of migration in the countries of the Western Balkans and Serbia and their impact on the labour market and economic development.

## KEYWORDS

migration, labour market, Western Balkans, employment, Serbia

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## 1 INTRODUCTION

Migration is one of the most current topics in the world today. Although the first migrations took place before Christ, i.e. the first migration processes described in the Bible, the interest in this topic does not decrease<sup>1</sup>. The most famous migrations of the Serbian people were those in the 17<sup>th</sup> and 18<sup>th</sup> centuries, and in recent history during the First World War and the wars in the former Yugoslavia at the end of the 20<sup>th</sup> century (Maksimović 2018). Today, in the multi-connected world, migration is a global phenomenon. The largest wave of migration to Europe in the 21<sup>st</sup> century took place in 2015, and the Western Balkans (WB) was not an exception in terms of these migration processes. Some countries, such as Germany, were tolerant towards migrants, while others pursued strict migration policies in order to protect the population and jobs. For example, Japan has one of the most restrictive migration policies, although it is not interesting for immigrants, due to the great distance from other countries and its specific culture (Murayama and Nagayasu 2021). "However, between 1950 and 2015 the proportion of international migrants has remained relatively stable, and has been fluctuating at levels of between 2.5 and 3.5 per cent of the world population" (Haas et al. 2018: 8). This paper consists of two parts. In the first part, an overview of previous research on migration, conceptual definition, and types of migration is given. The second part of the paper consists of an empirical analysis of the migrations

involving the countries of the Western Balkans, as well as their impact on the labour market. From this, the research question arose: is the stabilization of the labour market induced by depopulation and reduction of the working population, or by the influx of migrants?

Previous research indicated several facts about migration. Migrations in Central and Eastern Europe (where the countries of the Central European Union belong) are observed in the context of the changes in their socio-economic systems, i.e. transitions from socialism to capitalism. This transition or restructuring led to a large 'brain drain' in those countries (Kurekova 2010). Perišić (2018: 93–96) points to the importance of the Balkan route, which was current from the spring of 2015 to the spring of 2016, due to the large influx of migrants from the Middle East and Africa. Jusufi and Ukaj (2020: 142, 145–146) point to the fact that all the countries of the Western Balkans experienced a demographic decline, and the reason for this was a lower birth rate and higher emigration flows. In the last three decades, the citizens of this region mostly emigrated, and immediately after the dissolution of the SFRY, about 3.5 million inhabitants left the region. Labour migrants from the WB countries mostly went to Western Europe with the help of the diaspora, namely to countries such as Germany, Austria, France and Switzerland, and then Greece and Italy, particularly interesting for the migrants from Albania. In late 20<sup>th</sup> century, economic stagnation in the WB countries and high unemployment, as well as the issues rule of law, freedom of speech and the perception of corruption triggered waves of labour migrants.

Migrant workers going abroad found good jobs with good earnings and managed well thanks to the similarity of

<sup>1</sup> According to anthropologists, the beginning of the 'great migrations' dates back to the origin of our species, and is related to the period when *Homo erectus* left the soil of Africa (Crawford and Campbell 2012).

the social and value system. However, “among those destinations which at least doubled their stock of Serbian migrants between 2010 and 2019 or over a somewhat shorter time span are Slovenia, Slovakia, Croatia, Norway, Malta, Netherlands, United Kingdom and Czechia” (Arandarenko 2022: 103). Migrants with families are left with only long-distance communication with the country of origin and connectivity with the help of information technology. Thus, Lukić (2017) points to the connection between international migration and information and communication technologies (ICT). Thanks to the ICT, migrants become more mobile, information became more accessible to them, and therefore it was easier to track them. Since 1999, WB countries have had structural problems on the labour market, and weak bilateral ties represent a barrier to creating a single labour market and solving that problem (Ivanović 2021). For the growth of interest in migration management in WB countries, especially circular labour migrations in the last ten years, the reasons should be sought in the existence of the belief “that they can contribute to the creation of flexible labour markets and have a strong potential to provide additional development benefits” (Predojević-Despić 2021: 73).

In the long period of time of the existence of migration, several theories of migration were created, for example Neoclassical theory of migration, New economic theory of migration and others (Kurekova 2010). For this research, the Dual theory of the labour market, that is, the theory of the segmented labour market, created on the basis of the demand for migrants, is particularly relevant. It distinguishes the division into the primary sector, which consists of

well-educated people, with good salaries and benefits; and the secondary sector with low wages, unstable employment and weak benefits, where migrants are rejected by natives. According to this theory, more migrants are employed in the secondary sector than in the primary sector. This theory is opposite, but mostly complementary when it comes to other theories such as neoclassical or new economic theory (Massey et al. 1994: 715). International migrations only became significant for national states at the beginning of the 20<sup>th</sup> century, because at that time the system was established to regulate and control the flow of people across borders. Migrations have increased in the 21<sup>st</sup> century due to demographic and economic inequality, as at the same time the mobility of the population has increased, as well as the perception that one's work potential could potentially be realised on the other side of the world. In Europe, to which the WB countries belong, at the beginning of the 20<sup>th</sup> century, migrations were stimulated by wars. Freedom of movement of people in the EU means that employees from one country can be treated equally when it comes to labour in another EU country. However, often jobs in the public sector are ‘reserved’ only for the residents who are citizens of the home country. “In 1999, the Amsterdam Treaty required that new EU member states adopt border control rules that allow freedom of movement across internal borders between EU member states” (Martin and Zürcher 2008: 11). The following section contains definitions of migrations and their types.

A) The concept of migration – According to the International Agency for Migration (IOM), and the definition provided by Rašević (2016), migration is “the movement of persons or groups of

persons, either across an international border or within a country" (Rašević 2016: 9). It is any kind of movement of people, and includes the migration of refugees, displaced persons and economic migrants. According to the same source, the term migrant refers to a person who has gone to a country other than his/her country of habitual residence for a period of more than 12 months so that the country of destination has become the person's country of habitual residence. Migration can be either immigration i.e. in-migration or emigration i. e. e-migration, and the difference between them is called net migration, or migration balance. That balance can be positive, i.e. population growth or negative, i.e. population decline (Migracija n.d.).

B) Classification of migrations – the basic division of migrations is into economic and non-economic migrations. However, depending on the motive or cause, there are several types of migration, namely: 1. External migration – depending on whether it takes place within the national borders or outside them; 2. Short-term or long-term migration; 3. Successful and unsuccessful; 4. Migration related to biological survival; 5. According to the country of departure or arrival; 6. At the level of the nation or individual; 7. At the network level (religion, ethnic community, family); 8. Migration of labour migrants at the macro and micro level; 9. Migration according to the degree of foreignness – in the period of internationalization – expatriates and globalization – inpatriates. We can particularly emphasise long-term or periodic migrations, as well as mass or moderate, and rural or urban. "Each of these classifications reflects the social, economic and legal effects of migration" (Maksimović 2018: 193).

Due to the increase in the demand for a highly educated workforce, the model of migration has also changed from permanent settlement to temporary or circular migration. There are circular migrations, which mean regular daily or monthly migrations, from one place of residence to another. Migrations can be permanent, temporary (seasonal migrations – alternating departures and returns of migrants in cycles), as well as voluntary or forced. The political causes of migration are often of a forced nature, and actually represent colonization with the aim of changing the composition of the population, or depopulation of a country or region (Migracija n.d.). There has been an increase in population in the world, and therefore an increase in migratory movements (Martin and Zürcher 2008). Labour migrants, external, periodic and temporary migrations, as well as their international character, are important for analysis in this paper.

C) The mobility of human capital is mainly in the direction of the developed countries of Europe, as they need a workforce with a higher level of education. Those countries are the final destination of migration, while the WB countries were not seen as the final destination 'on the Balkan route' due to weak economies. On the other hand, the causes of migration from UN countries are: departure from war-affected areas, unemployment and poverty, class and ethnic conflicts; the search for better working and living conditions, better education, better health care, as well as due to environmental disasters and climate change.<sup>2</sup> In addition to the EU, other preferred destinations are the USA, Canada and Australia, but they are

<sup>2</sup> These are also reasons for international migration (Martin and Zürcher 2008).

unreachable for many migrants due to long distances and increased border control (Pejanović 2017: 80–81, 84–85).

## **2 MIGRATORY TRENDS IN THE LABOUR MARKET OF THE WESTERN BALKANS: SPECIAL FOCUS ON SERBIA**

For centuries, the population of the WB countries has been living in the neighbourly relations that were not always ideal from a political point of view, because they were burdened by regional conflicts, conflicting roles in major wars and struggle for territories. However, what they had in common was the cultural pattern, and the historical interdependence has today been translated into economic and political cooperation, with the aim of joining the EU. It is important to emphasize that these are post-conflict societies, and that they must establish good bilateral relations in order for the region to achieve competitiveness on the wider international market. Here, the focus is on the comparison of Serbia with other WB countries, and the findings may be of importance for public policies.

Before 1991, due to Yugoslav 'market socialism', the WB region progressed faster than some Central and Eastern European (CEE) countries. However, the war conflicts and the political situation of disunity stopped that process, so it can be said that this region lags behind other CEE countries in terms of institutional reforms. Privatization of state property, deindustrialization, as well as an increase of inequalities of employees and other citizens, are considered the most important obstacles to the acceleration of European integration (Maksimović and Novaković 2020: 79). However, WB countries can reduce this gap, for example, Macedonia is an advanced

economy in terms of obtaining credit, as is Montenegro. Serbia is efficient in obtaining construction permits, and it is easiest to start a new business in Kosovo.<sup>3</sup> However, this region lags behind in terms of economic liberalization, reduction of corruption, or inefficiency of the judiciary, which prevents the retention of migrants in this region (Dabrowski and Myachenkova 2018: 18–19).

The Western Balkans represent the territory of the European continent, which consists of the countries of Serbia, Macedonia, Albania, Bosnia and Herzegovina, Montenegro and Kosovo (Jusufović and Ukaj 2020: 142). The term Western Balkans is a geopolitical term that was coined in 2000, for a region where NATO countries, the EU, Russia, China and Turkey have been fighting for their geopolitical influence. For the EU, this region is important for the preservation of security, the stability of the transit route, and preservation of peace in the region. The WB countries form the shortest transit route between the south-eastern wing of the EU (Greece, Bulgaria and Romania) on the one hand, and its central European 'core' (Hungary, Croatia, Slovenia and Austria) on the other. Because of this position, their interest is increased in mutual and international cooperation. Such cooperation contributed to the closure of the Balkan route, which had begun to attract attention in 2012, due to the massive influx of migrants from the Middle East, Africa and Asia. It was a big challenge for the EU in the period from May 2015 to March 2016 when it represented a 'black hole' through which the illegal crossing of migrants took place (Dabrowski and Myachenkova 2018: 1–4). It had its own

<sup>3</sup> All references to Kosovo in this document should be understood to be in the context of United Security Council Resolution 1244 (1999).

characteristics, and the most significant were the speed of transit and the organization of transportation. Due to the frequency of crossings, Hungary built a wall on the border with Serbia, and started introducing strict criminal measures for all those who wanted to cross the border illegally. With strict border control (to limit human trafficking) and the signing of the EU-Turkey Agreement in 2016, the route lost its popularity. "After the agreement entered into force on March 20, 2016, the number of migrants in European countries decreased dramatically, while in Turkey it increased dramatically" (Perišić 2018: 96).

The WB region has been known for a high rate of emigration for more than a century, which is why the diaspora of these countries is very large. It was determined that at the end of 2013, 5.7 million people from these countries lived abroad, and the emigration rate was 31.2%. For example, the rate of emigration from Serbia was then 18.2%, and from Montenegro 45.3%. Moreover, the money sent by the diaspora to the countries of origin helps their development. It is widely documented that remittances have both macro- and microeconomic effects. They not only help preserving macroeconomic stability, but also reduce poverty, improve education and health, and support entrepreneurship (Petreski et al. 2017: 2).<sup>4</sup>

## 2.1 IMMIGRATION

The Western Balkans is experiencing a negative migration balance, which is mostly due to low natural growth, high emigration rates, and low immigration

rates. Despite declining unemployment rates, the region still faces relatively high levels of joblessness (in Serbia, the unemployment rate in 2022 was 10%). This situation is particularly acute in Serbia, where the influx of foreign direct investment has led to labour shortages in certain sectors, including construction, ICT, and accommodation and catering services. The shortage of workers has created a dependence on migrant labour to fill the gaps in these industries. Additionally, seasonal effects and sectoral imbalances have led to shortages of skilled workers in specific areas, such as agriculture in Serbia and tourism in Montenegro and Albania. It seems that many migrants are filling low education jobs and working in temporary positions before eventually moving on to the Eurozone countries. It appears that their main motivation for leaving is to find higher standard of living. Working conditions in the region do not seem to be discriminatory when it comes to language skills, diploma recognition, or work ethics. Some countries, like Bosnia and Herzegovina, regulate the number of foreign workers by determining quotas for different activities and occupations. Croatia also recently began regulating the number of temporary foreign workers, but they have since transitioned to more flexible regulations due to changes in the labour market and pressure from Brussels for a more liberal migrant policy. It's important to note that statistical data on migration dynamics in the Western Balkans region are limited, and quantification is often retained at the highest level of aggregation without longer time series data. This can make it difficult to draw precise conclusions about migration patterns in the region. Additionally, the qualitative component of migration – including factors such

<sup>4</sup> This explanation is consistent with the new economic theory of migration, according to which remittances from abroad increase the income of the households that receive them (Massey et al. 1994).



as age, gender, degree of qualification and expertise – further complicates the picture. As a result, it's important to treat any conclusions based on this kind of research as indicative and illustrative, rather than definitive (OECD 2012).

One notable exception to this trend is the Republic of Serbia, which provides the general public with detailed information about the state of migration in the country through its annual Migration Profile publication (Commissariat for Refugees and Migration 2022). This document draws on primary data collected by official statistics, as well as data from international organizations and research. In particular, EUROSTAT's database is a key source of information for emigration indicators, as Serbia – like many of its neighbours, is an emigration country that struggles to maintain complete records of emigrating citizens. Despite these challenges, ongoing research and discussion about migration in the Western Balkans region is crucial for developing more precise conclusions and new knowledge about this important topic.

The migrant crisis in Europe has been ongoing since mid-2015, and it has only worsened since then due to the influx of 'economic' refugees from the wider

region. These refugees come from countries such as Afghanistan, Bangladesh, Iran, Iraq, Pakistan, and Syria. The Western Balkans have been a popular route for migrants for years, but lately, more and more of them are transiting through the region quickly, spending less time in each country before attempting to cross into EU countries like Germany, Italy, and France. It's a complex and ongoing problem that requires attention and solutions from all involved parties. The vast majority of migrants are men (over 95%), whose most frequently cited professions or occupations in the country of origin are: skilled manual workers, service or sales workers, artisans, support workers and technicians.

Effectively managing legal immigration, both economic and non-economic, in order to keep pace with the nation's demographic and socioeconomic growth, is a major difficulty when it comes to the immigration of foreign workers.

It is important to note that foreign citizens in the Western Balkan region have the same rights and obligations as domestic citizens when it comes to work, employment and self-employment. However, they must meet certain conditions,

**Table 1.** The number of migrants travelling through the Western Balkans

	2018	2019	2020	2021	2022
Albania	1.627	3.067	3.628	18.496	12.216
Bosnia and Herzegovina	24.067	29.196	16.150	15.740	27.429
Montenegro	4.645	8.695	3.007	3.336	9.318
N. Macedonia	3.132	19.716	37.937	17.919	22.379
Serbia	8.827	17.611	39.648	63.535	120.883
Kosovo	594	2.038	3.001	1.487	1.041
<i>Total WB</i>	<i>42.892</i>	<i>80.323</i>	<i>103.371</i>	<i>120.513</i>	<i>193.266</i>

Source: IOM Displacement Tracking Matrix 2023.

such as having a visa for longer stays based on employment, approval for temporary or permanent residence in accordance with the law, and a work permit. The good news is that, as of January 2020, Serbia has introduced a more flexible regulation, making it easier for foreigners to obtain work permit based on an approved visa for a longer stay on the basis of employment. This has led to a significant increase in the number of foreigners who have been granted temporary residence on the basis of work, employment, economic or other professional activity. Table 2 shows the total number of foreigners who have a permit for temporary residence in the WB countries, as well as the number of foreigners with work permits from 2015 to 2022 (Medić at al. 2022: 38).

If we ignore these 'transient' migrants, there is no doubt that based

on available data, primarily from the Ministry of the Interior, the number of foreigners working in the Western Balkans has been increasing in recent years. However, this trend is primarily driven by the deficit in the Serbian labour market, where the number of foreigners granted temporary residence on the basis of work has increased by 3.3 times since 2015. In other countries such as Albania, the number of foreigners with temporary residence based on work has been stable since 2018, with an average of around 7,000 per year. Meanwhile, Bosnia and Herzegovina has an annual quota for foreign workers, and North Macedonia has low participation of foreign workers in its labour market. A total of 6,616 employed foreigners were registered in North Macedonia over the period 2015–2019, of whom 6,415 (around 97%) had temporary

**Table 2.** Foreigners with temporary residence permits

	2015	2016	2017	2018	2019	2020	2021	2022
<b>Albania</b>								
Total permits	10.565	12.526	12.906	14.162	13.507	13.609	14.921	-
Work permits	5.862	6.263	6.334	6.950	7.432	6.465	7.124	-
<b>Bosnia and Herzegovina</b>								
Total permits	-	-	-	-	-	-	-	-
Work permits	2.465	2.628	2.593	2.822	3.183	2.586	-	-
<b>Montenegro</b>								
Total permits	-	-	-	-	-	-	-	-
Work permits	-	-	-	-	-	-	-	-
<b>N. Macedonia</b>								
Total permits	3.617	-	-	-	2.811	-	-	-
Work permits	970	-	-	-	935	-	-	-
<b>Serbia</b>								
Total permits	28.139	19.927	20.524	21.102	24.421	26.391	34.217	59.066
Work permits	10.983	6.957	7.512	8.283	5.892	13.669	20.828	35.805

Source: Ministry of Internal Affairs of the observed countries 2023. Authors' calculation.



residence (IOM 2022). It is worth noting that the number of approved residence permits based on work by the Ministry of the Interior and the number of work permits issued by the National Employment Service (NES) may differ slightly due to certain exceptions stipulated by the Law on Employment of Foreigners.

In Serbia, the largest group of foreign workers hail from the People's Republic of China and the Russian Federation (Table 3). Meanwhile, in Albania, the majority of foreign workers come from Iran, Kosovo, and Turkey. North Macedonia also sees a significant amount of workers from Turkey (almost half of the total number of immigrants). In Bosnia and Herzegovina, as well as Montenegro, foreign workers from nearby countries are the most common. It's fascinating to see how different regions are impacted by various foreign workforces (National Employment Service of the Republic of Serbia 2023).

In other countries of the Western Balkans, the breakdown of foreign workers by profession reveals a different picture than in Serbia. Due to the limited number of workers required, most of them hold high-level positions such

as company managers, directors, and executive directors. Correspondingly, the educational structure also reflects this trend, with a majority of foreign workers holding either a high school or university degree. While the number of doctors and masters is significant, it remains relatively small in comparison to other professions.

## 2.2 EMIGRATION

It seems like there is a shortage of workers in certain areas of the labour market in the Western Balkans. This may be due to issues with managing foreign labour migration, as well as a long-standing trend of emigration from the region (Figure 1).

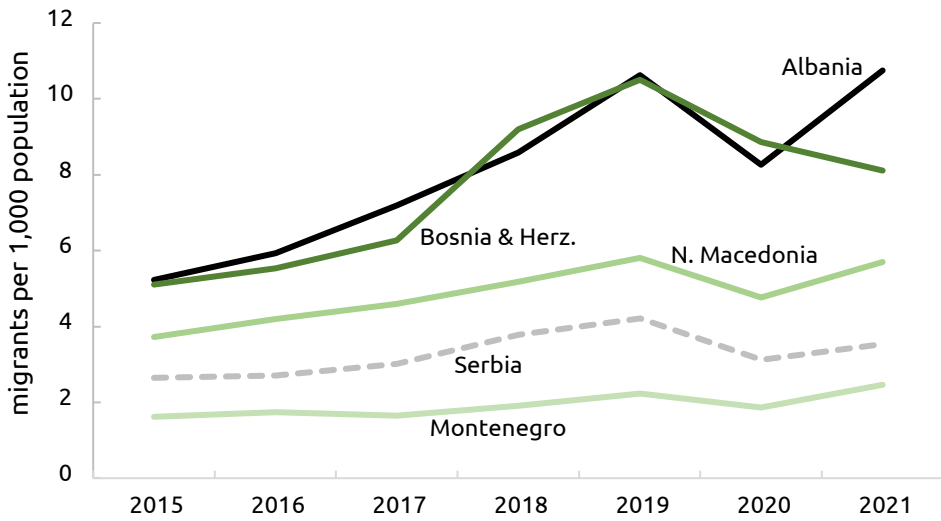
Eurostat data suggests that the number of citizens from the Western Balkans who go to the EU for work is not decreasing (Figure 2).

It's important to consider emigration as a factor in the growth of the old-age dependency ratio, which reflects the balance between the elderly and the active population. When people emigrate, the active population abroad is typically younger than the population

**Table 3.** The number of work permits issued to foreigners with temporary residence on the records of the NES in the Republic of Serbia

	2015	2016	2017	2018	2019	2020	2021	2022
China	1.501	1.549	1.575	2.159	3.040	3.367	9.266	9.898
Russian Federation	739	783	779	823	2.749	1.872	1.259	7.954
Turkey	205	254	404	507	762	1.474	4.587	5.656
Other citizenship	3.758	4.553	4.647	5.200	3.242	5.659	7.986	11.065
<b>TOTAL</b>	<b>6.203</b>	<b>7.139</b>	<b>7.405</b>	<b>8.689</b>	<b>9.793</b>	<b>12.372</b>	<b>23.098</b>	<b>34.573</b>

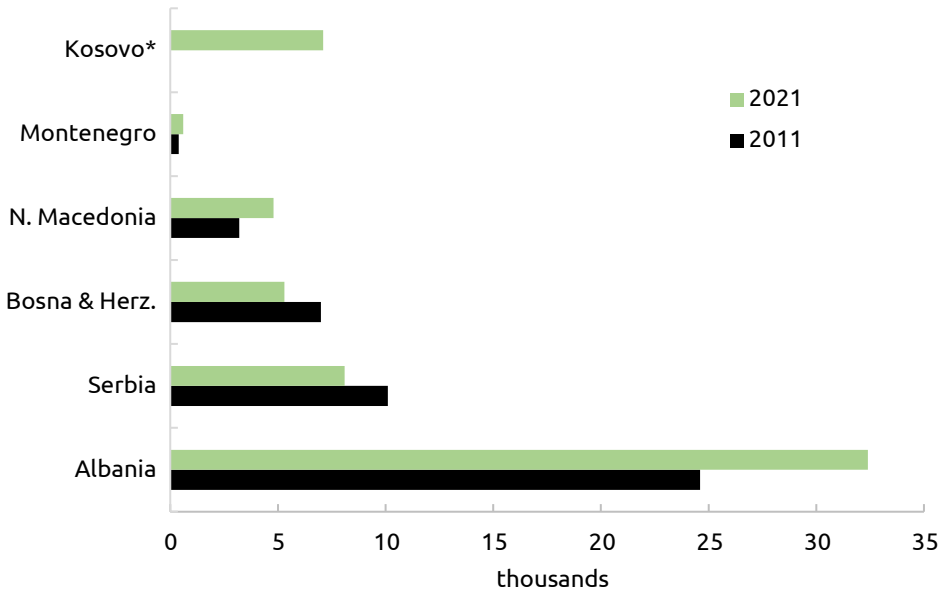
Source: National Employment Service of the Republic of Serbia 2023. Authors' calculation



**Figure 1.** Estimated immigration rate to the EU from the countries of the Western Balkans

Source: Eurostat 2023a.

Note: Authors' calculation based on Eurostat data.



**Figure 2.** Persons acquiring citizenship of an EU Member State, 2011 and 2021

Source: Eurostat 2023b.

Note: Authors' calculation based on Eurostat data.

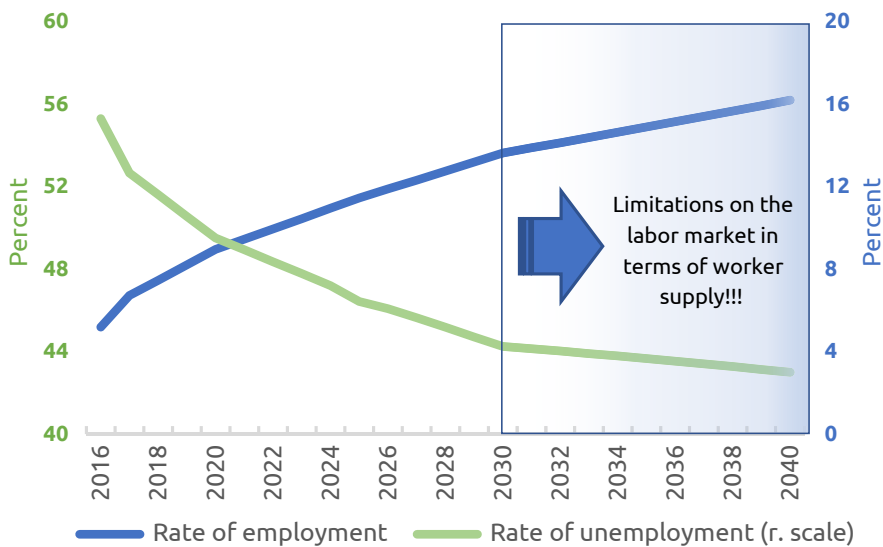
in the country they left. This means that the pension system will experience a greater burden based on paid contributions and increased pressure on public finances.

Unfortunately, the large outflow of the economically active population has increased the lack of labour force in the country, particularly for certain profiles. There is a persistent shortage of highly qualified workers in certain fields (like software developers, mechanical and civil engineers, doctors of medicine, IT specialists and technologists, among others), as well as craftsmen and workers with professional education (such as mechanical technicians, construction and electrical technicians, nurses, welders, tinsmiths and construction equipment operators, among others). The lack of manpower of certain profiles shows a growing trend and is equally manifested at the macro level and at the level of regions and municipalities. This implies a growing mismatch between the available supply and demand for a workforce with a high level of education, and even more workers with secondary vocational education. It's important to note that those with secondary professional education are increasingly part of temporary emigration – i.e. circular migration – in contrast to intellectual emigration, which is mostly permanent.

When it comes to Serbia, the authors emphasize several characteristics. Dynamic economic growth in Serbia depends on a large number of factors, but as far as the labour market is concerned, the most important changes are in the domain of human capital. "Among the most important are population changes, the quantity and quality of the workforce, i.e. its educational and age structure" (Nikolić 2023: 205).

Furthermore, the same source indicates that the fertility rate in Serbia in 2015 was 1.46% and was lower than in 2001, when it reached 1.58%. Such a low fertility rate was caused by the economic transition that led to a decrease in the standard of living, an increase in poverty, job insecurity and the outflow of the working population in the reproductive age. Serbia is the only one in the WB region which, due to faster convergence towards the EU and widespread growth, records an acute deficit on the labour market in certain segments. The problem is currently being solved by hiring foreign workers. According to the NES records, the number of work permits issued to foreigners with temporary residence in Serbia in 2022 was 34,573. This represents a 5.5 times increase since 2015, with the stable growth of around 30% annually. In terms of professional education, most work permits for foreigners were issued to those with III, IV, VII-1, and I degrees of professional education. Therefore, in Serbia, migrants are employed in the secondary sector according to the segmented market theory. In the future, the situation will be more difficult, because at the end of this decade, unemployment is expected to approach the natural rate of unemployment (that is, full employment).<sup>5</sup> Such a situation in the labour market implies an accelerated growth of wages, perhaps even above the growth of productivity, which in turn can slow down GDP growth. Nevertheless, in the coming period, there will be an increase in employment and a decrease in the unemployment rate in Serbia, as is shown in Figure 3.

<sup>5</sup> A significant change in the calculation of the unemployment rate occurred due to a change in the methodology of collecting data on employment in 2015.



**Figure 3.** Rate of (un)employment in % in Serbia from 2016 with projection until 2040

Source: Reproduced from Nikolić (2023: 207).

In Serbia, the activity rate of the population is about 54% in 2020, and will remain so until the end of 2040. For example, in Macedonia, since the escalation of the economic crisis in 2008, the activity rate has been 55.4%. Population emigration, “creates a structural problem because the younger population emigrates, which produces negative consequences for productivity, and it is difficult to reach the goals of even sustainable regional development since there are already demographically completely emptied parts of Serbia” (Nikolić 2023: 207). Furthermore, the population that remained in Serbia will reproduce more slowly, because the age of the population has increased. Serbia has a limited supply of labour on the labour market. From this situation in Serbia, in the fourth decade of this century, around 80,000 to 100,000 employees would be missing, which will lead to an increase in

wages due to higher demand compared to the supply of labour on the labour market. However, it is not possible to solve the problem with population measures alone, but also ‘non-demographic’ action is needed through improving education, structural adjustment in the labour market, as well as moving the retirement age limit in the pension system (Bakhshi et al. 2017: 124).

The main cause of the pension ‘crisis’ in most European countries is the failure to adapt to various long-term trends: increased life expectancy, declining birth rates and earlier retirement. For example, there is great resistance to the recent reform of the pension system in France and the increase of the legal retirement age from 62 to 64 years. The current share of public expenditures for pensions in France’s GDP is 14.5%, and according to the projection of the fiscal council,

these expenditures will increase by one percentage point in the next decade, depending on productivity growth. Despite the fact that the extension of the retirement age hardly satisfies the criterion of 'fairness' and is at the same time more restrictive for women due to the recognition of the time spent outside employment during pregnancy and childbirth, the production of working life imposes a pension fund deficit. Pensions in France, as well as in Serbia, are for the most part conditioned by budgetary transfers to the pension fund, i.e. the amount of contributions. Without the reform, their further accumulation and higher public debt would follow. However, the mandatory contribution rate for pension and disability insurance in France is still very high (almost 28%), while social expenditures and the tax wedge are the highest in OECD countries. The government has therefore decided to increase the effective retirement age, rather than increasing contributions and taxes or reducing pension benefits. There is no doubt that for many older workers, the work experience at that age will be traumatic, with frequent discrimination and a high rate of long-term unemployment, but all other solutions would be more painful and even more risky (Boulhol and Queisser 2023). For these reasons, there are claims that migrants should be included in the Serbian labour market (Lukić and Predojević-Despić 2020: 78). What is very important as a criterion should be considered the country of origin, educational status, then the ISCO-08 international standard classification of occupations adopted by the International Labour Organization in 2008. In particular, this classification should help countries that have not

developed their own national occupational classification, which represents a comparable and usable way of classifying jobs (Grubanov-Boskovic and Natale 2017: 9; International Labour Organization 2019).

"At the same time, capital-intensive investments must be encouraged for the purpose of improving productivity (and thus competitiveness and economic growth), so that productivity growth 'covers' the problem of an increasingly aging population" (Nikolić 2023: 210).

What actually makes it difficult for quality labour to come to Serbia are the low standard of living, the more difficult employment conditions for foreigners, the low minimum wage, and the peripheral position of Serbia in relation to industrially developed countries. For the same reasons, Serbia is a country of emigration, in fact it is a supplier of qualified labour to market-developed countries of the world (Tolvaishis 2017). The Serbian workforce abroad is desirable because it is hard-working, disciplined and easily assimilated to similar cultural patterns. In the second decade of the 21<sup>st</sup> century, Serbia was mostly a destination where migrants stayed for a shorter time, but with increased border control, the influx of migrants decreased, while the length of their stay was extended. "... there was a rapid increase in the gross outflow of emigrants from Serbia, especially in the second half of the past decade" (Arandarenko 2022: 115). Thus, the shortage of labour on the labour market in Serbia is caused by the accelerated intensive emigration of the population that is younger than the population that remains in Serbia, the low birth rate and the accelerated aging of the population.

### 3 CONCLUSION

In the 21<sup>st</sup> century, the countries of the Western Balkans became aware of the importance of progressing towards the EU accession, and to that end, they began to increase their economic growth. The progress of WB countries in maintaining good neighbourly relations, increasing border security, progress in research, science and education improves interstate cooperation. Thus, according to the per capita income of the WB countries in 2016, they were classified as countries with a higher middle income.

Immediately after the dissolution of the SFRY, around 3.5 million inhabitants left the region. The labour migrants from the countries of the Western Balkans mostly went to Western Europe, to countries such as Germany, Austria, France and Switzerland, and then Greece and Italy, particularly interesting for the migrants from Albania. Since 2010, labour migrants from Serbia have mostly gone to a larger number of EU member states – primarily Austria, Hungary and Germany, followed by Slovenia, Switzerland, Croatia, and Sweden. Eurostat data show that the number of citizens from the Western Balkans who go to work in the EU has not been decreasing. Certain profiles of professional education and highly qualified workers have been missing for a longer time in occupations such as software developers, mechanical and construction engineers, doctors of medicine, information scientists and technologists, mechanical technicians, construction and electrical technicians, nurses, welders, tinsmiths and operators of construction equipment. In Serbia, the large outflow of the economically active population has increased the lack of labour force, and the departure of the population with a secondary education is

temporary, so it has a circular character, while the departure of the labour force with a high degree of education constitutes a permanent migration. Empirical analysis led to the conclusion that the stabilization of the labour market in the second decade of the 21<sup>st</sup> century was achieved due to induced depopulation, reduction of the working population as well as economic growth.

On the other hand, the WB has been a popular route for migrants for years, but mainly as transit countries, in quick passage through the region, going to EU countries like Germany, Italy and France. These refugees come from countries such as Afghanistan, Bangladesh, Iran, Iraq, Pakistan and Syria. The vast majority of migrants, i.e. over 95%, are men whose most common professions or occupations in the country of origin are: skilled manual worker, service or sales worker, artisan, auxiliary worker and technician. According to the National Employment Service records, the number of foreigners with temporary residence in Serbia increased 5.5 times from 2015 to 2022, with a stable growth of around 30% per year. In terms of professional education, most work permits for foreigners were issued to those with III, IV, VII-1 degree of professional education. In Serbia, the largest group of foreign workers originates from the People's Republic of China and the Russian Federation.

What Serbia should insist on in the future is a better structural alignment of needed and available labour migrants, and this can be achieved through further education or retraining. Some of the measures could be encouraging earlier employment, greater participation of women in the workforce, empowering women from rural areas for employment and training hard-to-employ groups for



employment. Shifting the boundaries in terms of earlier employment and later retirement means the only option for the sustainability of the pension system for the state. For the employed, the same is a traumatic inevitability, although unfair to different activities and even gender. A lack of workers has been identified in sectors that employ highly qualified workers, but also in sectors that are characterized by a lower stage of processing and those that generate

less added value. This problem will remain due to demographic, technological and educational changes in the labour market, so the field of employment remains current and dynamic, and will affect other macroeconomic segments such as productivity, investments, and economic growth (Nikolić 2023). Proper management of migratory flows in the countries of the Western Balkans and Serbia will be a great support for macroeconomic stability.

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### **Data availability statement**

Data are available from the authors upon request.

### **Coauthor Contributions**

**Ivan Nikolić:** Conceptualization, Methodology, Formal Analysis, Writing – Review & Editing, Validation, Visualization, Writing. **Marijana Maksimović:** Conceptualization, Investigation, Methodology, Data Curation, Writing – Original Draft, Supervision, Writing.

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# Uticaj migratornih kretanja na tržište rada u zemljama Zapadnog Balkana

## SAŽETAK

Migracije su danas, jedna od najaktuelnijih tema u svetu. Najčešći razlozi nastanka su ratovi, zatim, to mogu biti klimatske promene, a postoje i migracije nastale iz ekonomskih razloga, i njihov cilj je potraga za boljom materijalnom egzistencijom, ostvarivanje višeg životnog standarda, bolji uslovi zapošljavanja, obrazovanja, a samim tim i bolji uslovi života. Predmet ove analize su ekonomske migracije i savremena migraciona kretanja, tj. useljavanje i iseljavanje stranaca u zemlje Zapadnog Balkana (ZB). Makroekonomski pokazatelji ukazuju na stabilizaciju na tržištu rada u drugoj deceniji XXI veka, mada ekonomije stagniraju. Postavlja se pitanje da li je to posledica veće stope privrednog rasta ili su indukovani depopulacijom i redukcijom radno aktivnog stanovništva? Cilj rada je da se ukaže na neophodnost upravljanja migracionim tokovima u ovim zemljama i potrebe za usmeravanjem migranata na tržištu rada. Rad se sastoji iz dva dela. U prvom delu se daje pregled dosadašnjih istraživanja o migracijama, pojmu i vrstama migracija. Drugi deo rada se sastoji iz empirijske analize migracija u zemljama Zapadnog Balkana i Srbije i njihovom uticaju na tržište rada i privredni razvoj.

## KLJUČNE REČI

migracije, tržište rada, Zapadni Balkan, zaposlenost, Srbija