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SEE 2020 Strategy
Study on Labour Mobility

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Study on Labour Mobility

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The individual country reports can be downloaded from the following website:
http:\\wiiw.ac.at/strategic-study-pj-112.html

Abstract

The study focuses on cross-border mobility in the Western Balkans, which has been identified in the SEE 2020 Strategy as contributing positively to generating employment, reducing the skills mismatch and increasing the productivity of the countries of the region. So far labour market liberalisation in the Western Balkans has made little progress; almost all countries rely on quota regimes. With the exception of Montenegro and Croatia, the majority of labour migrants come from outside the region, a significant share of them with higher education. Regional migrants are generally lower skilled than workers from outside. Montenegro attracts the major part of regional migrants, while Serbia and Bosnia and Herzegovina are the biggest sending countries. Potential migration/labour flows of the Western Balkan countries within the region and into the EU-14 and the new EU Member States-10 are analysed by adopting a gravity modelling approach. Accordingly, lifting restrictions on labour market access increases strongly both migration flows to EU-14 as well as intra-regional flows. If macroeconomic indicators (employment rates and GDP per capita) improve further in the Western Balkans then this causes a certain amount of redirection of mobility from extra-regional mobility (i.e. less migration to EU-14) to more intra-regional mobility.

Keywords: mobility Western Balkans, migration projections, gravity model

JEL classification: J11, J61, F22

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1. Introduction and background

South East European (SEE) labour markets are characterised by low employment and activity rates, particularly among women and the young, as well as by high and persistent unemployment (see Table 1). Youth unemployment is exceptionally high by European standards and has further deteriorated during the economic and financial crisis. In addition, long-term unemployment has been a salient feature of the labour market in the region for more than a decade and carries direct consequences in terms of social exclusion and further obsolescence of skills. High outward migration and an ageing population present additional constraints on the long-term growth of the Western Balkan countries and pose long-term fiscal challenges.[1]

Also informal sector employment is high, with levels estimated at between 30% and 40%.[2] There are large imbalances between labour demand and supply in SEE. During economic restructuring a significant part of the workforce moved from sectors that were shrinking into unemployment and inactivity. One of the main reasons behind this unfavourable development is the lack of skills and competences. Technological progress creates demand for higher-level skills and this leads to further gaps. The existing mismatch between the competences requested by the labour market and the skills generated by the educational and training systems of SEE countries calls for a coordinated regional approach to address this acute issue.

In responding to these challenges the countries of the region elaborated a strategy on ‘Jobs and prosperity in a European Perspective’ which was finally adopted at the Ministerial Conference of the South East Europe Investment Committee on 21 November 2013. The SEE 2020 Strategy is centred, like the Europe 2020 Strategy, on a set of interlinked development pillars – integrated, smart, sustainable and inclusive growth and good governance. In the framework of the inclusive growth pillar of the Strategy, the SEE countries have agreed to raise the employment rate (15+) for the region as a whole from 39.5% in 2010 to 44.4% in 2020. In reaching this goal the Strategy envisages three main priorities at the regional level: (1) regional actions to ensure labour mobility; (2) enhancement of labour market governance for employment; and (3) the stimulation of social economy initiatives. Overall, one million new jobs should be created up to 2020.

The present study focuses on cross-border mobility, which has been identified in the SEE 2020 Strategy as contributing positively to generating employment, reducing the skills mismatch and increasing the productivity of the countries of the region. It ‘focuses on the creation of a regional consultancy process on mobility and the abolition of labour market restrictions in the region’.

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1 Western Balkans Investment Framework – WBIF (2012), Challenges to successful employment policy in the region: towards more jobs, quality labour force and greater competitiveness, Discussion Paper, November.

2 Estimate by Arandarenko and Vukojevic (2008). Overall, estimates vary considerably depending on the method of measurement used. For example, according to the labour force survey results, informal employment in Serbia and in the Former Yugoslav Republic of Macedonia accounted for 19% and 22.5% respectively in 2012/2013.

Table 1 / South East Europe: an overview of economic fundamentals, 2010 and 2013

	Croatia		Macedonia		Montenegro		Serbia		Albania		Bosnia-Herzegovina		Kosovo		*NMS-11* [1]		*EU-28* [2]	
	2010	2013	2010	2013	2010	2013	2010	2013	2010	2013	2010	2013	2010	2013	2010	2013	2010	2013
GDP in EUR at exchange rates, EUR bn	44.44	43.34	7.06	7.70	3.10	3.34	28.01	31.99	8.87	9.84	12.72	13.43	4.29	5.20	*967*	*1047*	*12337*	*13078*
GDP in EUR at PPP, EUR bn	63.07	66.27	18.22	19.04	6.30	6.99	61.67	66.19	20.40	22.47	25.69	28.07	9.30	10.40	*1594*	*1788*	*12337*	*13078*
GDP in EUR at PPP, per capita	14700	15600	8900	9200	10200	11200	8500	9200	7100	7900	6700	7300	5200	5600	*15200*	*17200*	*24400*	*25700*
GDP in EUR at PPP per capita, EU-28=100	60	61	36	36	42	44	35	36	29	31	27	28	21	22	*62*	*67*	*100*	*100*
GDP at constant prices, 2007=100	92.8	90.0	107.1	113.0	103.4	107.7	101.2	103.8	115.3	121.9	103.6	105.5	114.5	127.6	*102.4*	*107.9*	*98.0*	*99.5*
Population, thousands, average	4296	4260	2055	2070	619	622	7291	7182	2857	2840	3843	3840	1775	1829	*104563*	*104201*	*504724*	*508123*
Employed persons, LFS, thousands, average	1541	1390	638	679	208	202	2396	2311	1167	1100	843	822	288	303	*44599*	*44059*	*217360*	*216964*
Unemployment rate, LFS, in %	11.8	17.2	32.0	29.0	19.6	19.5	19.2	23.6	14.0	15.6	27.2	27.5	45.1	31.0	*9.9*	*10.0*	*9.6*	*10.8*
Employment rate, LFS, 15+, in % [3]	41.1	36.4	38.7	40.6	40.0	40.3	37.9	37.7	47.5	50.1 [4]	32.5	31.6	26.4 [5]	25.5 [4]	*50.1*	*49.9*	*51.8*	*51.4*
Average gross monthly wages, EUR at exchange rate	1054	1048	491	504	715	726	461	537	252	291	622	660	286 [6]	362 [6]	*933* [7]	*976* [7]	*2788* [7]	*2958* [7]
Average gross monthly wages, EU-28=100	37.8	35.4	17.6	17.0	25.7	24.5	16.5	18.1	9.1	9.8	22.3	22.3	10.3	12.2	*33.5* [7]	*33.0* [7]	*100.0* [7]	*100.0* [7]
Exports of goods in % of GDP	20.4	21.2	35.9	41.6	11.5	12.1	26.4	34.2	13.2	17.6	17.2	20.8	6.7	6.0	*45.3* [8]	*52.6* [8]	*28.9* [8]	*31.7* [8]
Imports of goods in % of GDP	33.3	35.6	56.4	62.2	52.3	51.9	42.8	46.7	36.7	35.2	47.9	50.6	47.4	44.2	*47.7* [8]	*52.3* [8]	*31.1* [8]	*32.9* [8]
Exports of services in % of GDP	19.5	22.0	9.7	11.3	25.8	31.7	9.5	10.7	19.7	16.8	11.9	11.2	13.4	12.5	*9.7* [8]	*10.9* [8]	*10.4* [8]	*11.5* [8]
Imports of services in % of GDP	6.5	6.3	9.1	10.3	10.8	12.3	9.5	9.7	17.1	16.7	3.2	2.6	9.0	5.8	*7.6* [8]	*8.1* [8]	*8.7* [8]	*9.1* [8]
Remittances in % of GDP [9]	2.1	2.6	4.2	4.0	7.3	8.1	9.1	8.1	9.7	7.8	10.9	10.7	17.3	14.0	*1.8*	*1.7*	*0.6*	*0.6*

NMS-11: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia. PPP: Purchasing power parity (IMF for Kosovo).
1) wiiw estimates. - 2) wiiw estimates and Eurostat. - 3) Kosovo: Employment rate, LFS, 15-64, in %. - 4) 2012. - 5) 2009. - 6) Average net monthly wages. - 7) Gross wages plus indirect labour costs, according to national account concept. - 8) Data for NMS-11 and EU-28 include transactions within the region. - 9) wiiw estimates and World Bank.
Source: wiiw Annual Database, Eurostat, AMECO, World Bank.

Data collection for the current study turned out to be very difficult. Institutions responsible for the collection of labour migrants' data as well as the data availability differ between SEE countries. Thus, any analysis of labour mobility in the SEE countries is hampered by a widespread scarcity of data at the national level, the inaccessibility, unreliability and inconsistency of available data and the difficulty of comparing data from across the region. The tables and data included in this report are subject to this major caveat.

The study is divided into six major chapters: Chapter 1 describes the current state of play regarding labour mobility including the institutional setting and current policies and trends from a regional perspective as well as an overview of previous studies. Chapter 2 examines the socio-economic and demographic characteristics of migrants, provides an impact assessment of the free mobility of labour and addresses main obstacles to labour mobility in the region. Chapter 3 contains an assessment of the potential for regional labour mobility based on a gravity model. Chapter 4 concludes with recommendations for policy action to facilitate regional mobility and finally Chapter 5 provides a Regional Action Plan and a roadmap for enabling labour mobility in SEE.

1.1. INSTITUTIONAL SETTING

In the context of preparing for EU accession, all SEE countries have undertaken important steps to align their legislation with the acquis communautaire. All governments have adopted guiding documents with regard to migration in general, not focusing specifically on regional mobility: in Albania, the 'National Strategy on Migration and the National Action Plan, 2005-2010' outline the key priorities of the country's migration policy, in Croatia the basic document is the 'Migration Policy of the Republic of Croatia for the period 2013-2015' approved in 2011, in the Former Yugoslav Republic of Macedonia the 'Resolution on Migration Policy of the Republic of Macedonia 2009-2014' and an Action Plan, and in Montenegro the government approved the 'Strategy for Integrated Migration Management 2011-2016' in 2011, followed by action plans for implementation. The key strategic document regulating migration policies in Bosnia and Herzegovina is the 'Strategy on Migration and Asylum' (2008 and 2012), and the government of Kosovo adopted the National Strategy and Action Plan on Migration (2013-2018)The strategic and legislative framework in Serbia is the 'National Strategy on Migration Management' adopted in 2009.

Institutions

The major institutions regulating labour mobility (see also Table 2) are the Ministries of Labour, Public Employment Services (national employment agencies), Ministries of Interior and Ministries of Foreign Affairs. Work permits for foreigners are issued by the Employment Agencies in the Former Yugoslav Republic of Macedonia, Montenegro and in Serbia, while in Croatia the responsibility is with the Ministry of Interior and in Kosovo with the Ministry of Labour. Ministries of Interior are also responsible for temporary and permanent residence permits, while visa issues are handled by the Ministries of Foreign Affairs.

Regulations

Employment of foreigners in the SEE countries is regulated by the ‘Law on Foreigners in Albania’ (2013), the ‘Law on Movement and Stay of Aliens and Asylum’ from 2008 in Bosnia and Herzegovina as well as by the Law(s) on Foreigners on the entity level. In Croatia labour migration is regulated by the ‘Alien Act’ (2007, 2009 and 2013) and in the Former Yugoslav Republic of Macedonia by the ‘Law on Employment and Work of Foreigners’ and related by-laws as well as the Law on Foreigners; in addition, the government adopted the ‘Resolution on Migration’ in 2009. In Montenegro the ‘Law on Employment and Work of Foreigners’ (2008 and 2011) constitutes the legal basis for foreign workers. A new Law on Foreigners (which is to encompass the provisions of existing Law on Employment of Foreigners) has been finalised to a large degree but not adopted by the Parliament. Therefore its enforcement including issuance of single stay and work permit, though scheduled previously for June 1, 2014 will be delayed due to legal and technical reasons for January 2015. In Serbia it is the ‘Law on Conditions for Establishment of Employment Relations with Foreign Citizens’ dating back to 1978 and the Rulebook on issuing work permits to foreigners of 2010; it is planned to unify the regulations in the new Law on Employment of Foreigners, which is expected to be adopted by the parliament by the end of 2014. In Kosovo, until March 2010 there was no legislation in place to regulate the employment of foreigners. Between March 2010 and April 2014 the employment of foreigners was regulated by the ‘Law on Granting Permits for Work and Employment of Foreign Citizens in the Republic of Kosovo’ and the ‘Administrative Guideline on the regulation of procedures for issuing work permits and employment of foreign citizens in the Republic of Kosovo’. From April 2014 the Law on Foreigners and secondary legislation which draws on it is in place. For an overview of the main regulations governing labour mobility in SEE (see also Table 3).

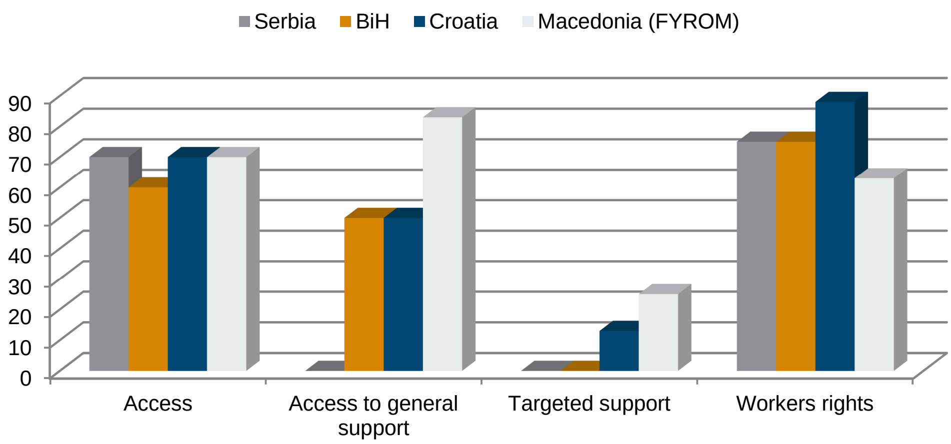
Regional labour markets continue to be organised to a large extent on the basis of segregated national labour markets. With the exceptions of Serbia and Kosovo[3], all countries have introduced quota regimes. Quotas are determined on an annual basis and identify industries and occupations in which employment is permitted for foreigners. In the Former Yugoslav Republic of Macedonia the quota may not exceed a maximum of 5% of the officially employed citizens. The system is not too restrictive in Bosnia and Herzegovina since there are a number of exceptions to the quotas, such as for all tertiary educated workers, for companies’ key personnel as well as for staff engaged in educational and sports organisations. Serbia envisages the introduction of a quota system within the frame of the new legislation on foreign labour.

3 In Serbia, the draft of the new law on the employment of foreigners, which should be adopted by the end of 2014, envisages the introduction of quotas for the first time. Also in Kosovo, the Law on Foreigners (2014) provides for a quota regime according to economic activity and occupation by October 2014. The previous law applicable during 2010-2014 envisaged a quota based on labour market conditions, but has not been applied (for further details, see Country Report on Kosovo).

Results of the recent MIPEX study

An overview of regulations with regard to the labour market of foreigners – covering Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Croatia and Serbia – is presented in the most recent MIPEX[4] report (Figure 1). According to the findings of the report, some categories of temporary migrant workers in these countries cannot change jobs and sectors, so they 'could spend years trapped in a job below their qualification'. With certain restrictions, legal workers in Croatia have immediate access to self-employment and have the right to work in any private sector job. Foreign workers have access to certain positions in the public sector in Croatia and Serbia, while this option does not exist in Bosnia and Herzegovina and in Former Yugoslav of Macedonia.

Figure 1 / Regulations regarding labour mobility



Source: MIPEX.

Temporary migrants do not have access to public employment services in Bosnia and Herzegovina and in Serbia and do not have equal access to education and training as nationals. With regard to workers' rights, migrant workers, once employed, are entitled to the same working conditions, access to trade unions and social security benefits as nationals, with the legislation being most advanced in Croatia.

[4] MIPEX – the Migration Integration Policy Index – is a reference guide and a fully interactive tool to assess, compare and improve migration policy with regard to seven policy areas: labour mobility, family reunion, education, political participation, long-term residence, access to nationality and anti-discrimination. MIPEX is based on public laws, policies and research. For the ranking a scale between 0 and 100 is used, where 100% is the top score.

Table 2 / Institutions responsible for labour migration and tasks

	Albania	BiH	Croatia	The Former Yugoslav Republic of Macedonia	Montenegro	Kosovo*	Serbia
Ministry of Interior	Issues residence permits; shares statistical data on illegal migration in regional cooperation		Administers work permits, registers temporary and permanent residence; publishes relevant statistics, collects migration data, issues other documents (travel related)	Conducts border control during entry/exit of persons to/from country Controls residence and movement of foreigners within the country. Undertakes activities for prevention of irregular migration Responsible for asylum and readmission policy	Approves temporary residence permits and cancels permanent residence	Assesses applications for residence permits including those for work purposes. Compiles and systematises data on migration.	Issues residence permits; controls the flow of irregular immigrants
Ministry of Foreign Affairs	Draws up and implements visa policy	Deals with visa regime; issues visa via the Diplomatic and Consular Missions of BiH (DCM)	Deals with visa regime; issues visa, agreements with other countries	Responsible for visa regime, conclusion of agreements with other countries (free movement of persons), participates in the procedure for granting work permits	Deals with visa regime and certain aspects of irregular migration	Deals with visa regime; issues visa.	Issues work visas via Serbian consulates in sending country.
Ministry of Labour	Responsible for the coordination and monitoring of the National Action Plan on Migration	Labour ministries on the entity level (no such ministry on the state level) carry out activities related to international labour conventions; the RS ministry deals also with temporary employment of workers abroad	Participates in the analysis of labour market conditions, supply and demand for specific occupations (important for the quota), responsible for labour code	Proposes annual quotas for employment of foreigners to the government. Participates in the implementation of the policies for Asylum, migration and humanitarian assistance	Responsible for employment of foreigners; conclusion and implementation of international agreement on social policy	Issues Certificate for Employment Registration of foreign nationals.	Drafts legislation on foreign labour mobility. Responsible for its implementation.
Ministry of Security		Immigration and asylum policy; produces Annual Migration Profile; collects data on migrants					
Ministry of Civil Affairs		Registration of temporary and permanent residence					
National Employment Service	Issues work permits; Migration desks opened at NES responsible to implement migration policies	Issuance of work permits by two entity level employment agencies	Provides analysis of labour market conditions, supply and demand for specific occupations (important for the quota), provides job search counselling	Issues work permits for foreigners Proposes annual work permit quotas to the Ministry of Labour and Social Policy Keeps statistical evidence about the issued work permits	Issues work permits; helps foreigners in finding jobs	On request from MIA, issues certificates, to justify the employment of foreign nationals outside the annual quota.	Issues work permits. Collects partial data on immigrant workers.
Statistical Office			Collects and systematises labour market and migration data	Collects and systematises labour market and migration data	Collects data on migration	Does not collect data on migration regularly, but has published a Migration Report based on the results of the 2011 Census	

Source: National experts.

Table 3 / Major regulations with regard to labour mobility

	Albania	BiH	Croatia	FYR Macedonia	Montenegro	Kosovo*	Serbia
Residence permit	x		x	x	x	x	x
Work permit	x	x	x	x	x	x	x
Law on employment of foreign nationals		x	No - included in Alien Act	x	x	x	x
Quota regimes, for certain occupations	x	x	x	x	For different types of work permits, not occupations	x	no
Bilateral agreements	x	Serbia, Slovenia, Qatar	x - few	Germany, Slovenia and Qatar	x	x	Bosnia and Herzegovina, Belarus
Cross-border arrangements	x	Only on border crossing with Croatia (not labour market related)	Bosnia and Herzegovina, Slovenia	x	x	x	no
Seasonal employment		no	x - quota	x	x	x	no

Source: National experts

Reforms planned with regard to the liberalisation of the SEE labour market

Activities related to the liberalisation of the regional labour market are not very advanced yet. In Serbia the draft law on employment of foreigners envisages some new regulations for foreign workers that would bring the country closer to the European labour market. Montenegro will abolish work permits for EU nationals and their families, but not for citizens from the neighbouring countries. The Former Yugoslav Republic of Macedonia and Kosovo have not undertaken any major steps towards the liberalisation of the regional labour market and no reforms are planned for the near future. Nevertheless, there have been a few initiatives in this area which facilitate regional cooperation and labour mobility: in recent years there has been cooperation in the area of vocational training between the regional Employment Centre of Prizren (Kosovo) and the PES in Kukes (Albania) across the border. A regional job portal is planned to exchange information on vacancies between Kosovo, Albania and the Former Yugoslav Republic of Macedonia. Finally, citizens of Kosovo and citizens of Serbia part of the Albanian minority are exempted from the obligation of work permit and work registration certificate (Decision of the Council of Ministers dated 07.05.2014)”.[5]

Results from previous studies

There is an evident lack of research on intra-regional labour mobility in the SEE countries, which might be explained by the lack of reliable and comparable data on migration. Most of the migration research related to the region focuses on international migration, ageing of the population, depopulation, brain drain, remittances and the mismatch of skills on the labour market.

One of the few studies investigating labour mobility in the Western Balkans is the IOM report by Kupiszewski et al. (2009). The study provides an overview on the evolution of migration in the Western Balkans, an analysis of the availability and quality of data and migration policies and their demographic and labour market effects. A tentative insight into possible future labour migration flows is offered, based on a survey of migration propensities in all countries under review.

The Public Employment Service of Montenegro carried out an ‘Analysis of the possibility of greater employment of local labour in relation to the existing volume of employment of foreigners’. The report included a review of occupations of unemployed persons who are in the records of the Public Employment Service, information on shortage occupations and a summary of the type of occupations of foreigners who were issued permits to work in the territory of Montenegro. The only research related to the topic in Albania is the study conducted by Ikonomi and Ndoci (2012) who analyse the impact of the employment of foreigners on the Albanian labour market and conclude that labour market protection instruments are difficult to be put into practice.

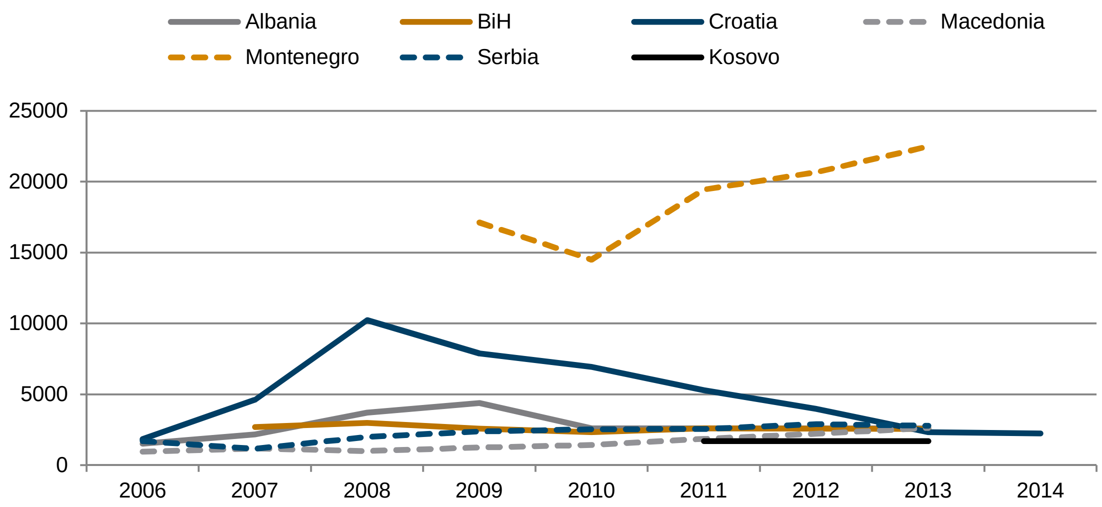
[5] See also Country Reports on Kosovo and Albania.

2. Socio-economic and demographic characteristics of labour migrants

The analysis in this section presents data on labour migrants based on work permits issued to foreign workers; when data allow, specific reference to regional migration is provided. Data on work permits cover in most cases the period 2009-2013/14 and have been obtained from employment agencies or the responsible ministries. However, the information available is not detailed and consequently profiling of regional workers according to age, gender, educational attainment and occupation is not always possible. The share of foreign workers in the individual SEE countries is in general very low; for instance, it accounts for only 0.4% of total employment in Bosnia and Herzegovina and in the Former Yugoslav Republic of Macedonia, and for 0.1% in Serbia. Montenegro is however an exception with the share for foreign workers accounting for almost 8% in 2013.

As illustrated in Figure 2, Croatia – which was affected strongly by the economic and financial crisis – reduced the issuance of work permits to only one fifth of the pre-crisis level in 2014. The Former Yugoslav Republic of Macedonia, on the other hand, which even experienced an improvement of its labour market situation during the crisis, reports a steady increase in the number of issued work permits. Interestingly, also in Serbia and Bosnia and Herzegovina – both countries facing a severe rise in unemployment as a consequence of the crisis – the issuance of work permits grew continuously (although from low levels). Also in Montenegro, the biggest employer of foreign labour in the SEE region, the number of work permits issued grew steadily between 2009 and 2013.

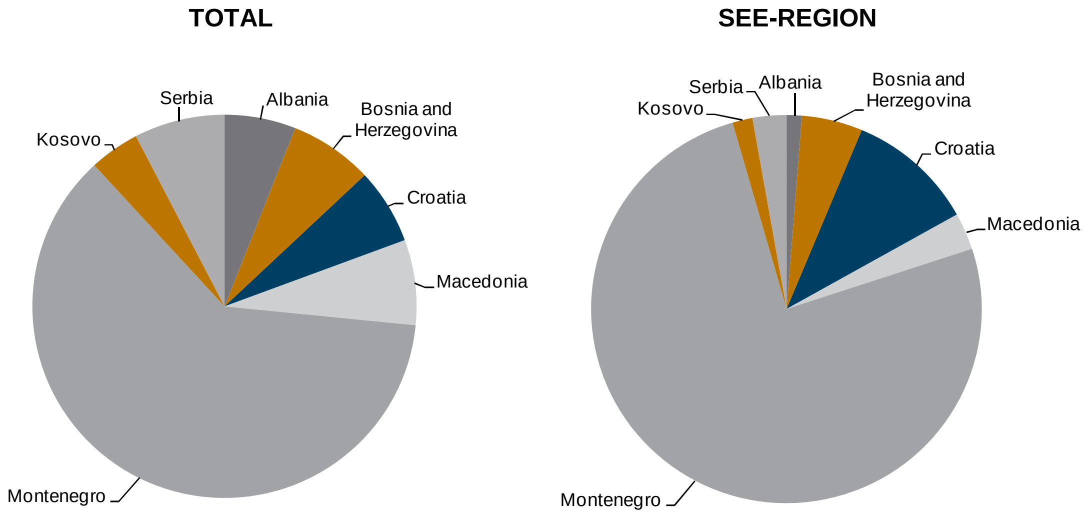
Figure 2 / Total work permits issued in the SEE countries



Source: Regional employment agencies and ministries.

As shown in Figure 3, out of the total number of work permits issued in the SEE region in 2013, the majority was accounted for by Montenegro (62%) followed by Serbia (8%), Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia (close to 7% each) and Albania and Croatia (6% each). Kosovo's share was about 4% of the total work permits issued. Citizens from within the SEE region and citizens from outside accounted for almost equal shares. The dominance of Montenegro as the main employer of migrant labour becomes even more evident when looking at the work permits issued for SEE citizens. Accordingly, Montenegro employs almost three quarters of all regional labour migrants. Croatia comes next with about 11% – and Albania, by contrast, absorbs only 1%.

Figure 3 / Work permits issued by individual SEE countries, 2013



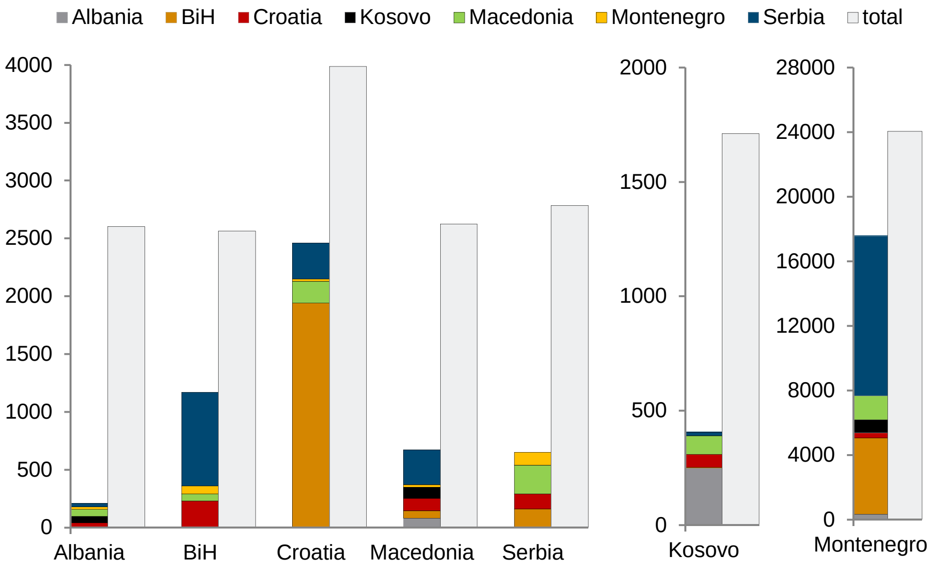
Source: Employment agencies and ministries.

As depicted in Figure 4, out of total migrant labour in Montenegro and Croatia the majority originate from within the region, mostly from neighbouring countries (Serbia and Bosnia and Herzegovina). Also Bosnia and Herzegovina reports a high, but declining proportion of regional migrants, mainly from Serbia (70%) and Croatia (20%).

In Albania, the Former Yugoslav Republic of Macedonia, Serbia and Kosovo the major part (about 80%) of labour migrants comes from outside the SEE region, from Turkey in particular. The share of workers from Turkey accounts for half of all labour migrants in Kosovo and for about 20% in the Former Yugoslav Republic of Macedonia.

With the exception of 2013 quotas have been higher than work permits issued in the Former Yugoslav Republic of Macedonia and particularly in Montenegro, while the opposite was the case in Croatia and in Bosnia and Herzegovina for most of the reporting period (Figure 5). In Bosnia and Herzegovina there are a number of exceptions to the quotas, such as for all workers with tertiary education, for companies' key personnel as well as for staff engaged in educational and sports organisations.

Figure 4 / Work permits issued total and by individual countries, 2013



Remark: Albania 2010, Kosovo 2011, Croatia 2012.
Source: National Employment Agencies and Ministries.

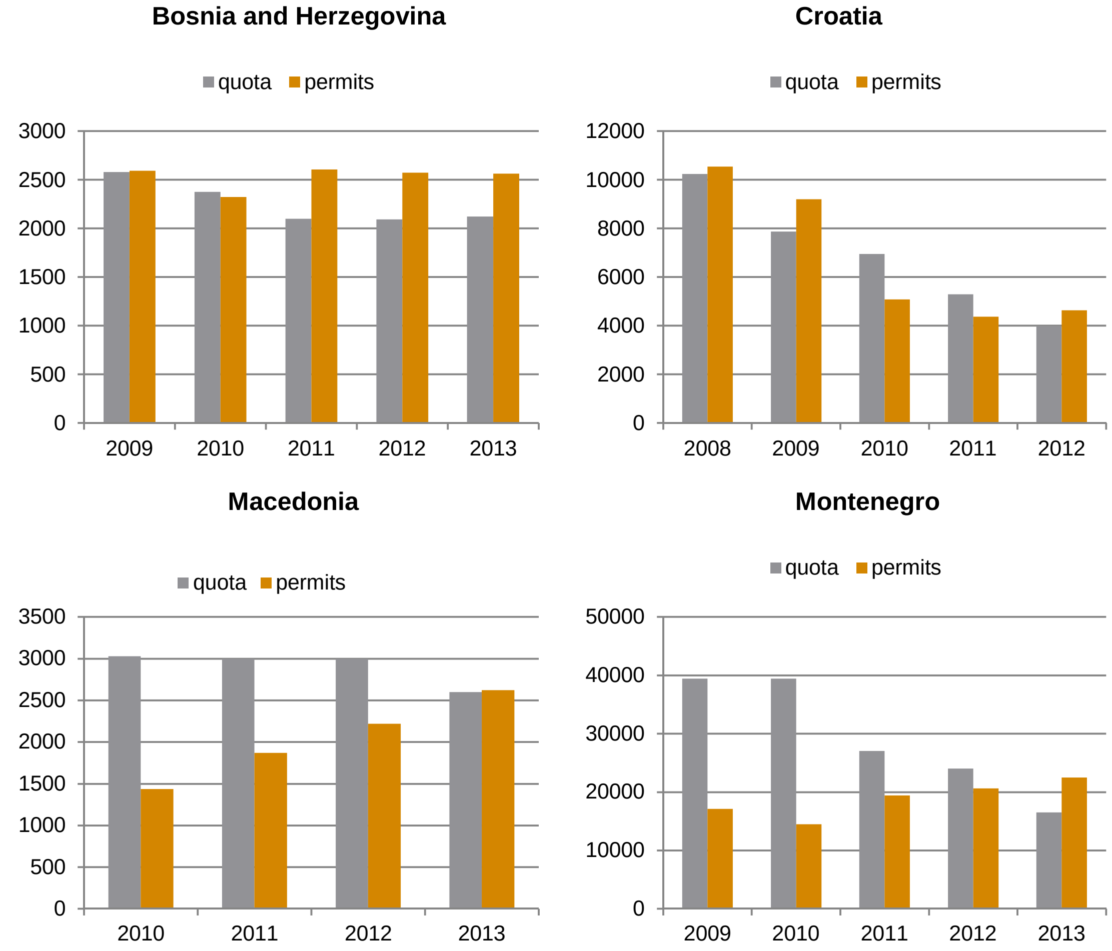
Regional labour migrants tend to be young. In Kosovo and Serbia – reporting data on the age of SEE migrant workers – the majority (72% and 64% respectively) are below 40 years. Assuming that the age structure of labour migrants does not differ significantly from that of total migrants, young people aged 20-39 years account for more than 60% also in Montenegro and for almost half in Albania and probably so in Croatia.

The qualification structure of regional migrants differs by country. In Montenegro about 87% had first- and second-level education, about 7% of work permits were issued to persons with secondary education and 6% to foreign workers with higher education[6]. Also in Croatia migrants from the region have relatively low qualifications. In Serbia the skill composition of SEE labour migrants has changed significantly in recent years: between 2007 and 2013 the share of high-skilled workers rose from 16% to 48%, while at the same time the share of low-skilled fell from 66% to 28%. The Former Yugoslav Republic of Macedonia reports – despite a rise in the absolute number of university graduates from the SEE region – a decline in the share of SEE workers with tertiary education from 33.6% in 2010 to 29.7% in 2013. (At the same time the share of low-skilled had slightly increased to 22% in 2013, from 20% in 2010.)

Bosnia and Herzegovina provides data on the educational attainment level only of the total number of foreigners employed. Accordingly, more than half of the migrant labour force has tertiary education, while the low-skilled account for only 8% (Figure 6). The high share of migrants with tertiary education seems to be largely attributable to the practice of foreign investors bringing in their key personnel from abroad, but also to the presence of international organisations.

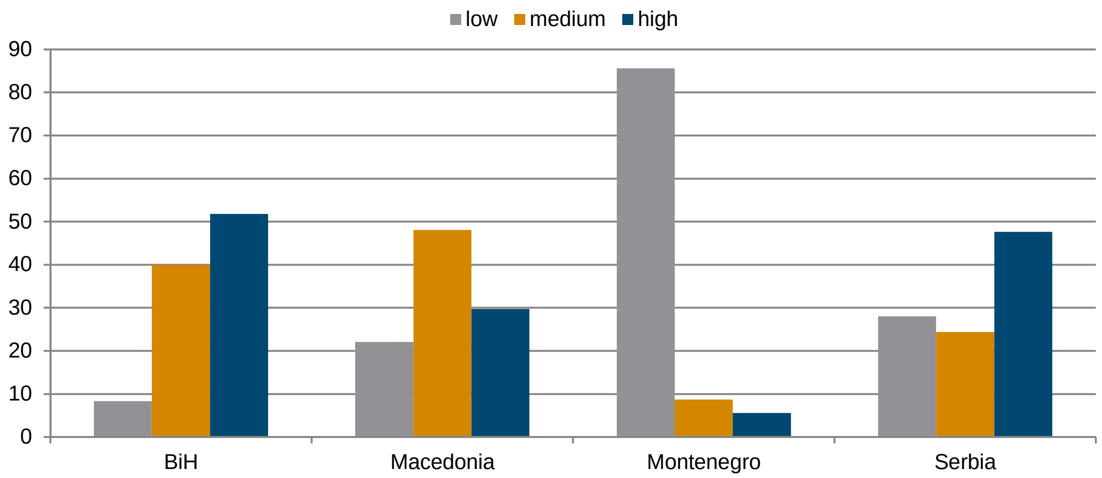
[6] Similar results are obtained if considering total labour migrants in Montenegro.

Figure 5 / Work permits and quotas



Source: Employment agencies and ministries.

Figure 6 / Work permits by educational attainment of SEE labour migrants, 2013



Remark: BiH refers to total labour migrants.
Source: Employment agencies and ministries.

Irregular migrant workers

Information on irregular workers from the countries of the region is limited and is mainly based on anecdotal evidence. An in-depth analysis on the issue is missing. Based on the information provided by country experts, undocumented migrants in Montenegro come mostly from Albania and Kosovo and to a lesser extent from Bosnia and Herzegovina. Allegedly they enter Montenegro as tourists and stay to work seasonally without registering with the Tax Administration. There is evidence that about 40,000 seasonal workers in Montenegro are originating from Serbia and Bosnia-Herzegovina.[7] A significant number of foreign workers are also supposed to be employed in the informal sector of Serbia. There is some evidence that citizens from Bosnia and Herzegovina are commuting daily to Western Serbian mines near the border. A number of workers who participate in the black market are seasonal workers who come to Serbia to work on construction sites, in the renovation of flats, or in fruit picking, which are primarily seasonal jobs. Croatia has managed to reduce both the number of irregular migrants and the number of irregular workers reported by the State Inspectorate for Labour in 2013. Regarding the structure of undocumented migration in recent years, the Migration Policy of the Republic of Croatia for the period 2013-2015 has emphasised significant changes. Nationals of countries from South East Europe (Bosnia and Herzegovina, Serbia, Kosovo, Turkey, the Former Yugoslav Republic of Macedonia and Albania), for years the most numerous irregular migrants on the Croatian territory, were replaced by nationals of African and Asian countries. Overall, there is also evidence of large irregular and seasonal migration within the region supported by dual citizenship. Irregular (labour) migration is not pervasive in Kosovo either and seems to be the result of negligence or lack of awareness of the legal framework; the majority of irregular workers (though very small in numbers) came from Albania.

Mobility hubs

Mobility hubs defined as geographic areas and economic sectors that attract migrant workers can be found in almost all countries in agriculture, construction and trade[8]. In Croatia and particularly in Montenegro tourism is an important employer for foreigners as well. Shipbuilding, in particular ship assembling and anti-corrosion work, used to be a preferred activity in Croatia in the past, but due to the restructuring process in the wake of EU accession, shipbuilding will attract less foreigners in the future. Construction was very attractive during the boom years, but the number of work permits fell dramatically thereafter. For instance, in Croatia work permits issued for construction (mainly bricklayers and carpenters) dropped from 5330 in 2008 to only 4 in 2011/2012. As for Bosnia and Herzegovina, foreigners are mainly represented in the financial and retail sectors (See also Table 4 for the main economic sectors employing foreigners).

In terms of geographic areas, foreign workers are mainly concentrated in capital cities, which may also have administrative reasons, as enterprises are registered in the capital city while their activities might be offered across the country. In Albania more than two thirds of foreign workers are registered in Tirana, followed by Durres, Shkoder and Vlore. In Croatia, apart from Zagreb, the main destinations of foreign labour are two counties at the seaside – Primorsko-goranska and Istria. Also in Serbia approximately half of the work permits are issued in Belgrade, followed by Novi Sad, Nis, Kragujevac and Subotica. In the Former Yugoslav Republic of Macedonia, a share of almost 70% of work permits

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[7] For further details see Country Report on Bosnia and Herzegovina.

[8] The ranking of individual sectors differs however from country to country.

falls on Skopje, mostly due to the high concentration of economic activities there, as well as on two economic zones (Bunadrzik 1 and 2) where some FDI plants are located; apart from Skopje, two cities close to the Greek border – Gevgelija and Bitola – account for some important shares of migrant workers. In Bosnia and Herzegovina, Sarajevo and Banja Luka are supposed to be main geographical mobility hubs, which are also strongly linked to the concentration of FDI there; FDI-related patterns can also be observed in Croatia. In Kosovo the municipalities with the highest number of foreign workers are Prishtina and Prizren, followed by Ferizaj.

Information obtained from work permits leads to the conclusion that mobility in the region is mainly of a seasonal character, e.g. for employment in tourism, agriculture and construction.

Table 4 / Employment of foreigners: Main economic sectors (based on work permits issued)

	Agriculture	Construction	Shipbuilding	Trade	Tourism	Education	Other
Albania		x		x		x	Mining and industry; health and social activity;
Bosnia and Herzegovina		x		x		x	manufacturing
Croatia	x	x	x (declining)		x		
FYR Macedonia		x		x			Manufacturing. Financial and insurance services; other activities
Montenegro	x	x		x	x		Scientific and technical activities
Kosovo*							Engineering, banking and financial activities; health
Serbia	x	x			x		

Remark: Information on the Former Yugoslav Republic of Macedonia refers to SEE labour migrants.
Source: National experts. Serbia: Strban (2010).

Impact assessment of the free mobility of labour

An evidence-based impact of labour mobility in the region or individual countries is difficult to assess due to the lack of research dealing with this issue. However, some general conclusions can be drawn from the available information.

Overall, the opinions obtained from stakeholders are mostly positive about labour market liberalisation between the SEE countries. It has been emphasised that increased labour mobility would have positive effects on the labour market, e.g. by reducing skills mismatches. This has been confirmed by the IMF in the case of Montenegro, by arguing that further liberalisation of the labour market would contribute to a better matching of labour market demand and supply and consequently to higher productivity and overall economic performance. It would also have positive effects on the competitiveness of the region by making intra-firm mobility of workers from multinational companies less complicated.

Given the fact that countries of the region share common labour market characteristics such as high and persistent unemployment, particularly of the young and women, intra-regional mobility will not have any decisive effects on the labour market.

Country experts believe that regional labour mobility is not likely to exert any pressure on wages.

Opinions differ on whether the employment of foreigners leads to higher unemployment. Some experts believe that lifting of the restrictions could raise unemployment of the domestic population, particularly if the opening of the labour market does not proceed on a reciprocal basis. Others argue that, considering the seasonal character of migrant employment, free labour mobility in the region would not affect unemployment significantly. According to employers' representatives, the domestic labour force is often not adequately skilled to take over certain jobs and the majority of unemployed refuse to work in seasonal jobs. Thus, there is hardly any evidence that migrant workers, mainly those employed on a seasonal basis, displace natives from the labour market. Representatives of employees, however, would advocate investing in the local labour force rather than employing foreign labour.

Overall, the facilitation of the mobility of high-skilled workers could serve to fill the skill gaps and is likely to contribute to the creation of new jobs for domestic workers to the extent that it enhances the competitiveness of domestic firms.

Considering the ageing population in most countries of the region, mobility – particularly of young workers – could provide some relief to the labour market and could contribute to reducing the pressure on public finances to maintain welfare systems (pension, health care).

Main obstacles to regional labour mobility

The identification of main obstacles in this chapter is based on national experts' and stakeholders' opinion.

- **Poor economic situation** coupled with high unemployment and low employment opportunities as well as low wages.

- **Restrictive legislation.** Complicated procedure for obtaining work permits. Employers (representatives) believe that there are still barriers in terms of labour legislation that represent an obstacle to active regional mobility.

- **Recognition of qualifications**. As countries from the SEE region are in different phases of the accession process to the European Union, it is expected that all of them will align their national qualification frameworks with the EU legislation. This represents an opportunity for the countries to develop a sound basis for labour mobility in the region, but also a risk given that discrepancies with regard to timelines and quality in developing the individual national qualification frameworks could contribute to further issues in the process of mutual recognition of qualifications.

- **Transport.** Apart from inadequate infrastructure and poor roads on certain borders (such as between Montenegro and Bosnia), the current traffic lines are not frequent, while there are no direct flights between certain countries at all (e.g. Montenegro and Bosnia and Herzegovina or Albania and Bosnia and Herzegovina).

› **Lack of bilateral agreements on financial transactions.** There are very high banking costs among the SEE countries that may affect the transfer of remittances.

› **Limited information on job vacancies.** The publicly available statistical data on the profile of foreigners employed in the country, as well as on needed profiles, are quite scarce, as is the access to job announcement for specific posts.

› **Housing prices** might be an issue in coastal regions (Croatia, Montenegro).

› **Language** is generally not recognised as a significant obstacle to current regional mobility since the majority of regional countries have similar languages.

3. Intra- and inter-regional mobility of the Western Balkan countries: current trends and projections for 2014-2016[9]

This section analyses potential migration/labour flows of the Western Balkan countries within the region and into the EU-14 and NMS-10.[10] Intra- and inter-regional mobility will be analysed adopting a gravity modelling approach. Current trends and potential migration are analysed for the period 2013-2016 under three scenarios: one which assumes that the current institutional conditions such as regimes of visa liberalisation remain unchanged during the whole period; the second scenario assumes the lifting of all restrictions in accessing labour markets for citizens from the WB-6 (so that they, in fact, have the same privileged access to each other's and the EU's labour markets as if they were EU members and, furthermore, lift all mutual labour market access restrictions). Finally, the third scenario assumes the same liberalisation scenario as the second one but on top of that uses a further optimistic view regarding an improvement of macroeconomic indicators such as employment and GDPs in the Western Balkan countries during the same period.

Gravity models are applied to estimate the mobility patterns of WB-6 and NMS-10 within the region and towards EU-14 and NMS-10. The mobility patterns of NMS-10 have been brought into the analysis as a comparator group of economies which have already experienced the impact of transitional arrangements and of the opening-up of free access to EU (and each other's) labour markets.

Gravity models have been intensively used to estimate bilateral migrant stocks taking into account determinants which might have an effect on migrant stocks in bilateral relations between countries. Explanatory variables include population size, geographical distance, contiguity or sharing common borders, language proximity or other cultural ties, migration network effects represented by stock of migrants from that particular sending country, relative level of earnings usually proxied by income per capita, and labour market conditions proxied by un/employment rates. In our context, the model is enriched with other determinants which are a proxy for institutional constraints that condition the mobility of migrants from the WB-6 such as visa liberalisation conditions, the presence of transitional arrangements applied by EU-15 and restrictions in accessing labour markets.

The empirical specification follows the basic framework of Brücker et al. (2009) in combination with gravity model determinants as in Landesmann et al. (2013). The model is further enriched by including variables that capture institutional constraints. The migration function is specified in the following form:

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9 This chapter was provided by Isilda Mara in cooperation with Michael Landesmann (both wiiw).

10 WB-6 countries include Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia; EU-14 countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Portugal, Netherlands, Spain, Sweden, United Kingdom; NMS-10 include Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia and Slovenia. The sending countries are the WB-6 and NMS-10. The destination countries are WB-6, EU-14 and NMS-10 excluding Estonia, Latvia and Lithuania where migration of WB-6 countries is negligible.

eq. (1)

$$m_{fit} = \beta_1 * \ln\left(\frac{w_{ft}}{w_{it}}\right) + \beta_2 * \ln(e_{ft}) + \beta_3 * \ln(e_{it}) + \beta_4 * \ln(pop_{ft}) + +\beta_5 * \ln(pop_{it}) +$$

$$+$$

$$\beta_6 * dist_{\ if} + \beta_7 * contiguity_{\ if} + \beta_8 * com\_language_{if} \quad + \beta_9 * ethnic\_language\_c_{\ if}$$

$$+$$

$$\beta_8 * D\_visa\_free_{if} \quad + \beta_9 * D\_trans\_Ag_{if} \quad + \beta_{10} * D\_rest\_lmkt_{r_{if}}$$

$$+$$

$$+\beta_{11} * m_{fit-1} + \varepsilon_{fit}$$

where m_{fit} denotes the stock of migrants residing in destination country (f) as a share of the population from the sending country (i). The subscript (f) stands for the destination country and takes values from 1 to 27, representing EU-14 destination countries, NMS-10 and WB-6; subscript (i) stands for the origin country taking values from 1 to 16, representing NMS-10 and WB-6 countries.

The wage rates in the foreign and the origin country, correspondingly w_{ft} and w_{it}, represent expectations about the level of earnings in the foreign and home country which also depends on the labour market conditions of the respective countries. The latter are denoted as e_{ft} and e_{it} and represent the employment rates in the respective foreign and the origin country. pop_{ft} and pop_{it} stand respectively for the population of the foreign and sending country, which implies that countries with a bigger population and thus labour forces, as compared to smaller countries, have higher capacities of emigration flows as concerns the sending country and higher capacities of absorbing the labour force coming from abroad as concerns the host country.

The additional gravity model determinants are represented by $dist_{\ if}$, the geographical distance between the sending and host country; $contiguity_{\ if}$, the border proximity or commonality; $com\_language_{if}$ is about sharing the same official language or $ethnic\_language\_c_{\ if}$ when at least 9% of the populations of sending and host countries share the same language. These determinants are country specific and constant over time and control for country fixed effects.[11]

[11] These variables are intensively used in gravity models and we have downloaded them from: http://www.cepii.fr/CEPII/en/bdd_modele/presentation.asp?id=8

The impact of different institutional conditions is captured by level dummies such as $D\_visa\_free_{if}$ representing visa liberalisation applied to WB-6; $D\_trans\_Ag_{if}$ representing transitional arrangements applied to NMS-10; and D_rest_lmkt capturing restrictions in accessing the labour market in the destination country for NMS-10 and WB-6.[12] Lastly, m_{fit-1} is the lagged stock of migrants from a particular sending country in a destination country, representing network effects.

The database consists of migration stocks from WB-6 and NMS-10 to WB-6, NMS-7 and EU-14 for the period 2011-2012. The starting database is the Eurostat population statistics. Being subject to missing data we combined it with statistics from other data sources such as the OECD database, World Bank migration database, UN statistics and national statistics of the WB-6 countries. The stock of migrants consists of population stocks by citizenship.

As an approximation for average earnings, we have used GDP per capita at PPPs attained from Eurostat statistics and the wiiw database. For the calculation of the employment rates in each of the WB 8, NMS-10 and EU-14 countries, we also used Eurostat statistics and the wiiw database. This concerns both, the period 2001-2012 as regards the estimation of the model as well as the forecasts of these variables for the period 2013-2016 in order to undertake the forecasting exercise of potential migration.

As concerns the estimation approach, we started with a simple pooled OLS and continued with two versions of fixed effects estimators for panel data, e.g. GLS estimators such as those used by Brücker et al. (2009). Similarly as in Brücker et al. (2009) GLS estimators turned out to produce better and more efficient estimates compared to pooled OLS. In particular we used GLS allowing for first order correlation of the error terms and Feasible GLS, which in terms of Root Mean Squared Percentage Error (RMSPE) and the significance of estimated coefficients performed better than the former one. The results are presented in Table 5 below. The predicted value of the dependent variable is much closer to the actual value of migrant stocks when using the FGLS estimates rather than other models. Hence, for the projection of potential migration stocks we use the estimated coefficients attained with FGLS estimators, which performed better compared to the other estimators.

The estimates attained from the gravity model are used for the projection of WB-6 inter- and intra-regional labour mobility between 2013 and 2017 using projections of explanatory variables by simulating the change in stock of migrants under the three scenarios discussed above.

12 Such dummies were constructed using the information about restricted mobility and transitional arrangements between EU-14 and EU-8 and EU-2 derived from http://ec.europa.eu/social and information provided by country experts as concerns WB-6. Given the very low employment rates in WB-6 countries, we wanted to capture specific WB-6 effects and a slope dummy has been introduced to distinguish between labour market conditions of WB-6 as destination countries relative to other destination countries.

Table 5 / Estimation results of different regressions

	FE	**Pooled OLS**	**FGLS**
ln_mst_o_1	0.783***	0.591***	0.692***
	(0.00900)	(0.0533)	(0.00866)
ln_gdp_o_1	-0.612***	-0.768***	-0.468***
	(0.0600)	(0.102)	(0.0353)
ln_gdp_d_1	0.498***	0.746***	0.581***
	(0.0572)	(0.0720)	(0.0352)
ln_pop_o_1	0.213***	0.477***	0.340***
	(0.0194)	(0.0741)	(0.0165)
ln_pop_d_1	0.0959***	0.0990***	0.126***
	(0.0154)	(0.0176)	(0.0105)
ln_empl_o_1	-0.0708	-0.278	-0.138
	(0.167)	(0.180)	(0.105)
ln_empl_d_1	0.610+	0.285	0.619**
	(0.363)	(0.495)	(0.203)
ln_empl_d__WB6	-1.775***	-2.312***	-2.593***
	(0.377)	(0.415)	(0.254)
contig	0.309***	0.522***	0.403***
	(0.0660)	(0.0728)	(0.0395)
lang_of	0.247+	0.651***	0.473***
	(0.139)	(0.127)	(0.141)
lang_ethn	0.0487	0.0893	0.0198
	(0.112)	(0.0660)	(0.120)
dist	-0.000123***	-0.000268***	-0.000200***
	(0.0000264)	(0.0000356)	(0.0000199)
trans	0.0944+	0.121+	0.154***
	(0.0489)	(0.0621)	(0.0319)
rest_lmkt	-0.432***	-0.548***	-0.366***
	(0.0534)	(0.0637)	(0.0341)
free_visa	0.381***	0.387***	0.162***
	(0.0481)	(0.0680)	(0.0252)
dum_al_it	1.175***	2.065***	1.616***
	(0.254)	(0.296)	(0.115)
dum_al_gr	1.455***	2.473***	1.907***
	(0.248)	(0.391)	(0.239)
dum_bh_at	1.113***	1.795***	1.471***
	(0.246)	(0.337)	(0.342)
dum_bh_cr	1.209***	1.451***	1.313**
	(0.272)	(0.280)	(0.476)
dum_bh_de	1.054***	1.943***	1.466***
	(0.246)	(0.359)	(0.261)
dum_bh_sr	0.895***	1.088***	1.105**
	(0.271)	(0.260)	(0.410)
dum_cr_at	1.299***	1.993***	1.645***
	(0.247)	(0.324)	(0.383)
dum_cr_de	1.553***	2.615***	1.984***
	(0.247)	(0.425)	(0.389)
dum_cr_sr	1.489***	1.939***	1.626***
	(0.271)	(0.296)	(0.443)
dum_fy_de	0.842**	1.794***	1.261***
	(0.257)	(0.314)	(0.0816)
dum_fy_it	1.303***	2.069***	1.616***
	(0.245)	(0.310)	(0.264)
dum_fy_sr	1.017***	1.667***	1.433***
	(0.259)	(0.310)	(0.291)
	FE	Pooled OLS	FGLS
dum_mn_cr	1.269***	1.694***	1.394***
	(0.272)	(0.282)	(0.388)
dum_mn_de	0.630*	1.329***	0.835**
	(0.245)	(0.274)	(0.276)
dum_mn_sr	1.607***	2.583***	2.160***
	(0.260)	(0.487)	(0.556)
dum_sr_at	1.088***	1.760***	1.379***
	(0.246)	(0.300)	(0.252)
dum_sr_cr	0.617*	0.579***	0.563*
	(0.270)	(0.148)	(0.277)
dum_sr_de	0.902***	1.523***	1.137***
	(0.245)	(0.214)	(0.129)
_cons	0.432	-0.797	-1.985***
	(0.735)	(1.132)	(0.430)
N	3474	3474	3474
R2	0.888	0.943	
adj. R2	0.887		
RMSPE	0.2619	0,16393	0,16307

Standard errors in parentheses

+ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

3.1. PROJECTION OF FUTURE POTENTIAL STOCKS OF MIGRANTS

The projection of the future stock of migrants from WB-6 to WB-6, WB-6 to NMS-10 and WB-6 to EU-14 follows different scenarios with respect to restrictions, transitional arrangements and projections of explanatory variables such as employment rates, population and GDP per capita in EU-15, NMS-10 and WB-6 for the period 2013-2017.

First, we present the results of a baseline scenario which forecasts the future stocks of migrants from WB-6 countries to destination countries between 2013 and 2017, maintaining unchanged the institutional conditions which correspond to a free visa regime. The second scenario forecasts the stock of migrants assuming the lifting of restrictions in accessing the labour markets of the destination countries for migrants originating from WB-6. The third scenario assumes an improvement of macroeconomic conditions in the WB-6 region such as better employment opportunities and higher GDP per capita growth rates. The status quo results are presented in Table 1 and projections under the second and third scenarios are presented in Table 6.

The results of the status quo scenario indicate that maintaining unchanged the institutional constraints on the mobility of citizens from WB-6 between 2013 and 2017 will be accompanied by an increase in the stock of migrants into the EU-14 from 2.4 million to a level of 2.8 million. However, that increase will occur at a slower pace compared to the previous five-year period. Migration to NMS-10 countries is expected to decline further by an annual average of 1816 migrants, moving down to 80,313 migrants in 2017 compared to 89,393 in 2013. On the other hand, even under the status quo scenario intra-regional mobility of WB-6 countries for the next five-year period is expected to experience an increase in the total stock of migrants by an annual average of 3852 migrants, compared to the significant decline on annual basis by 23,447 migrants characterising 2008-2012. Thus, if migration regimes are kept unchanged, inter-regional mobility of WB-6 migrants will continue to be predominantly towards EU-14 countries but at a slower pace, migration towards NMS-10 will continue to shrink while intra-regional mobility is expected to gain grounds but still be below the level in 2008. Such mobility patterns suggest that under the status quo scenario, mobility outside the region will continue to dominate by a large margin the mobility inside the region. The WB-6 countries which are expected to drive inter-regional mobility appear to be Albania and Croatia (the latter particularly due to poor economic growth forecasts) while the main contributors to intra-regional mobility appear to be BiH and Croatia.

The second scenario shows that fully free access to the labour market for citizens of WB-6 towards destination countries is going to generate a much higher flux of migrants towards EU-14 during 2013-2017, at an annual average level of 130,961 migrants, a flux which is more than two times higher compared to the status quo scenario. As concerns the mobility towards NMS-10, the generated effect will turn from a negative and declining annual average level of 1816 migrants under the status quo scenario to a positive and increasing level of 7300 migrants under the free access to labour market scenario.

Similarly, projections under such a scenario suggest a higher intra-regional mobility compared to the one under the status quo regime. Accordingly, the stock of migrants might reach a level of 3.4 million if full access to the labour market is granted to EU-14 countries compared to 2.8 million projected if the same conditions are maintained. At the intra-regional level the stock is expected to go up to 1.3 million under a liberalised regional labour market versus 1 million projected when maintaining the current labour market access conditions. The WB-6 countries expected to make the largest contribution to intra-regional mobility are Serbia and Croatia while Albania will continue to be the country with the lowest contribution within the region also under this second scenario.

Table 6 / Change in the stock of migrants 2008-1012 and projected change in the stock of migrants under the status quo conditions for the period 2013-2017

		2008	2012	status quo average Annual change 2008-2012	2013	2017	status quo average Annual change 2013-2017
EU-14	Albania	814646	1000662	37203	1068615	1156479	17573
	Bosnia	329256	327274	-396	338494	363378	4977
	FYR Mac.	179335	205764	5286	209271	203579	-1138
	Montenegro	8530	24567	3207	26813	28794	396
	Serbia	341697	452984	22257	444310	463164	3771
	Croatia	336136	336585	90	398375	566986	33722
	total	**2009600**	**2347836**	**67647**	**2485879**	**2782381**	**59300**
NMS-10	Albania	4432	1337	-619	1597	2611	203
	Bosnia	41908	41578	-66	41908	34093	-1563
	FYR Mac.	11025	12785	352	11541	8915	-525
	Montenegro	279	910	126	574	413	-32
	Serbia	26356	22659	-739	21851	21789	-12
	Croatia	10560	11765	241	11922	12493	114
	total	**94560**	**91034**	**-705**	**89393**	**80313**	**-1816**
WB-6	Albania	24265	25185	184	24959	28717	752
	Bosnia	496514	440161	-11271	435676	428207	-1494
	FYR Mac.	71769	71729	-8	71185	69422	-353
	Montenegro	125894	134449	1711	143946	140505	-688
	Serbia	105847	103313	-507	104114	101154	-592
	Croatia	237721	169938	-13557	180337	211472	6227
	Total	**1062010**	**944775**	**-23447**	**960217**	**979477**	**3852**

Similarly, projections under such a scenario suggest a higher intra-regional mobility compared to the one under the status quo regime. Accordingly, the stock of migrants might reach a level of 3.4 million if full access to the labour market is granted to EU-14 countries compared to 2.8 million projected if the same conditions are maintained. At the intra-regional level the stock is expected to go up to 1.3 million under a liberalised regional labour market versus 1 million projected when maintaining the current labour market access conditions. The WB-6 countries expected to make the largest contribution to intra-regional mobility are Serbia and Croatia while Albania will continue to be the country with the lowest contribution within the region also under this second scenario.

The results attained from an optimistic macroeconomic development scenario for the WB-6 region, which assumes an improvement of labour market conditions and of GDP growth within the region, suggest that better employment opportunities and of income growth in the region are estimated to boost further intra-regional mobility more than inter-regional mobility. At the intra-regional level, the optimistic scenario is expected to generate an increase in the stock of migrants by an annual average level of 55,997 migrants, versus 48,162 migrants projected under the less optimistic opening of the labour market scenario. This compares with the pattern for inter-regional mobility, which under the optimistic scenario expects an increase in the stock of migrants by an average level of 130,961, instead of 139,249 projected under the less optimistic scenario. This results from a stronger relative attractiveness of WB-6 countries under the optimistic scenario.

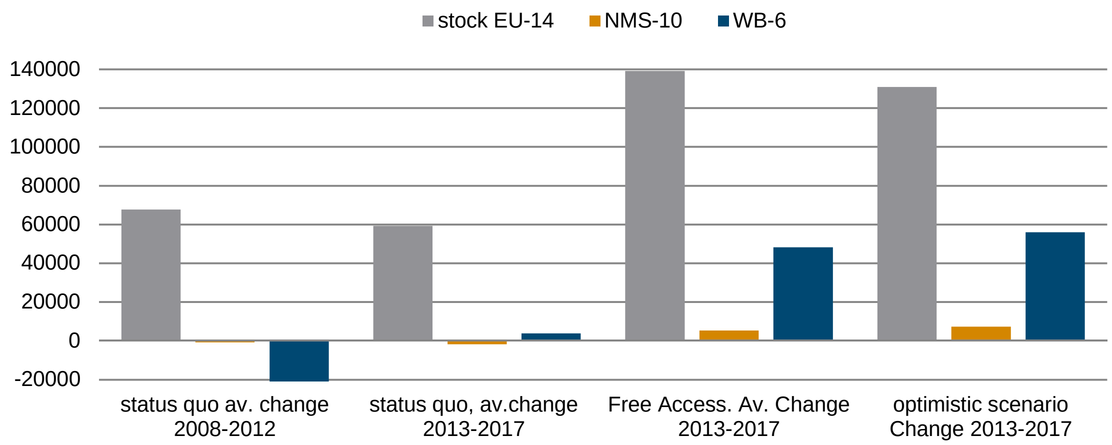
Table 7 / Projected change in the stock of migrants, under the free access to the labour market and optimistic scenario, period 2013-2017

		2013	2017	Free access to labour market Annual av. change 2013-2017	2013	2017	Optimistic scenario Annual av. change 2013-2017
EU-14	Albania	1281533	1351015	13896	1113683	1246353	26534
	Bosnia	341797	602682	52177	416332	604760	37686
	FYROM	256943	356456	19903	256943	337618	16135
	Montenegro	32902	50384	3496	32902	47820	2984
	Serbia	499008	686453	37489	545291	768493	44640
	Croatia	361167	422560	12279	336045	350955	2982
	Total	**2773350**	**3469550**	**139240**	**2701195**	**3355999**	**130961**
NMS-10	Albania	1959	4560	520	1959	4339	476
	Bosnia	41908	56824	2983	41908	55167	2652
	FYROM	14156	15571	283	14156	14748	118
	Montenegro	704	721	3	704	684	-4
	Serbia	26129	35784	1931	26801	36063	1852
	Croatia	8479	6841	-328	15095	26123	2206
	Total	**93334**	**120300**	**5393**	**100622**	**137123**	**7300**
WB-6	Albania	21001	29993	1798	25898	27463	313
	Bosnia	493553	618316	24953	534375	556281	4381
	FYROM	84661	115182	6104	84661	123629	7794
	Montenegro	142759	151880	1824	142759	134325	-1687
	Serbia	120559	154535	6795	123177	162923	7949
	Croatia	183362	216801	6688	224630	410863	37247
	Total	**1045896**	**1286707**	**48162**	**1135499**	**1415484**	**55997**

Figure 7 summarises the overall results under the various scenarios.

The results from our forecasting and simulation analysis suggest that lifting restrictions of labour market access increases strongly both migration flows to EU-14 as well as intra-regional flows. If, furthermore, macroeconomic indicators (employment rates and GDP per capita) improve further in the WB-6 region (beyond the central forecasts) then this causes a certain amount of redirection of mobility from extra-regional mobility (i.e. less migration to EU-14) to more intra-regional mobility.

Figure 7 / Projected annual average change of migration stocks of WB-6 to EU-14, NMS-10 and WB-6



4. Conclusions and recommendations for policy action to facilitate regional mobility

Based on the information available, labour market liberalisation in the SEE region has made little progress so far. Almost all countries rely on quota regimes, with Serbia and Kosovo being the only exceptions but envisaging the introduction of a quota system in the framework of the new employment law for foreigners. The majority of SEE countries will stick to the current legislation mainly because of high unemployment. Montenegro and Serbia announced to open their labour markets to EU citizens. The Albanian government signalled its intention to liberalise the labour market for citizens of Kosovo and Serbia with respect to Albanian nationals. With the exception of Montenegro and Croatia the majority of labour migrants come from outside the region, a significant share of them with higher education. Regional migrants are generally lower skilled than workers from outside. Montenegro attracts the major part of regional migrants, while Serbia and Bosnia and Herzegovina are the biggest sending countries. As a consequence of the economic and financial crisis the issuance of work permits dropped drastically in Croatia, while there was observed even a steady increase in the other countries.

The results from our forecasting and simulation analysis suggest that lifting restrictions of labour market access increases strongly both migration flows to EU-14 as well as intra-regional flows. If, furthermore, macroeconomic indicators (employment rates and GDP per capita) improve further in the WB-6 region (beyond the central forecasts) then this causes a certain amount of redirection of mobility from extra-regional mobility (i.e. less migration to EU-14) to more intra-regional mobility (Chapter 3 and Annex wages).

Following from the information obtained and the obstacles identified concerning the labour mobility in the SEE region, policy recommendations have been developed in detail in individual country reports. The recommendations address the national and regional levels in the SEE region.

› Visa facilitation for business people, professionals and skilled labour where visa regimes are in place (i.e. between Kosovo and Bosnia and Herzegovina, and Kosovo and Croatia).

› Creation of a sound statistical database on migration flows in all SEE countries, particularly in terms of the demographic and socio-economic characteristics of the migrants. This would enable more research in this area, contributing to better policy-making.

› Establishment of a regional pool of experts on labour market research and forecasting, which should produce regular reports for the National Employment Agencies.

› Regional coordination among national authorities for the further development of the National Qualification Frameworks, aimed at establishing the ground for smoother recognition of qualifications among countries in the SEE region.

› Strengthening the cooperation between the Public Employment Services (Agencies) and private employment services in terms of exchange of information about the skills needed on the domestic market(s) and wider dissemination of the information about available job posts in the region to interested job seekers (establishment of a regional web-portal for the announcement of available posts, etc.).

› Development of a regional concept for the advancement of labour mobility in the SEE region, with clear identification of the level and dynamics of liberalisation. Given that all SEE countries are suffering from high unemployment rates and, therefore, apply restrictions on their labour markets, the development of a regional concept for the gradual liberalisation of the markets could yield results in this sphere. In this context, a regional driving force is needed (a working group at high political level) that would define the level of liberalisation, targeted groups (sectoral approach based on the diversity of qualifications/skills) and other relevant criteria.

› Development of mechanisms/instruments for alleviating the procedure related to obtaining work permits for 'regular' migrants (persons working in a specific country for several years), such as the introduction of a specific card, etc.

› Improvement of the portability of social benefits in order to enhance circular migration.

› Cooperation with large multinational and regional companies on simplifying procedures that would enable better within-firm mobility.

› Greater capital mobility may trigger freer flows of human capital. Based on EU good practices, the cancellation of restrictions on capital flows (such as bank transfer commissions) and the cancellation of bank account and transaction costs in the region may help capital and labour mobility through several channels (remittances, foreign direct investment, capital market development, etc.).

5. Action plan and roadmap

No.	Action Plan and roadmap up to 2020	Timeline	National implementing agencies
1.	Creation and maintenance of a sound statistical data base on migration flows in all SEE countries Migrant population • establishing an official administrative population register; • introducing electronic records on vital population statistics (personal records; information on households and income); • implementing the legal obligation for citizens to report their leaving/entering the country (perhaps through tax incentives) Migrant labour • establish a database on migrant labour • include information of migrant labour into LFS Exchange of Migration Database among SEE countries	2015-continuous from 2015 onwards	Statistical Office Ministry of Interior, Ministry of Foreign Affairs; Migration Centres National Employment Agency, Social Insurance Institutes; Tax Office Statistical Offices
2.	Build regional capacity to develop and use harmonised data and information on migration, and develop capacity for assessing labour market developments and future skills needs. • Increase and train research staff in national economic think tanks and or • Establish a regional think tank on migration • Enhance participation in international research projects on future skills needs (e.g. CEDEFOP, HORIZON 2020) • Initiate or improve employer surveys (add information on migrant labour) and improve labour force surveys and provide researchers access to the data	From 2015 onwards	Ministries (basic funding), National Employment Agencies; research institutes; national statistical offices
3.	Strengthening the cooperation among the Public Employment Services (Agencies) in terms of • exchange of information about the skills needed on the domestic market(s) • dissemination of the information about vacancies in the region to interested job seekers • establishment of a regional web-portal for the announcement of available post • providing information for potential labour migrants (language, housing, ...)	Start in 2015 or 2016	National Employment Agencies

4.	Regional coordination among national authorities for the further development of the National Qualification Frameworks • Work on alignment with the acquis • Enhance cooperation between universities of the region and increase the mobility of students and teachers • Regional fund for scholarship to students who wish to study in another country of the region	From 2015	Ministry of education; universities
5.	Improve the tax system (taxation on labour and capital) • simplifying the tax rule and lowering tax burden • ensure the compliance with tax regulation regarding foreign workers • tax incentives for employment of foreign labour from the region • reduce labour taxation, health contributions		Ministry of finance
6.	Harmonisation of the social security systems • Issuance of a regional health card • Portability of pensions or bilateral agreements in both cases	2018	Ministry of health Ministry of Labour
7.	Development of a regional concept for advancement for the labour mobility in the region • Gradual liberalisation of the labour market (define the level of liberalisation, target groups, etc.); possibly bilateral agreements • Introduce specific card for those working in a country for a certain number of years to simplify the work permit procedure	From 2016, 2017 onwards	Ministry of labour, Ministry of Interior National Employment Service
8.	Improvement of infrastructure • Improvement of transport facilities (air transport) • Reduction of bank fees (remittances)		Ministry of transport; Ministry of Finance
9.	Facilitate the integration of foreigners in host societies • Language courses • Put emphasis on common customs and cultural features	From late 2014	Ministry of Labour. NGOs Ministry of Culture and Education; NGOs
10.	Facilitate the transfer of know-how and work ethical values • Organise meetings, events with foreigners to propagate their positive experience and reason for their success in the respective country • Organise courses where foreigners teach specific skills to local people in search for work • Organise meetings where foreigners teach local people the importance of ethical values on their work		Ministry of Social Welfare; NGOs

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Annex

Annex Table 1 / Average monthly wages

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average monthly gross wages									
EUR at exchange rate									
Croatia	844	906	961	1044	1051	1054	1049	1048	1048
Albania	161	177	221	279	273	252	260	283	291
Bosnia and Herzegovina	405	444	488	569	615	622	650	660	660
Kosovo	.	.	.	.	.	.	.	.	.
FYR Macedonia	348	376	394	428	488	491	497	498	504
Montenegro	326	377	497	609	643	715	722	727	726
Serbia	308	377	484	561	470	461	517	508	537
Average monthly net wages									
EUR at exchange rate									
Croatia	591	629	660	717	724	733	732	729	728
Albania	.	.	.	.	.	.	.	.	.
Bosnia and Herzegovina	274	299	330	384	404	408	417	422	423
Kosovo	192	192	197	205	246	286	348	353	362
FYR Macedonia	206	221	238	263	326	334	339	340	343
Montenegro	213	246	338	416	463	479	484	487	479
Serbia	210	258	347	402	338	332	372	366	388

Source: National Statistical Offices.

Annex Table 2 / Employment rates, total

Employed persons in % of population 15+									
Croatia	43.3	43.6	44.1	44.4	43.3	41.1	39.5	38.1	36.4
Albania	.	.	50.0	46.2	47.4	47.5	51.9	50.1	.
Bosnia and Herzegovina	.	29.7	31.2	33.6	33.1	32.5	31.9	31.7	31.6
Kosovo [1)]	28.9	29.0	26.5	24.3	26.4	.	.	25.5	.
Macedonia	33.9	35.2	36.2	37.3	38.4	38.7	39.0	39.0	40.6
Montenegro	34.8	34.8	42.7	42.3	41.2	40.0	39.0	40.0	40.3
Serbia	42.3	40.4	41.8	44.4	41.2	37.9	35.8	35.5	37.7

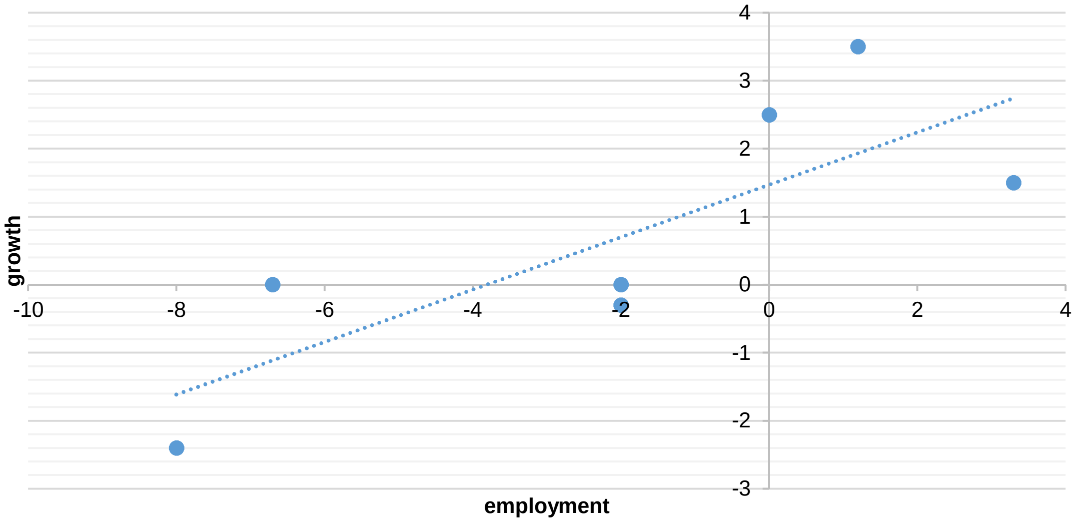
1) Percentage of employed persons in the working age population (15-64).

Annex Table 3 / Unemployment rates, total

Unemployed in % of labour force									
Croatia	12.7	11.1	9.6	8.4	9.1	11.8	13.5	15.9	17.2
Albania	.	.	13.4	13.1	13.7	14.0	14.0	13.4	15.6
Bosnia and Herzegovina	.	31.1	29.0	23.4	24.1	27.2	27.6	28.0	27.5
Kosovo[1)]	41.4	44.9	43.6	47.5	45.4	45.1	44.8	30.9	30.0
Macedonia	37.3	36.0	34.9	33.8	32.2	32.0	31.4	31.0	29.0
Montenegro	30.3	29.6	19.3	17.2	19.3	19.6	19.7	19.7	19.5
Serbia	20.8	20.9	18.1	13.6	16.1	19.2	23.0	23.9	23.6

1) New methodology from 2012; not comparable with previous years.

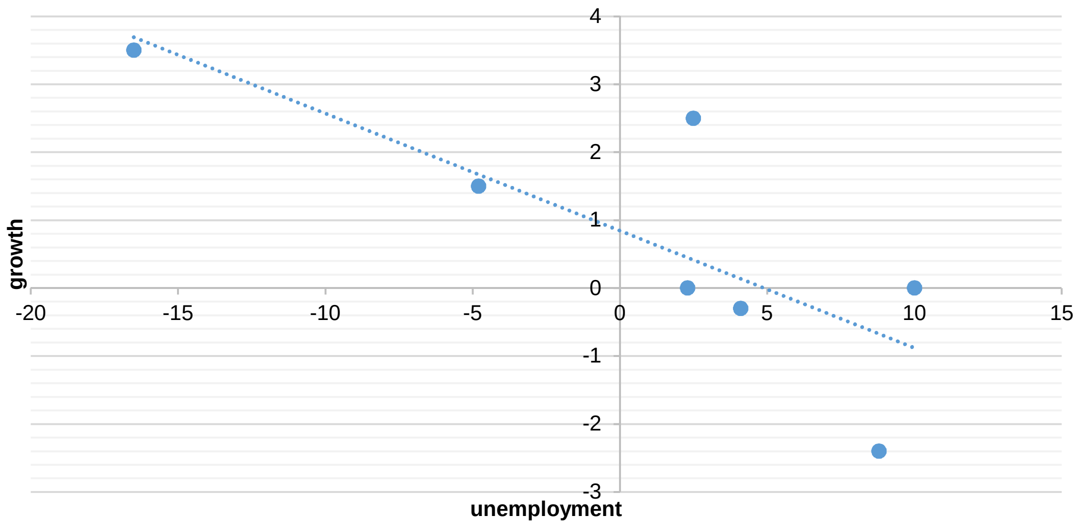
Annex Figure 1 / Change in the rate of employment 2013/2008 and average real growth rate 2009-2013



Annex Figure 2 / Change in rate of unemployment 2013/2008 and change in the net wages in euro 2013/2008

Annex Figure 3 / Change in rate of employment 2013/2008 and change in gross wages in euro 2013/2008

Annex Figure 4 / Average real rate of growth 2009-2013 and change in rate of unemployment 2013/2008



Source: wiiw Database.

There is significant divergence of wages in the region. With convergent growth, that should support intra-regional mobility. In the past five or so years, growth has been slow and labour markets have been even more depressed than previously. The Former Yugoslav Republic of Macedonia is an exception, but its inherited level of employment is low and the unemployment rate is high. In most other countries, employment has declined, though in Kosovo the unemployment rate has declined quite significantly, which must be due to outward migration and even more too improved statistics.

Interestingly enough, growth of wages (in euro terms), both gross and net, is correlated with better labour market and growth performance. In most countries, gross wages have increased faster than net wages. Former Yugoslav Republic of Macedonia is an exception as net wages have increased much more than gross wages. In Serbia and Croatia, net wages have held up better than gross wages, though they have declined or practically stagnated respectively. These countries have also experienced the largest falls in employment and increases in unemployment, which has resulted from or been the consequence of a negative average growth rate in Croatia and zero in Serbia over the past five years (2009-2013).

So, conditions for intra-regional mobility exist due to differences in employment and unemployment rates and in wages, but the crisis has taken its toll on the labour market and probably led to increased out-of-regional migration rather than mobility within the region. Interestingly enough, better wage developments are associated with better labour market performance and more sustained growth.

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