

MIGRATION FLOWS FROM THE WESTERN BALKANS TO GERMANY: IMPLICATIONS AND RECOMMENDATIONS

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Migration has long shaped the demographic and economic realities of the Western Balkans, with Germany emerging as the primary destination for emigration. Since the 1990s, persistent emigration, combined with negative natural population growth, has led to significant population declines in Western Balkan countries, raising concerns about the region's development. Yet this migration also generates economic benefits for origin countries, notably through remittances, trade, foreign direct investment (FDI) and diaspora networks.

This Working Paper analyses the most recent migration wave to Germany, sparked by Germany's 2015 Western Balkan Regulation (WBR) which facilitated labour flows from the region to Germany. While the benefits of the WBR for Germany are evident, the consequences for the Western Balkans have been mixed. Outflows are particularly significant in sectors vital for development, including healthcare, manufacturing and construction. Remittances remain important as support for household consumption, while trade and FDI links with Germany have deepened.

Numerous factors motivate people to leave the region, from poor labour market outcomes to less welfare support and mistrust of institutions. Germany, meanwhile, has strong pull factors, including higher wages, stronger welfare systems, better education and more attractive career prospects in the German labour force.

The true challenge for the Western Balkans, therefore, is to manage the phenomenon in ways that are conducive, rather than damaging, to its development. Reforms in the areas of employment, education and the rule of law can reduce the compulsion to leave. Meanwhile, rising cross-border capital flows between Germany and the region, together with reverse knowledge spillovers from the diaspora and possible return migration, can turn labour mobility into a source of growth.

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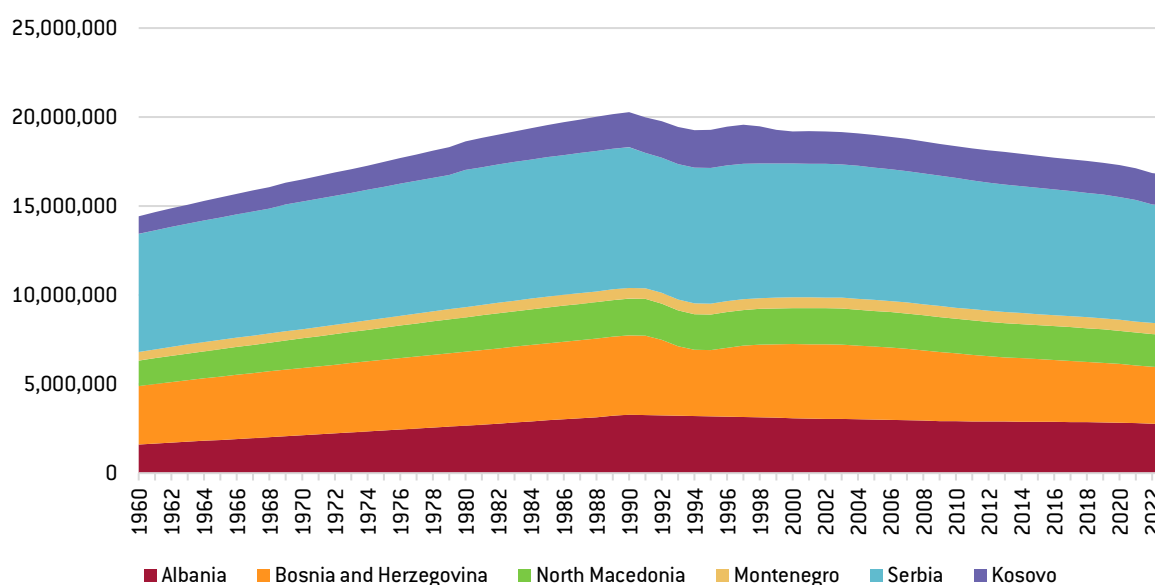
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1 Out-migration from the Western Balkans is a persistent trend

Migration from the Western Balkans¹ has long shaped the region's economic landscapes, especially after the breakup of Yugoslavia in the 1990s. One of the most immediate consequences of emigration has been a loss of population, which is compounded by negative population growth (Figure 1)².

Figure 1: Western Balkan population, 1960-2023



Source: Bruegel based on World Bank.

Three decades of persistent population loss has resulted in a deteriorated human capital base, a crucial determinant of long-term economic growth and institutional development (Acemoglu *et al*, 2014; Carillo, 2024). This is particularly true if a high-skilled and educated workforce emigrates (Batista *et al*, 2025). In recent years, the prolonged process of integration with the European Union and the scarcity of job opportunities have motivated people from the Western Balkans to emigrate, particularly to Germany. In 2015, Germany was the most common destination country for migrants from all Western Balkan countries, except for Albanians who more often migrated to Italy and Greece (OECD, 2022). In 2024, approximately every fourth Western Balkan migrant settled in Germany, according to UNDESA (2024)³, with Kosovo scoring particularly high. Some 60 percent of all Western Balkan emigrants now reside in Germany (OECD, 2022).

Over time, emigrants can eventually become a source of growth for their homelands through remittances, or transfer from migrants to their families back home. These remittances can be spent or

¹ For the purposes of this paper, 'Western Balkans' refers to the South-East European region encompassing six countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

² In this study, we focus particularly on implications from migration, though we acknowledge that population losses stem from factors other than out-migration, such as negative natural population growth, a trend that has also been persistent in the region (Dabrowski and Louro, 2025).

³ The statistics are based on available data from Serbia, Bosnia and Herzegovina and North Macedonia.

invested locally. Migration can also yield economic benefits through increased foreign direct investment (FDI) and trade from members of the diaspora. FDI plays a vital role in the region, with inflows often surpassing the EU average in all countries⁴, though diaspora investments are difficult to quantify due to a lack of disaggregated data.

The literature has identified many push and pull factors of migration. 'Pull' factors, pertaining to the destination country, include higher salaries, better working conditions and diaspora networks, among others (Adovor *et al*, 2021; Mara, 2023). On the other hand, political instability, corruption, high unemployment and a lack of career prospects have been identified as conditions pertaining to the country of origin which drive individuals to leave – so-called 'push' factors.

While we highlight the historical trends of Western Balkan labour migration to Germany, our primary focus is the trends in employment of Western Balkan citizens working in Germany during 2015-2024, after Germany enacted special regulations facilitating migration. We also reflect on the potential losses for the Western Balkan region resulting from emigration, and the domestic push factors that could further intensify emigration pressures in the future.

We conclude with policy considerations for policymakers in the Western Balkan region in relation to addressing outmigration to Germany and persistent broader outmigration challenges, irrespective of the destination. This paper also aims to lay the groundwork for future empirical research investigating the economic implications for the Western Balkans of emigration.

2 History of labour migration patterns between the Western Balkans and Germany

Germany represents a traditional destination for many Western Balkan emigrants, dating back to the former Socialist Federal Republic of Yugoslavia⁵ (henceforth Yugoslavia). For Albania, the only Western Balkan country that was not a part of Yugoslavia, migration trends to Germany are more recent.

The demand for labour following the post-Second World War industrial boom in Germany was a major pull factor, prompting a significant wave of international labour migration due to a shortage of German workers. For Yugoslavians, this process was formalised through a bilateral agreement between Germany and Yugoslavia in 1968, which facilitated the employment of contract workers. This made Yugoslavia a relatively more open socialist country by allowing emigration to the West (Brunnbauer, 2019)⁶.

⁴ As of 2023, FDI inflows as a share of GDP ranged from 3.5 percent in Bosnia and Herzegovina to 7.1 percent in Montenegro and Albania. For the EU, the figure on average is 0.32 percent. See UNCTAD, 'Foreign direct investment: Inward and outward flows and stock, annual', <https://unctadstat.unctad.org/datacentre/dataviewer/US.FdiFlowsStock>.

⁵ Yugoslavia included five Western Balkan economies (Bosnia and Herzegovina, Kosovo (then a province of Serbia), Montenegro, North Macedonia and Serbia), and two now-EU member states (Croatia and Slovenia).

⁶ 'Guest workers' originated from various countries, including Italy, Greece, Spain and Portugal, as well as Turkey, in addition to Yugoslavia (Molnar, 2014). However, Yugoslavia was the only socialist country to join the programme.

These workers filled mainly low or semi-skilled jobs in construction, manufacturing, mining and metal industries (Chin, 2007). Although officially registered as temporary guest workers (*Gastarbeiter*), the majority of these individuals ultimately chose not to return to their countries of origin (Mihajlovic, 1987). Over time, many managed to settle permanently and later facilitated the arrival of their families through the process of family reunification. By the end of the 1960s and throughout the 1970s, approximately half a million *Gastarbeiter* from Yugoslavia had found employment in Germany (Münz and Ulrich, 1998).

A second major wave of emigration occurred between 1990 and 2000, this time dominated by ‘push’ factors: the Western Balkans witnessed an outflow of hundreds of thousands of refugees because of the wars in Bosnia and Herzegovina, and later in Kosovo (Valenta and Ramet, 2011). In the first half of 1990s, around 0.8 million Bosnians found refuge in Germany under the so-called ‘Duldung’ status, which allowed them free access to the labour market, without sectoral limitations⁷. Most returned after the war, though roughly 10 percent stayed in Germany (Bahar *et al*, 2024). In 1998 and 1999, the Kosovo refugee outflows occurred, again due to violent conflict. At the end of 1999, Germany hosted 180,000 Kosovars, again with access to the labour market, though for a shorter period than the Bosnians because of the difference in the war’s duration. These wars also marked the start of a persistent decline in the Western Balkan population (Figure 1), driven both by large-scale emigration and by negative natural population growth (Szymańska, 2022). In 1990, the population of the Western Balkans numbered 20.3 million; in 2023, it stood at 16.7 million – a decline of 17 percent.

The third and most recent phase of emigration from the region began in the 2000s, after the wars, and has been characterised primarily by younger individuals leaving the region in response to persistent socio-economic challenges, including high unemployment, institutional inefficiencies and a dysfunctional political system (Valenta and Strabac, 2013). Unlike the wartime exodus, this post-war migration is voluntary. These movements can be explained by both push and pull factors (Van Hear *et al*, 2020). A significant development during this phase was the EU’s visa liberalisation process in 2009–2010, which allowed citizens of all Western Balkan countries, except Kosovo⁸, to travel visa-free to the Schengen Area. Although the policy was limited to short-term stays, it might have helped in informal job searches abroad and in building stronger diaspora connections. In the case of Germany, the introduction of visa-free travel coincided with a notable increase in asylum applications from nationals of Serbia and North Macedonia in 2010 (Hoffmeyer-Zlotnik, 2019).

Until November 2015, however, there were very limited options to get a work visa in Germany. One either needed to be a well-paid specialist (blue card) or to be a professional in a field in which Germany suffered a labour shortage (shortlist professions, such as care workers). The recent migration wave to

⁷ The majority of these people had so-called ‘Duldung’ status, meaning that they could enter the labour force without sectoral or geographical limitation. A small share of refugees had asylum status and access to the German labour market, but without the possibility of moving within Germany.

⁸ Citizens of Kosovo could travel to the EU visa-free as of January 2024.

Germany was encouraged by the Western Balkan Regulation (WBR)⁹, adopted by the Bundestag in 2015, to facilitate access to the German labour market. While the post-WBR period represents a relatively distinct regulatory phase, earlier migration waves laid important groundwork for this surge. Western Balkan migrants often relied on personal or professional networks to find jobs and make use of the opportunity presented by the regulation (Brücker *et al*, 2020).

Under the WBR, citizens of all six countries are eligible, via the German Federal Employment Agency, for any employment in Germany, regardless of language skills and professional qualifications¹⁰. Under the WBR, qualification recognition is not needed except for regulated professions such as medicine. The primary aim of the regulation was to open legal pathways to regular migration channels for irregular migrants during the height of the 2015 Middle East migration crisis and the consequent surge in asylum seekers (Burkert and Haase, 2017)¹¹. This act allowed 25,000 beneficiaries to work in Germany, across all sectors. This regulation was extended in 2020 to 2023, and then extended indefinitely as part of the 2023 Regulation on the Further Development of Skilled Immigration¹². Furthermore, since June 2024, the number of annual work permits issued to the Western Balkans has doubled from 25,000 to 50,000¹³.

Since the WBR, the number of Western Balkan migrants employed in the German labour market has increased significantly, reaching a double-digit growth rate annually since 2015, except for 2021 when the pandemic temporarily disrupted migration flows.

⁹ Technically, Section 26 para. 2 of the Ordinance on the Employment of Foreigners (Beschäftigungsverordnung - BeschV); see https://www.gesetze-im-internet.de/englisch_beschv/.

¹⁰ The prerequisites are the following: 1) a concrete job offer, 2) that no preferential domestic worker is available for the job (ie a priority check), and 3) that the working conditions are not less favourable than those of comparable German workers. They can then enter with an appropriate visa.

¹¹ The number of asylum applications from citizens of the Western Balkans dropped significantly after the introduction of the regulation, from 40,000 applications in 2014 and 120,000 in 2015 to an average of 5,000 annual applications from 2018-2022 (Wagner *et al*, 2023). This shows that those seeking asylum switched to seeking jobs through WBR.

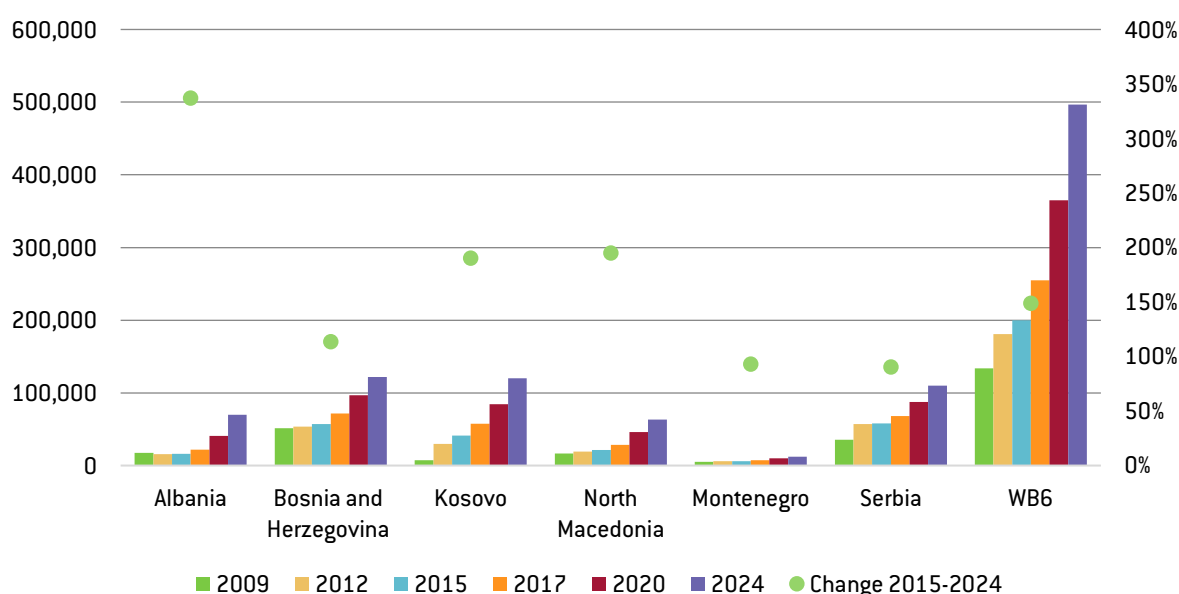
¹² See German Federal Government, 'The new Skilled Immigration Act at a glance', undated, <https://www.make-it-in-germany.com/en/visa-residence/skilled-immigration-act>.

¹³ See Federal Ministry of the Interior news of 31 May 2024, 'Launch of opportunity card to encourage immigration of skilled workers', <https://www.bmi.bund.de/SharedDocs/kurzmeldungen/EN/2024/05/chancenkarte.html>.

3 Western Balkan migrants in the German labour market

The impact of the WBR has been profound. Between 2015 and 2024, total employment of Western Balkan nationals in Germany increased by an impressive 149 percent. Figure 2 clearly shows that the migration of Western Balkan workers has risen sharply, especially from Serbia, Bosnia and Herzegovina and Kosovo, which represent the largest groups of Western Balkan workers in Germany. The steepest percentage increase in migration to Germany over the period 2015-2024 is from Albanians, though this reflects low initial numbers.

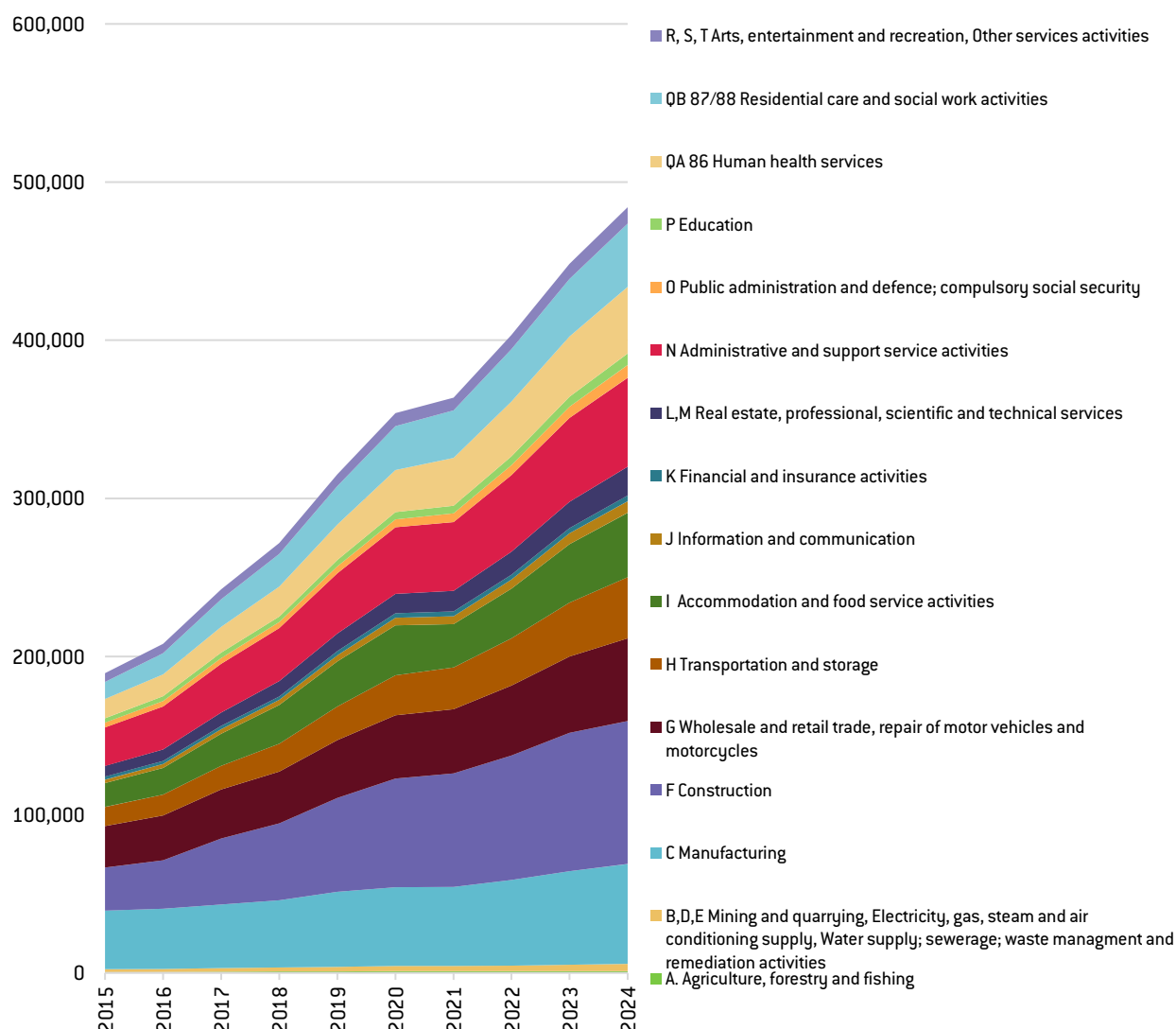
Figure 2: Western Balkan workers in Germany and growth change since the start of WBR, 2000-2024



Source: Bruegel based on German Federal Employment Agency. Note: includes persons employed and subject to social security contributions. Left axis refers to absolute numbers of Western Balkans working in Germany, while right axis refers to growth change between 2015-2024.

A notable characteristic of Western Balkan workers in Germany is the persistent gender imbalance, with men representing the majority of migrants. In March 2024, men accounted for 62 percent of all Western Balkan workers in Germany. This gender disparity is largely attributable to the sectoral distribution of employment among these migrants, with Western Balkan workers primarily concentrated in male-dominated industries: 18 percent are employed in construction and 13 percent in manufacturing. The construction sector attracted the most workers through the WBR (Figure 3). Citizens from the Western Balkan region made up 4.6 percent of the entire construction workforce in Germany in 2024, of which roughly one third were from Kosovo.

Figure 3: Western Balkan employees by different sectors of the German economy, 2015-2024



Source: Bruegel based on German Federal Employment Agency. Note: includes persons employed and subject to social security contributions.

The presence of Western Balkan workers in construction and manufacturing aligns with broader structural needs in the German economy. Manufacturing remains a cornerstone of Germany's economic model, accounting for over one-fifth of GDP and around half of the country's exports. Although construction plays a comparatively smaller role, it has seen notable growth between 2015 and 2024, with its GDP contribution rising by 1.7 percentage points. The sector is increasingly recognised as an important part of the domestic production network, particularly as a supplier of capital goods (Lehmann and Zarges, 2025). With a €500 billion, 12-year infrastructure investment package adopted by the German Bundestag in March 2025, it is likely that the construction sector will expand, boosting employment opportunities.

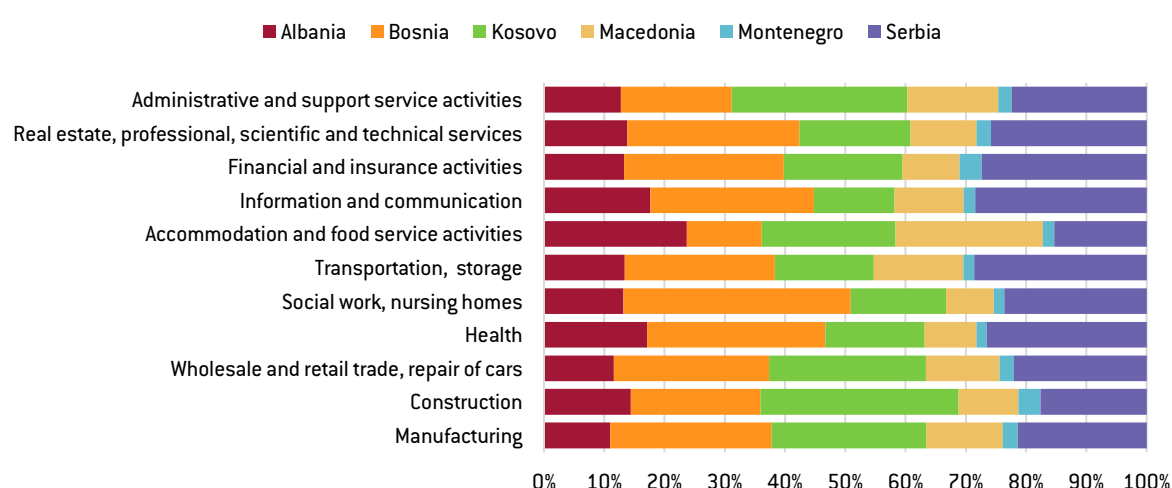
It is worth noting that Western Balkan workers continued to increase representation across sectors, even in 2023 and 2024 when the German economy was under strain. Negative GDP growth rates in

2023 and 2024 [-0.3 percent and -0.2 percent, respectively] have not affected the recruitment of Western Balkan workers in any sector of the German economy. In 2024, for example, the number of new workers from the Western Balkans increased by 6 percent and 3 percent in manufacturing and construction, respectively. This clearly points to large labour shortages in Germany, even in times of economic downturn.

Other major sectors in which Western Balkan migrants are employed include transportation and storage, human health services, accommodation and food service activities, wholesale, retail trade, repair of motor vehicles and motorcycles, and public administration and administrative services (Figure 3). On the other hand, information technology (ICT), scientific and professional services, and financial services employ fewer Western Balkan workers, though this has risen notably in recent years.

Fulvimari *et al* (2025) highlighted that the sectors expected to attract significant shares of the future labour force across EU economies, including Germany, are those central to meeting the climate targets set under the Paris Agreement. These sectors are likely to undergo substantial employment shifts as a result of decarbonisation efforts and the broader green transition. These sectors are manufacturing, construction, transport, mining, energy and water management. As of March 2024, 40 percent of Western Balkan workers in Germany were already employed in these sectors, which are expected to experience higher labour demand and play a decisive role in the ‘greening’ of the German economy. At the same time, there seems to be a slow emergence of workers important for the digital transition, such as those employed in ICT. Given the importance of digital and green transitions, Western Balkan workers could help provide foundation for future labour economy in Germany.

Figure 4: Western Balkan workers in Germany by sector and nationality, 2024, %



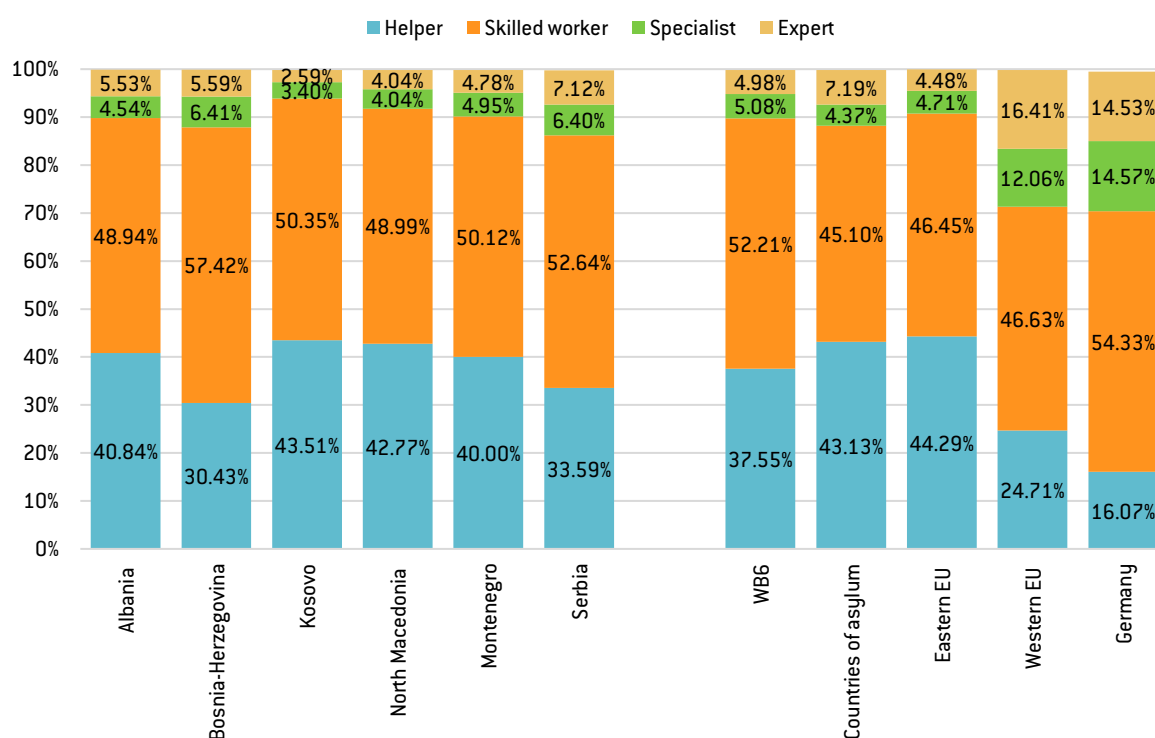
Source: Bruegel based on the German Federal Employment Agency. Note: this includes persons employed and subject to social security contributions, representing the share of each Western Balkan country in total Western Balkan workers in Germany.

Figure 4 illustrates the distribution of Western Balkan workers in each employment sector in Germany by country of origin. Kosovar workers are more frequently employed in construction, manufacturing

and administrative and support activities, whereas Bosnian workers are more commonly found in health-related sectors. Serbian workers, by contrast, are more concentrated in information and communication and in financial and insurance activities, sectors typically associated with higher skill requirements. Montenegrin workers hold relatively small shares across various sectors, given the country's population of roughly 0.6 million.

By 2024, the profile of Western Balkan workers in Germany revealed a predominance of lower and medium-skilled occupations (Figure 5). Approximately 38 percent of employed Western Balkan citizens were working in roles classified as 'helpers', which typically require limited formal training. 52 percent were employed in medium-skilled occupations, often involving vocational education and training. Meanwhile, five percent of these workers were employed as specialists, and another five percent were considered highly skilled experts. Workers from Bosnia and Herzegovina and Serbia appear slightly more represented in higher-skilled roles than workers from other Western Balkan countries. The figures also demonstrate the region's lower-skilled talent pool compared to the EU countries that were members before 2004, where the share of specialist and expert workers is significantly greater (Figure 5). This is also well reflected in the German labour markets.

Figure 5: Skills distribution of Western Balkan citizens employed in Germany, 2024



Source: German Federal Employment Agency. Note: includes persons employed and subject to social security contributions. Data is available for four qualification levels according to the national classification (KldB 2010): helpers, medium (VET)-skilled, professionals (specialists) and experts. Countries of asylum includes Eritrea, Nigeria, Somalia, Afghanistan, Iraq, Iran, Pakistan and Syria. 'Eastern EU' refers to the 13 countries that have joined the EU since the 2004 enlargement: Bulgaria, Estonia, Croatia, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Czechia, Hungary and Cyprus. While the 'Western EU' refer to those that already were part of the EU, without Germany: Austria, Belgium, Denmark, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

However, compared to other migrant groups, such as asylum seekers and migrants from the member states that joined the EU in 2004 and after – of which all but Cyprus and Malta share comparable socialist backgrounds to the Western Balkans – the proportion of skilled workers is slightly higher amongst the Western Balkan workforce. Among the ‘Eastern EU’ workers in Germany, 55 percent were skilled (including experts and specialists). On the other hand, 62 percent of Western Balkan workers in Germany were considered skilled. This shift towards a more skilled workforce amongst the Western Balkan workers in Germany has grown over the 2015-2024 WBR period (Figure 6).

Figure 6: Evolution over time of skills of Western Balkan workers in Germany, 2015-2024



Source: German Federal Employment Agency. Note: includes persons employed and subject to social security contributions. Data are available for four qualification levels according to the national classification (KldB 2010): helpers, medium (VET)-skilled, professionals (specialists) and experts.

Figure 6 shows that the proportional increase is highest among professionals and highly skilled specialists. This follows a general trend in the German labour market and has accelerated with the digital transition and growing ICT sector (Lehmann and Zagres, 2025). These figures also support earlier findings of Brücker *et al* (2020) showing that, between 2015 and 2020, the workforce from the Western Balkans in Germany was composed of individuals with a diverse set of skills.

It is clear is that the WBR attracted a skilled workforce in growing and important sectors of the German economy, which often experience labour shortages. Furthermore, as Brücker *et al* (2020) pointed out, labour migration without qualification requirements is not necessarily associated with employment in predominantly unskilled occupations. This pragmatic approach may have helped ease demographic and skill-related pressures, while making Germany a more attractive destination in the global competition for labour.

4 What does emigration mean for the Western Balkans?

It is important to understand how migration under the WBR contributed to the labour market needs of Germany, but it is also crucial to understand the potential impact on origin countries. Over the period of the WBR, emigration has had measurable demographic and labour market effects on Western Balkan countries (section 4.1). We discuss how emigration affects economically important sectors in the Western Balkans, can aggravate systemic issues (section 4.2), and impacts local and foreign business in the Western Balkan region (section 4.3).

4.1 Magnitude of emigration

The number of Western Balkan employees has more than doubled in Germany since the implementation of the WBR. In 2023, the number of workers residing in Germany amounted to 3 percent of the Western Balkan population, almost two percent more than in 2015, when the regulation took off. The figures are particularly striking for Kosovo, where in 2023 Kosovar migrants living in Germany equalled six percent of the population residing in Kosovo.

While these figures may seem small, when segmenting to focus on the labour force, the numbers become more striking. In 2023 alone, the number of Kosovar workers in Germany was equal to 27.8 percent of Kosovo's domestic workforce (Table 1). Corresponding figures were roughly 4 percent for Serbia and North Macedonia, 5.3 percent for Albania, 9.2 percent for Montenegro and 10.2 percent for Bosnia and Herzegovina.

Table 1: Share of Western Balkan workers in Germany as a share of the domestic workforce, 2023

	Albania	Bosnia and Herzegovina	Kosovo	North Macedonia	Montenegro	Serbia
Total	5.3%	10.2%	27.8%	4.3%	9.2%	3.9%
Manufacturing	4.7%	7.2%	40.7%	9.2%	6.0%	2.4%
Construction	12.9%	17.6%	58.7%	13.7%	17.9%	9.5%
Wholesale and retail trade, repair of motor vehicles and motorcycles	3.6%	7.3%	15.8%	2.4%	6.0%	3.0%
Human health and social work activities	29.5%	42.5%	50.3%	9.1%	13.9%	12.0%
Transportation and storage	15.5%	13.0%	20.0%	4.0%	15.7%	7.2%
Accommodation and food service activities	11.0%	8.7%	46.5%	2.8%	37.2%	6.3%
Information and communication	6.0%	5.3%	9.2%	1.6%	3.4%	1.7%
Financial and insurance activities	3.5%	4.4%	7.4%	3.4%	2.8%	2.0%
Administrative and support service activities	18.0%	75.0%	89.6%	12.8%	51.2%	17.4%

Source: Bruegel based on German Federal Employment Agency and SEE Jobs Gateway. Note: the data from the Western Balkan are derived from the 2023 Labour Force Surveys (LFS), while the German data refer to March 2024 of Federal Employment Agency. Because the underlying concepts and collection methods differ (survey-based vs administrative data), the two sources are not perfectly harmonised. That said, the comparison remains informative for an approximate share, and readers should keep in mind that the figures are indicative and not precise official statistics.

Labour migration is not evenly distributed across sectors. Several areas that show high emigration trends to Germany are in health, construction, manufacturing and public administration. We try to assess the importance of these sectors for the Western Balkan economies.

4.2 Emigration can lead to labour market distortions in economically important sectors

Health and social work. Migrants from Kosovo, Albania, Bosnia and Herzegovina are particularly present in the healthcare sector, in relation to the total employment locally. In 2023, the number of Kosovars working in the German healthcare system equalled 50.3 percent of Kosovo's domestic healthcare workforce. The corresponding figures were 42.5 percent for Bosnia and Herzegovina and 29.5 percent for Albania. Between 2015 and 2024, employment of Western Balkan nationals in Germany's health sector grew steadily: on average by 27.2 percent annually for Albanians, 16.9 percent for Kosovars and over 13 percent for citizens from Bosnia and Herzegovina, North Macedonia and Serbia (Table 1). During this period of increasing emigration, demographic pressures increasingly weighed on the healthcare sector in the Western Balkan region.

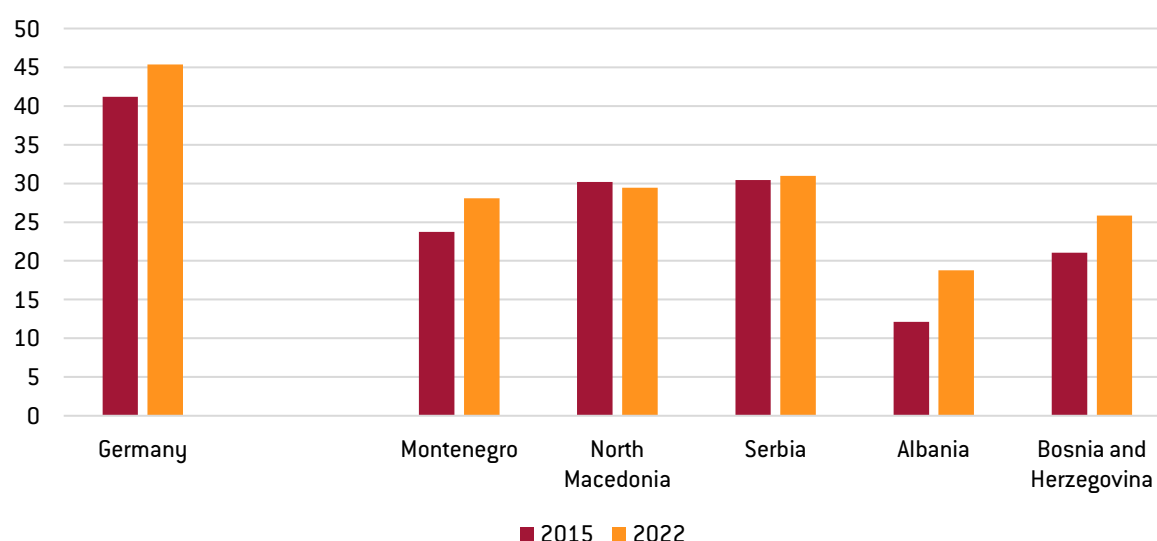
United Nations projections indicate that the share of the population aged 75 and above is expected to increase significantly in the region while the working-age population is set to decline (Nikitović *et al*, 2024) – shifts that are likely to raise demand for healthcare services (Pinkus and Ruer, 2025). At the same time, healthcare systems in the Western Balkan already show signs of strain, exemplified by all countries in the region recording COVID-19 mortality rates above the global average. Bosnia and Herzegovina, Montenegro and North Macedonia were among the ten countries with the highest COVID-19 death rates globally¹⁴.

Another indication of systemic strain is the low number of medical doctors relative to Western European countries. According to the World Health Organisation (2024), Albania has the fewest doctors *per capita* in Europe. In North Macedonia, the number of doctors *per capita* has even declined (Figure 7), partly because of the emigration of doctors abroad (European Commission, 2024a). The emigration of healthcare workers directly exacerbates systemic strain, as shortages translate into longer waiting times, reduced access in rural areas and heavier workloads for remaining staff. The healthcare worker shortage in the Western Balkans can be traced to the emigration of healthcare professionals but also the persistent budgetary constraints in public healthcare systems¹⁵.

¹⁴ Assessments made based on number of deaths per one million. See <https://www.worldometers.info/coronavirus/>.

¹⁵ There is no clear consensus on the optimal number of doctors per 10,000 inhabitants. In 2006, the WHO prescribed 23 as the minimum number of doctors, nurses and midwives required to deliver 80 percent of skilled birth attendances. WHO (2024) stated that 49 doctors per 10,000 is the median value for all countries included in the WHO Health Workforce Support and Safeguards list.

Figure 7: Number of medical doctors per 10,000 inhabitants



Source: WHO. Notes: data for Kosovo is missing. The latest data from Bosnia and Herzegovina is from 2022 and for Albania data are those of 2016 and 2020.

Construction. The construction sector has also seen strong emigration dynamics. Between 2015 and 2024, the number of Western Balkan nationals employed in Germany's construction sector increased at notable annual rates, ranging from 10 percent for Serbia to nearly 24 percent for Albania [Table 1]. Despite these outward flows, construction remains a significant pillar of domestic economies across the region. In 2023, the sector accounted for approximately 14 percent of total value added in Albania, and around 5 percent in both Serbia and Bosnia and Herzegovina. Between 2015 and 2023, Albania and Serbia both recorded increases in construction's share of value added and modest employment growth. Given the rail and road infrastructure requirements for a well-functioning Common Regional Market¹⁶ [Steinbach *et al*, 2025], construction will most likely continue to play an important role in the future of the region. However, sustained high emigration from the sector could pose future challenges for workforce availability. Figures from Eurostat for North Macedonia point to early signs of tightness: in the first quarter of 2025, the job vacancy rate in construction reached 3.3 percent, placing the country among the ten European economies with the highest vacancy rates in the sector¹⁷. In Serbia, skill shortages in construction have been pointed out, driven by booms in the housing market and civil engineering projects [OECD, 2022].

Manufacturing. Manufacturing continues to be a structurally important sector in several Western Balkan economies, particularly in Bosnia and Herzegovina, North Macedonia and Serbia. Between 2015 and 2023, manufacturing accounted for up to 20 percent of total value added in North

¹⁶ The New EU Growth Plan predicts creating the Common Regional Market among the Western Balkan countries, implying free movements of goods, services, capital and labour across-borders. For more details see https://enlargement.ec.europa.eu/enlargement-policy/growth-plan-western-balkans_en.

¹⁷ Data for the other Western Balkan countries is not available on Eurostat. For more information about the data, see [jvs_q_nace2, https://ec.europa.eu/eurostat/databrowser/view/jvs_q_nace2/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/jvs_q_nace2/default/table?lang=en).

Macedonia, 19 percent in Serbia and 15 percent in Bosnia and Herzegovina. Despite notable emigration of workers to Germany, Serbia and Bosnia and Herzegovina registered increases in domestic manufacturing employment over the same period, in part because of FDI flows into the automotive and electronics sectors (WB6 CIF, 2023). In Serbia, however, skill shortages have become increasingly common in key sectors such as manufacturing, particularly in metal processing (OECD, 2022). A similar trend is evident in North Macedonia, where the demand for medium-skilled workers in manufacturing has surged over the past decade. This rise is largely attributed to the country's FDI policies, which have brought in multinational companies competing globally for such skill profiles. As a result, skill shortages have emerged and been further aggravated by emigration (ETF, 2021).

4.3 Labour shortages and emigration are major business obstacles to firms in the Western Balkans

In 2024, according to the Balkan Business Barometer, the main obstacles to doing business in the Western Balkans are those related to labour force shortages from emigration, and brain drain¹⁸. Over the 2019-2024 period, firms perceived labour shortages as a major business obstacle. On the scale of one (major obstacle) to four (no obstacle), (1,200) surveyed firms in the Western Balkans on average ranked labour shortages as 2.7 in 2019 and 2.2 in 2024, indicating a persistent and increasing systemic issue. The second most feared obstacles to business in 2024 are related to brain drain and emigration, which have an average score of 2.3¹⁹.

The workforce shortage and emigration are also issues for multinational firms operating in the region. For instance, while the German economy has benefited from the availability of Western Balkan workers, multinational German affiliates fear the opposite issues in the Western Balkan region. In 2025, German companies reported migration as a significant future threat to their business in the Western Balkans (AHK, 2025). These risks are perceived to be particularly high in Albania and Kosovo, where German companies responded 62 percent and 42 percent respectively that migration is the biggest threat to their businesses. In North Macedonia and Bosnia and Herzegovina, 26 percent and 22 percent of firms, respectively, fear this threat will materialise in the next five years, while figures are more modest for Serbia at 15 percent²⁰.

This is particularly concerning given that multinational corporations possess advanced knowledge and technologies, making their presence pivotal for the region's competitiveness (Vujanović *et al*, 2021, 2022; Stojčić *et al*, 2025). Knowledge brought by foreign firms has been identified as a potential driver

¹⁸ According to this survey, firms are asked to rank various categories as business obstacles. Besides labour shortage and emigration/brain drain, firms ranked their perceptions of the following business obstacles: investment in telecommunication and broadband, customs/tax/trade regulations, instability, business licensing/permits, access to finance, labour regulations, discrimination based on age/gender/ethnicity/sex orientation, negative image of Western Balkan economies, weak demand, shortage of land, informal and unfair competition, corruption and crime. Regional Cooperation Council, Balkan Business Barometer, <https://www.rcc.int/balkanbarometer/results/1/business>.

¹⁹ This question was not posed in 2019, which is why the comparison across years is not presented.

²⁰ The statistics are based on the results of the AHK survey on the global challenges faced by German companies' operating abroad (AHK, 2025). The following obstacles are considered: fragmentation/decoupling, supply chain diversification/de-risking, climate change, sustainable energy/production, raw materials and energy, digital transformation and AI, cybersecurity, trade barriers and conflicts, inflation/monetary policy, migration and other obstacles.

of growth in central and southeast Europe (CESEE), including the countries of the Western Balkans. Usually, firms need to have some level of human capital necessary to process this knowledge held by foreign firms and to use it to improve their own production process (Vujanović *et al*, 2021, 2022). Yet labour shortages in the region could reduce these economies' capacity to learn from foreign firms.

4.4 Economic benefits from 2015-2024 emigration are possible

An immediate economic effect of emigration is the loss of part of the labour force and human capital. But, with time, positive economic effects can accrue, too (Batista *et al*, 2025).

First, remittances from migrants whose earnings are significantly higher than in their homelands (see section 5) can support consumption and investment in their country of origin. Remittances play an important role in these countries' growth. In 2023, in each of the Western Balkan economies, remittances ranged from seven percent of GDP in Serbia to as high as 18 percent of GDP in Kosovo, serving as a prominent source of consumption or investment support²¹. In the EU, remittances average one percent of GDP.

Over the 2015-2023 period of the WBR, remittances to the region increased in real terms (after accounting for inflation) by roughly 30 percent; the rise was much stronger in Kosovo at 47 percent and more modest in North Macedonia at 10 percent. This shows that remittances are an increasing source of capital and investment locally, though we do not know what proportion was contributed by the diaspora from Germany. Yet, due to stronger growth trajectories of these economies over the referenced period, the contribution of remittances to GDP over the available 2015-2023 period has decreased. The exceptions are North Macedonia, where the contribution of remittances to GDP stayed constant, and Kosovo, where their share of GDP rose by two percent over the 2012-2023 period.

Second, FDI and trade links between the migrants' homelands and the destination countries could grow as the diaspora establishes itself abroad and, possibly, establishes businesses (Egger *et al* 2012; Batista *et al* 2025). This gain is also more challenging to measure because Germany has been a long-standing FDI and trade partner for the Western Balkan region. From 2015 to 2023, German foreign investors grew in importance: in Kosovo they rose from third to first foreign investors in the country, in North Macedonia from seventh to fourth, and in Bosnia and Herzegovina from tenth to ninth. According to the Central European Free Trade Agreement (CEFTA) Statistical Portal²², in 2023 Germany was among the top ten foreign investors in every country in the region, apart from Montenegro.

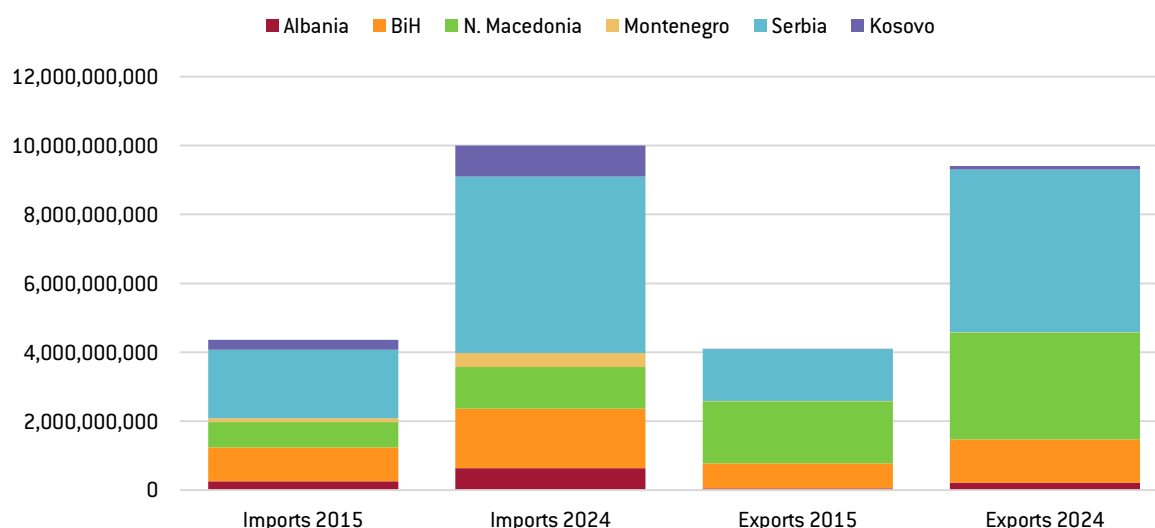
Thirdly, the same pattern is observed for trade. Trade between the Western Balkans and Germany grew by 81 percent in real terms over the 2015-2024 period, for both imports and exports (Figure 8). Trade has grown the most, in relative terms, between Germany and the smaller Western Balkan states including Albania, Kosovo and Montenegro, owing to the low initial values. Over the period in question,

²¹ See World Bank, <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>.

²² See <https://transparency.cefta.int/>.

these three countries' contribution to total Balkan trade with Germany increased from nine to 12 percent. Serbia, Germany's largest Western Balkan trade partner, experienced a rapid rise in trade with Germany over the 2015-2024 period of 123 percent, in real terms. It is, however, hard to argue that the diaspora contributed to these trade figures, due to pre-existing and intensifying automotive industry links with Germany over this period²³.

Figure 8: Western Balkan imports and exports from/to Germany, 2015 and 2024



Source: Bruegel based on CEFTA Trade Portal.

Finally, returning emigrants can play a vital role in boosting the local economy. Returning workers can bring back specialised knowledge and increase the local economy's level of innovation and entrepreneurship potential (Batista *et al*, 2025). Bahar *et al* (2024) show that Bosnian refugees who lived in Germany significantly contributed to Bosnia and Herzegovina's post-war economic development upon their return. Many of these refugees started companies and attracted FDI using the networks they had built in Germany. These dynamics affected productivity and export performance, showcasing the importance of reverse knowledge spillovers that can benefit the local economies. Due to data scarcity, the link between return migration from Germany to economic development is not possible to establish.

²³ See Federal Foreign Office (2025) Germany and Serbia: Bilateral relations, <https://www.auswaertiges-amt.de/en/aussenpolitik/laenderinformationen/serbien-node/serbia-228080>

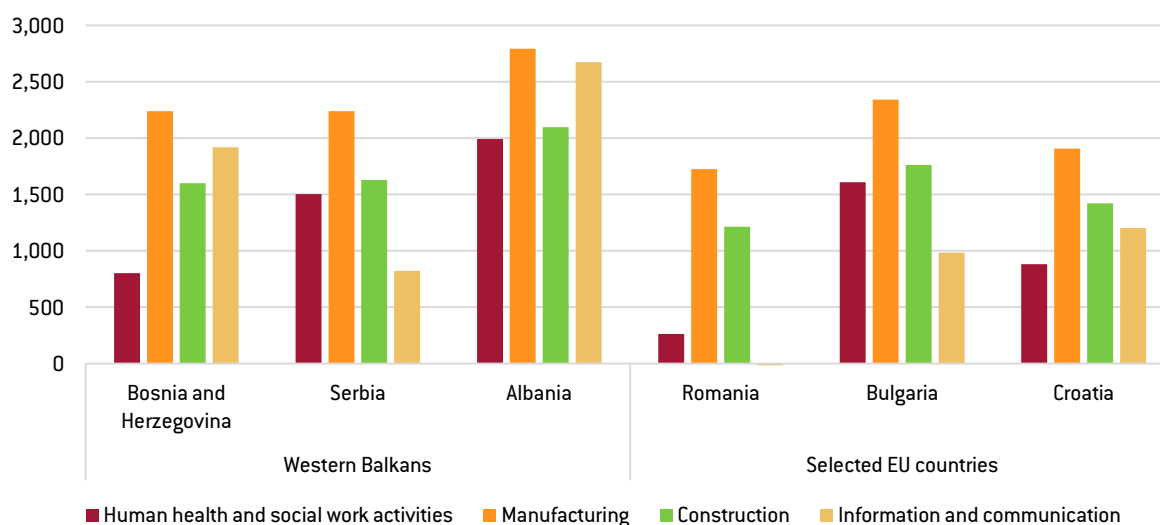
5 What is behind the high emigration rates? A push-and-pull factor analysis

While the WBR facilitates emigration, significant push and pull factors are at play. Emigration from the Western Balkans remains high across all levels of qualifications and socio-economic groups. Understanding this phenomenon requires a systematic analysis of both pull factors, which attract individuals abroad, and push factors, which drive them to leave their home countries.

5.1 Pull factors: economic, welfare, and educational opportunities abroad

Substantial wage differentials. One of the most powerful pull factors is the striking difference in wage levels between the Western Balkans and key destination countries in the EU. According to OECD (2022), minimum wages in Germany are over twice as high as those in North Macedonia, Montenegro and Serbia, and nearly four times higher than in Albania. This wage premium exists across virtually all sectors, from construction and manufacturing to healthcare and ICT. Figure 9 illustrates these gaps in terms of Purchasing Power Standards (PPS), with Albania showing a €2,000 shortfall in average monthly earnings across key sectors compared to Germany.

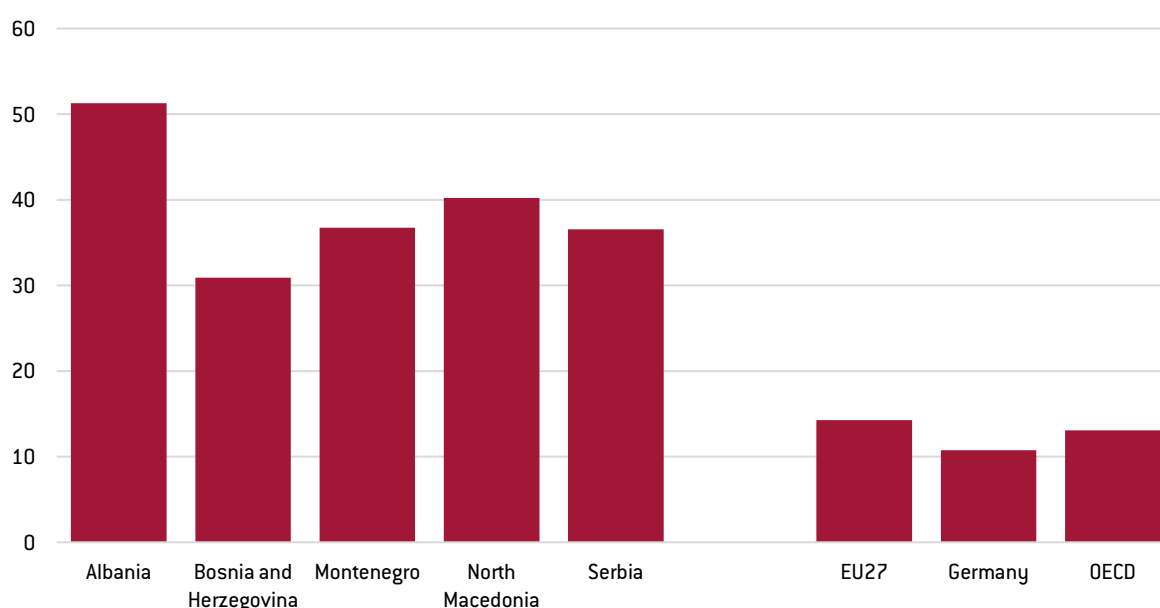
Figure 9: Differences with Germany in mean monthly earnings across sectors, in €, Purchasing Power Standard (PPS), 2022



Source: Bruegel based on Eurostat 'earn_ses22_20'.

Access to healthcare and public services. Beyond income differences, migrants are also drawn by the broader benefits of EU social regimes, including stronger social protection systems and comprehensive healthcare access. In the Western Balkans, healthcare is often perceived as underfunded, inefficient, or uneven in quality. The share of out-of-pocket expenditures is more than double the EU and OECD averages (Figure 10), and thus access to quality healthcare in the region is much more conditioned on income, exacerbating social inequalities.

Figure 10: Out-of-pocket expenditure (% of health expenditure), 2022



Source: Bruegel based on World Development Indicators. Note: data for Kosovo is not available.

More than 70 percent of respondents to the OECD survey on migration in the Western Balkans consider the prospects of better social, health and pension systems to be an important reason to emigrate (OECD, 2022).

Educational and professional development. Enrolling in higher education abroad is also an important pull factor in emigration from the Western Balkans (OECD, 2022). The Times Higher Education 2025 World University Rankings, which assesses and ranks universities based on teaching, research, knowledge transfer and international outlook, placed eight German universities in the top 100, while none from the Western Balkans appear within the top 1000²⁴. Studying in foreign countries is not only motivated by perceived improvements in educational quality and personal development, but also by the strategic advantage it offers in accessing foreign labour markets. Educational migration serves as a pathway to long-term settlement: it facilitates language acquisition, the accumulation of relevant qualifications, and integration into job-search networks, significantly increasing the chances of local employment post-graduation.

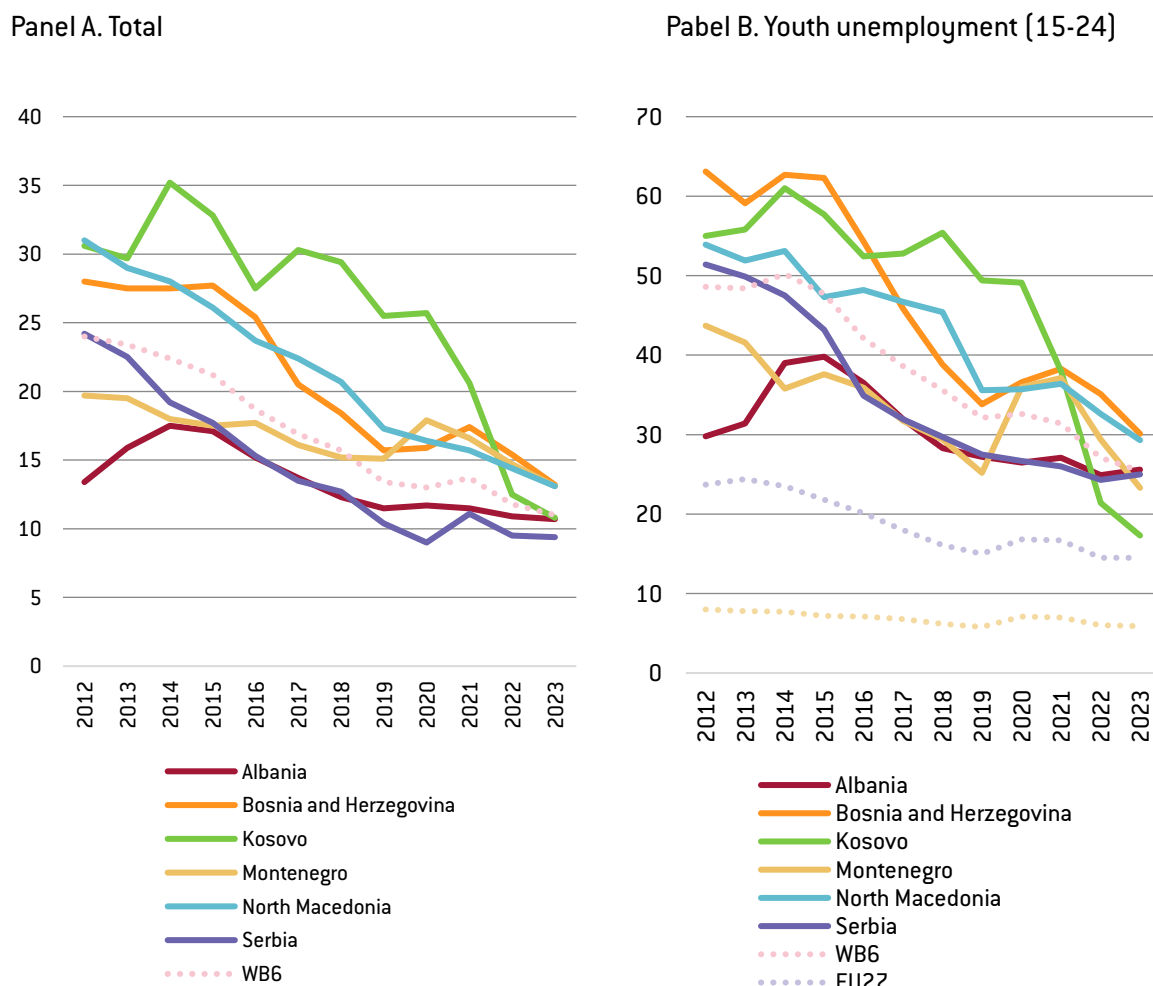
5.2 Push factors: structural constraints and political disillusionment

Persistent labour market weaknesses. Labour markets in the Western Balkans remain structurally weak, despite improvements over the last decade. The region's average unemployment rate decreased by 14 percentage points between 2012 and 2023, while the youth unemployment rate fell by 23 percentage points (Figure 11). However, labour markets continue to face structural constraints that

²⁴ See the website for the full ranking: <https://www.timeshighereducation.com/world-university-rankings/latest/world-ranking>. It is important to note that this ranking does not include some institutions, such as the College of Europe, which is a European studies institute with headquarters in Bruges (Belgium) and branches in Warsaw and Tirana.

hinder economic competitiveness. Employment and activity rates are low, and unemployment rates remain substantially higher than the EU average.

Figure 11: Unemployment rates (%)

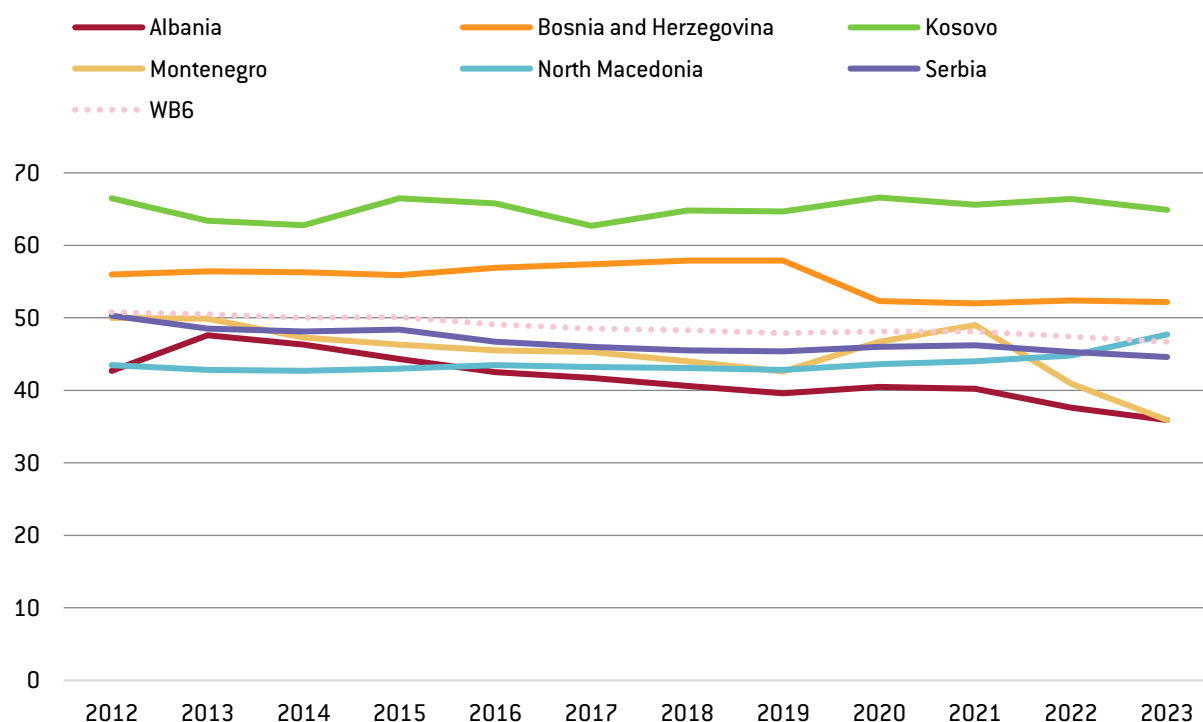


Source: Bruegel based on SEE Jobs Gateway. Note: WB6 and EU27 are weighted averages. Population census results have been updated in Bosnia and Herzegovina from 2020 (because of this and other methodological changes, data is not comparable to previous years).

The labour market situation in Kosovo is particularly discouraging, with an exceptionally high inactivity rate²⁵ (around 65 percent). In Bosnia and Herzegovina, inactivity rates also remain very high, with more than 50 percent of those aged over 15 not engaged in the labour market. For the other countries, inactivity is also much higher than the EU average (Figure 12). Furthermore, women are practically absent from the labour market: in 2023, only 17 percent of women aged 15 and over were employed in Kosovo, while the figure stood at just 30 percent in Bosnia and Herzegovina. Albania stands out in the region with the highest female employment rate, reaching 51.7 percent in 2023. These exceptionally low employment rates highlight persistent gender disparities in labour force participation across the region.

²⁵ The proportion of people outside the labour force (ie neither employed nor unemployed).

Figure 12: Inactivity rates (%)

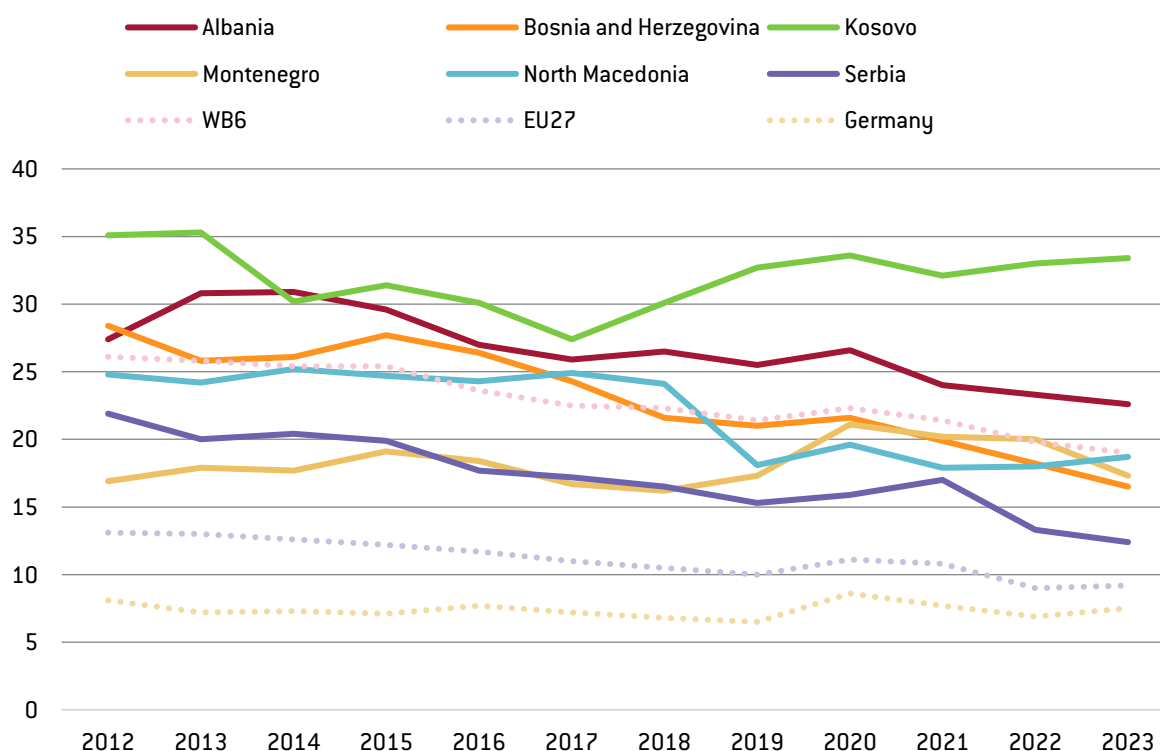


Source: Bruegel based on SEE Jobs Gateway. Note: WB6 is a weighted average. Trends for the Western Balkans are for those aged 15+. Population census results have been updated in Bosnia and Herzegovina from 2020 (because of this and other methodological changes, data is not comparable to previous years).

Long-term unemployment remains a defining characteristic of labour markets in the Western Balkans, particularly in Bosnia and Herzegovina, North Macedonia, and Kosovo (Matković, 2019). In addition, a large number of employees are informally employed, with undetermined income and limited contributions to public welfare systems. According to the SEE Jobs Gateway, around 35.1 percent of workers are employed informally in Albania, while the figure stands at 10.7 percent in North Macedonia and 12 percent in Serbia. As a result, jobs do not result in stability or long-term wellbeing, pushing individuals to consider emigration for formal and stable employment.

Structural indicators show that the labour market outlook is particularly bleak for younger generations. While the proportion of those not in education, employment, or training (NEET) has generally declined – Kosovo being an exception – these rates remain significantly higher than in the EU (Figure 13). Unlike the broader category of ‘inactive’, which includes students or others temporarily outside the labour force, NEET specifically highlights young people detached from both work and education, making it a critical measure of exclusion.

Figure 13: Evolution of NEET rates



Source: Bruegel based on SEE Jobs Gateway. Note: Population census results have been updated in Bosnia and Herzegovina from 2020 (because of this and other methodological changes, data is not comparable to previous years).

Political disillusionment and democratic erosion. The final push factors consist of a lack of trust in public institutions and high levels of corruption. According to the Balkan Public Barometer, over half of the population in each Western Balkan country does not trust or tends not to trust the government, with this proportion reaching 78 percent in North Macedonia ²⁶.

Corruption, in particular, acts as a strong motivation to emigrate. Empirical work by Bernini *et al* (2024) has demonstrated that, based on bilateral migration flows across EU28 and EFTA countries and four measures of corruption, that a one unit increase in the corruption level²⁷ in the origin country is associated with an 11 percent increase in emigration. Corruption ranks at the same level as emigration, at 27 percent, for what citizens of the Western Balkans think are the most important challenges facing their economy²⁸. According to the World Bank's Worldwide Governance Indicators (WBWGI), all Western Balkan countries perform poorly on corruption indicators, particularly Serbia and Bosnia and Herzegovina, where WBWGI on a scale of -2.5 (poor performance) to 2.5 (good performance) averages

²⁶ See here for the data: <https://www.rcc.int/balkanbarometer/results/2/public>.

²⁷ All four indicators of corruption have been re-scaled on a 0-10 scale, with 10 indicating the most corrupt scenario.

²⁸ The first two major problems stated are the 'economic situation' and 'unemployment'.

around -0.45 and -0.58²⁹, respectively. The level of corruption has increased during the 2015-2023 period in both countries and in North Macedonia.

Furthermore, the dysfunctional governance structure of Bosnia and Herzegovina, the incomplete international recognition of Kosovo, and ongoing ethnic tensions continue to generate uncertainty, especially among younger generations in those countries. These unresolved political challenges undermine national development and cultivate a sense of stagnation and exclusion, reinforcing the desire to emigrate.

5.3 Main takeaway on push and pull factors

Data shows that high emigration from the Western Balkans is the result of a double dynamic. On the one hand, pull factors like better wages, stronger welfare systems, and more promising job opportunities in EU countries make leaving an attractive option. On the other hand, push factors such as a weak labour market, corruption, and widespread distrust in institutions give people strong reasons to leave.

6 Policy considerations

We have shown that the cumulative impact of emigration from the Western Balkans is significant, posing both challenges and opportunities. Large-scale emigration of the working-age population is leading to a loss of human capital, exacerbating labour and skill shortages across various industries, and potentially constraining productivity growth and development. This challenge is particularly important given that emigration trends are likely to persist. Yet the study also reveals that the economic benefits of migration are apparent, as evidenced by remittances, FDI, and trade flows. Although reverse knowledge transfers from migrants may be taking place, they are not evident due to data constraints.

Effectively managing emigration, from the perspective of the Western Balkans, thus requires a dual approach: 1) tackling the push factors, and 2) making the most out of the economic contributions of diasporas and returning migrants.

The purpose of these recommendations is not to stop migration, as the decision to leave is subject to personal assessments. Rather, it is to effectively manage the challenges associated with emigration, from the origin-country perspective. OECD (2022) indicated, in a report on labour migration from the region, that all Western Balkan economies have taken steps towards that through the development of migration strategies and dedicated legal and policy frameworks.

²⁹ While Germany stands at 1.66, for example.

6.1 EU accession-related reforms can help reduce some push factors

In section 5, we showed that push factors present significant systemic issues which require time and effort to be addressed. EU accession-related reforms are grouped into six clusters which contain chapters on specific policy areas; those in education and employment, and the rule of law, could help mitigate some harmful push factors. Implementation of these reforms is not only monitored but also supported (technical and human capital support) by the EU with funds from the Instrument for Pre-accession Assistance (IPA). Since all Western Balkan countries – except Kosovo – are officially EU accession candidates, we believe this framework could help ameliorate some push factors:

The EU cluster on competitiveness is important in addressing challenges pertinent to employment and education. Chapter 19 of the cluster, Social Policy and Employment, is aimed at enhancing employment prospects for unemployed citizens and providing better access to the labour market for young people³⁰. Chapter 26, Education and Culture, can help countries develop better quality systems to support lifelong learning, while opening opportunities for young people to participate in EU programs. Fulfilment of criteria related to chapter 25, Science and Research, can help maintain a skilled labour pool, as these reforms require improvements in domestic research and technological development capacities. Both Montenegro and Serbia managed to close these chapters. Both countries have science-technological parks today, which cooperate closely with universities and firms to boost innovation performance and thus the demand for a skilled labour force.

The EU cluster on fundamentals is essential in addressing institutional weaknesses related to imperfect democracy and corruption. Seen as the most challenging and complex to implement, these reforms are symbolically opened first but closed last. The fulfilment of these reforms, especially those related to the judiciary and fundamental rights such as justice, freedom and security (chapters 23 and 24) can help improve Western Balkans' perceptions of their institutions and reduce mistrust. However, none of the countries have closed any chapters related to this cluster, making the progress in the institutional domain limited.

All countries of the Western Balkans except Kosovo have initiated the negotiation process for EU accession and can thus actively work on implementing these policies. Kosovo must become an official EU candidate to initiate these reforms. We acknowledge that the EU staff reports on progress towards EU accession note the lack of administrative capacities in domains related to almost every cluster, highlighting some potential challenges in addressing the above reforms (European Commission, 2024a, b, c, d). Yet Montenegro's progress (closure of seven chapters, including those related to the abovementioned clusters), despite facing significant administrative capacity challenges highlighted by these reports, demonstrates that progress is possible.

³⁰ Source: <https://www.eu.me/en/poglavlje-19-socijalna-politika-i-zaposljavanje/>.

6.2 FDI and trade linkages are strong and could be further reinforced

Our study clearly demonstrates that the economic links between destination and origin countries are strong and increasing. Germany is a key trade and FDI partner for the region. Many German investments could be the result of the favourable geographic position of these economies and the growing industrial base in Serbia, Bosnia and Herzegovina and North Macedonia. Because of data limitations, however, it is challenging to disentangle the role migrants have played. But, given the demonstrated, strong economic links, FDI and trade could be further reinforced through the recent emigration wave sparked by the Western Balkan Regulation.

6.3 Making the most of remittances

Our study reveals that the region heavily relies on remittances, with their contribution to GDP being substantial.

Transform remittances into investment. Although remittances are private financial flows, and their use ultimately depends on those who receive them, policies can help to expand information and improve access to investment opportunities. The experience of central and south-eastern European countries shows that, when invested in productive activities, entrepreneurship and establishing SMEs, remittances can be very conducive to growth and, to some extent, compensate for the lost workforce [Goschin, 2014; Bucevska and Naumovski, 2023]. We believe this is possible, given that these are emerging markets with rising but underutilised investment potential in the region. Financial education is, however, needed and currently lacking. Each central bank in the Western Balkan region already conducts annual workshops on financial literacy in cooperation with universities and schools on financial education and should also continue to do so in the area of financial investments.

6.4 Mobilising the diaspora for change

Diaspora participation and return migration can also bring major knowledge transfers to the region, a domain which requires more robust data for effective implementation.

Build trust between the diaspora and the home government. Embassies and consulates have an important role to play in building key partnerships with the diasporas and strengthening diaspora engagement in home country development. They can, for example, help provide tailored information on business and investment opportunities at home and develop specific activities that target emigrants and members of the diaspora to build bridges between the diaspora communities and their homeland.

Build scientific and business networks. In recent years, Albania and Serbia have created specialised bodies to facilitate diaspora policy coordination; North Macedonia relies on the Minister without Portfolio [OECD, 2022] in charge of Diaspora, and Montenegro on the Ministry of Diaspora Affairs to do so. What matters, however, is not only the creation of registries of 'successful' migrants, but also the sustained maintenance of ties through regular invitations to conferences, panels, and business

events, and involving them in the design of business strategies and economic policies. With digital platforms available, such connections should be easier to maintain. The diaspora's knowledge of both the EU and local economies could also be beneficial in the design and implementation of effective policies. This is particularly important for the creation of trustworthy institutions.

Data on migrants abroad. Designing adequate return policies requires reliable information on the flows, profiles, and interests of return migrants – data that is currently missing. A systematic collection of voluntary information, through dedicated and regular surveys of both current and potential returnees, is therefore recommended. Such surveys could be organised in cooperation with existing ministries working on diaspora affairs and through embassies. This would also stimulate better policies and further research on the impacts of return migration, which is currently missing due to data constraints.

Overall, the rise in labour flows from the Western Balkans to Germany in the last decade brings both opportunities and risks. The economic links via remittances, trade and FDI from Germany have been a traditional economic inflow to these economies and can certainly be further reinforced. Reverse knowledge spillovers from migrants abroad are more difficult to evaluate because of data constraints and are subject to prevailing socio-economic conditions in the region, as well as institutional investments in benefiting from the rising diaspora abroad.

Yet the scale of out-migration is striking. When nearly a third of the country's workforce, as in Kosovo's case, is abroad, the sustainability of such flows becomes questionable. It is therefore a phenomenon that requires caution, as continued outflows at today's magnitude could leave the Western Balkans without the workforce it needs in crucial sectors for its economic development. Given the long history of out-migration and the more recent rising emigration trends, the true challenge for the Western Balkans lies in managing the phenomenon in ways that are conducive, rather than damaging, to its growth.

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