

# Lost Generations Losing Generation: the Consequences of the Demographic Crisis in the Western Balkans

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<https://doi.org/10.47706/KKIFPR.2023.1.109-120>

**Abstract:** The countries of the Western Balkans are facing a serious demographic crisis due to a declining birth rate that is in line with European trends, and the situation is exacerbated by high levels of migration, mainly towards the European Union. A cheap, well-educated labour force from the Balkans has been working as guest workers in Western European countries since the late 1960s, a tradition that has continued and even intensified since then. The exodus of the population, especially young and skilled workers, is already leading to labour shortages in the region, which discourages the inflow of FDI that would be essential for development. Outlining the current demographic trends, this paper concludes that the demographic crisis in the Western Balkans is irreversible; governments are failing to provide adequate incentives to increase birth rates, while labour and brain drain increases.

**Keywords:** demography, migration, emigration, population decline, Western Balkans

## Introduction

The countries of the Western Balkans (WBs) are facing depopulation, with serious political, social, and economic consequences. The causes of the population decline are multifaceted: in addition to low and declining

fertility rates and ageing societies, the high level of emigration is a major challenge. While the region is in line with the European Union (EU) average in terms of demographic indicators, it is also affected by emigration, which is atypical within the EU. While some EU member states can make up for their declining population, the Western Balkans do not have a similar migration hinterland. Data indicates that for instance, Serbia may soon have more pensioners than working-age individuals (Statistical Office of the Republic of Serbia, 2023). The fertility rates in the Balkans are among the lowest in the world, with Bosnian women averaging 1.35 children (The World Bank Data, Fertility rate, total (births per woman), 2023). On the other hand, while Kosovo has a relatively young population, its fertility rate has also been declining.

Although the region will (soon) face labour shortages, the political leaders are unable to address the challenge, which is mainly due to structural weaknesses in the economies of the countries. The unfavourable economic situation, with its bleak outlook, both increases the propensity to emigrate and prevents the development of effective incentives or family support schemes to encourage people to stay and have children. While emigration initially lowers unemployment and increases remittances, it has long-term negative consequences for these countries. The political situation in the region is not conducive to reversing demographic decline, either. EU membership and its benefits seem an increasingly distant (or unthinkable) future, while the citizens of the Western Balkan countries, with the exception of Kosovo<sup>1</sup>, can travel to the EU visa-free, which also facilitates the decision to leave their home country. This paper introduces the demographic and migration trends in the Western Balkans and sheds light on the structural consequences of declining birth rates and extreme emigration.

## **From baby boom to one child**

According to the World Bank, the population of the Western Balkans was 19,879,398 in 1990, shrinking to 17,387,276 in 2021. Albania and Bosnia and Herzegovina have been hit hardest by this population decline,

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1 The citizens of the Republic of Kosovo will be able to travel to the European Union visa-free from 1 January, 2024.

losing 25 and 30 percent of their population, respectively (The World Bank Data, Population, total, 2023). In the case of Albania, the extreme population decline is particularly worrying, as the country has not been affected by war conflicts, although major waves of emigration started leaving a repressive and poor Albania when the borders opened after the fall of socialism in the early 1990s. The rapid decline in population is in part due to a declining fertility rate that is in line with Western European trends, the low value of which is especially alarming given the relatively low median age in these countries. While the European median age average is 42 years, in the Western Balkan countries it is 38 years, and Albania and Kosovo have the youngest populations in Europe, with half of their respective populations aged 34 and under 30.5 years (The World Factbook, Median Age, 2023). Following the traditional family model, the fertility rates in Albania and Kosovo were 6.5 and 6.4 in 1960. This underwent a natural decline, but even in 1980 they were still at 3.6 and 4.9, when the fertility rates in the other Western Balkan countries were just at or below the 2.1, which value is needed to reproduce a society. The 2021 fertility rates for all six countries are worrying. Albania and Bosnia and Herzegovina are below 1.4: Bosnia and Herzegovina has the lowest fertility rate in the world at 1.26, Kosovo and Serbia 1.5, while North Macedonia and Montenegro are slightly better off, with fertility rates of 1.6 and 1.75, respectively (The World Bank Data, Fertility rate, total (births per woman), 2023). This trend is fully in line with the EU normal, where fertility rates averaged 1.53 in 2021 (Eurostat, Total fertility rate, 2023). This is supported by the fact that women have their first child at a similar age, and although the society is young, the average age of women at the birth of their first child in Kosovo is 27.3 years and 26.6 years in Albania, which is not different from Serbia, where the median age is 43.3 years, and the average age of women having their first child is 28 years (Eurostat, Mean age of women at childbirth and at birth of first child, 2023).

The percentages may differ, but the trend of population decline is the same for all Western Balkan countries. It is particularly worrying that four Western Balkan countries are among the top 20 countries in the world with the highest population decline. On current trends, between 2020 and 2050, Serbia's population will decrease by 19%, Bosnia and Herzegovina's by 18.2%, Albania's by 16%, and North Macedonia's by

11%. The problem is not unique, among the 20 countries, only Japan (16.3%) and Cuba (10.3%) are not from Southern, Southeastern, or Eastern Europe. Central Eastern and the Southeast European region are at the top of the list not only due to declining birth rates, but also because of the high levels of migration that have traditionally been a feature of the region (DevelopmentAid, 2023).

## **A culture of emigration**

The Western Balkan region has a longstanding history of emigration, starting from the late nineteenth century, when people migrated to the United States, Australia, and Turkey due to various factors, such as the fall of the Ottoman Empire, when the Muslim population was displaced. Emigration continued during the interwar period, World War II, and post-WWII, when labour recruitment agreements were signed with Western European countries, leading to emigration to countries like West Germany (Oruč, 2022). The so-called “Gastarbeiter system” was set up in the 1960s, when citizens of the former Yugoslavia were legally allowed to leave the country to work in Western Europe. By the early 1970s, more than 1 million Yugoslav citizens were living and working abroad, two-thirds of them in the German Federal Republic (GFR), with whom Yugoslavia had signed a recruitment agreement in 1968 (Brunnbauer, 2019, p. 416). This made Yugoslavia the only socialist country to allow economic emigration to the West. The adoption of the agreement (which was signed in 1968 and came into force in 1969) was also one of the direct causes of the 1968 student protests in Belgrade, as students considered the supporting of emigration an admission of the inadequacies of socialism. Economic migration quickly became a hot topic for the demonstrators, who demanded that the government prevent the flow of skilled labour abroad. However, what the government aimed for was to reduce illegal emigration and unemployment, which was incompatible with the socialist ideal, by creating the guest worker system; despite the ban, from the 1960s onwards, more people left Yugoslavia and took jobs abroad. It should also be noted that the political leadership recognised the importance of remittances from Western Europe, which represented a significant share of the country’s GDP (Brunnbauer, 2019, p. 420).

Under the bilateral agreements with Western European countries (France in 1965, then Austria, and finally the most far-reaching agreement with the GFR in 1969), guest workers were (supposed) to return to Yugoslavia as soon as their contract expired, so that new workers could then try their luck. As well as receiving remittances, the Yugoslav leadership also wanted to benefit from the know-how the workers had acquired abroad, in order to contribute to economic growth at home. Labour migration was thus seen as a temporary phenomenon, reflected in the official term “temporary foreign worker” (*radnici na privremenom radu u inostranstvu*) (Brunnbauer, 2019, p. 423) used to describe migrant workers in Yugoslavia. In practice, however, the vast majority of guest workers remained abroad. On the one hand, German employers were reluctant to extend the contracts of skilled and experienced workers; on the other hand, the income in Yugoslavia was not comparable to the opportunities offered in Western Europe. The first generation of guest workers comprised single men aged between 20 and 40, and by 1971 there were 469,000 Yugoslav workers in Germany. By 1973, Yugoslavs accounted for 17.7 per cent of foreign workers in the FRG, making them the second largest group after Turks. Although the oil crisis of 1973 reduced the demand for labour, the workers who had emigrated by then tended to settle in West Germany and start family reunification (Martínez et al., 2006, pp. 8-9).

The next major wave of migration from Yugoslavia to Western Europe began with the fall of the socialist regimes in Central and Eastern Europe, which was further exacerbated by the wave of refugees from the wars in Croatia and Bosnia and Herzegovina following the disintegration of Yugoslavia. For those who left in the 1990s, there was a strong narrative of nineteenth-century emigration to seek better economic opportunities elsewhere and then return to contribute to the building of a new, prosperous, democratic state after World War I. However, these ideas have not been realised, as citizens in the EU have much better economic opportunities, and it is not in their interest to return home. Unlike earlier labour migration, emigration from the 1990s onwards involved entire families, who settled abroad permanently (Oruč, 2022).

Thus, emigration has resulted in a substantial diaspora community worldwide, and since 1990, the number of migrants from the Western Balkans has doubled to almost 3.8 million in 2019. According to World

Bank data, 47% of Bosnians, 45% of Montenegrins, 41% of Albanians, 30% of Kosovars and Macedonians, and 30% of Serbs live abroad (Oruč, 2022). This compares with an average of roughly 11 per cent for all EU countries. Yet the most pressing problem is that young and skilled workers are leaving the region, with economic opportunities an important driver. The EU-27 countries are the primary destination for emigrants from the region. North Macedonia is the only exception to this trend, with 30% of its population (the vast majority of them being Albanians) indicating Turkey as a destination. Intra-regional migration, which is a type of circular migration, with people going back and forth between the countries of the region, is also common in the Western Balkans, making up 15% of the total emigration of the WB. The drivers of intra-regional migration are economic aspects (Susan, 2022, p. 35), with Serbia tempting the largest workforce from Montenegro (more than 50%) (Oruč, 2022). Intra-regional migration is expected to become more significant due to the plans of the Open Balkan initiative regarding the free flow of workforce, although it is to be seen whether the Balkan economies will be able to compete with what the Western European countries can offer. Youth emigration and brain drain are currently prominent issues in the region, with a survey revealing that 33 percent of young people aspire to emigrate. Historically, irregular channels and asylum applications were sought by many emigrants, and it is still common practice among Albanians to submit an asylum request mainly to France and the United Kingdom (Eurostat, Asylum applicants by type of applicant, citizenship, age and sex - annual aggregated data, 2023). Recent developments, such as new regulations and bilateral employment programs, have led to a decrease in asylum applications while also exacerbating skill shortages in specific sectors (e.g. services, especially tourism or the healthcare sector) in the Western Balkans.

## **Who will work at home?**

The declining demographic figures and emigration are leading to labour shortages everywhere. While before 1990, migration was a solution for unemployment and a way to alleviate livelihood problems through remittances, following traditional migration patterns is now leading to labour shortages. In line with European trends, unemployment in

the Western Balkans is also at a historic low, having fallen to 13.5% by mid-2022. However, regional disparities persist, and only half of the working-age population of the region is in employment. A further problem is that youth unemployment is still high, although it reached a record low of 27.1 percent by mid-2022. Furthermore, the favourable employment ratios and unemployment rates are not only the result of out-migration and declining birth rates but also of employment expansion after the COVID-19 pandemic; the resumption of tourism has played a particularly important role in the recovery of the labour market (Madzarevic-Sujster-Record, 2022).

Labour shortages are highlighted as a key problem by businesses in the region and also threaten the volume of foreign capital investment. In the Balkan Barometer 2021 business survey, 43% of respondents indicated that the availability of labour is a major obstacle to doing business and that the situation has worsened compared to previous years. In Bosnia and Herzegovina in particular, labour shortages are a main obstacle to economic development, with 61 percent of respondents saying that the situation has worsened somewhat or significantly. Bosnia and Herzegovina has the highest proportion of people living abroad, most of whom returned to the labour market of their host country after the pandemic was over and restrictive measures were lifted. The highest proportion (50%) was measured in Kosovo, where respondents feel that availability of labour has improved significantly or somewhat (Balkan Barometer, 2022, p. 61).

The Western Balkans are much more vulnerable and exposed to economic shocks than the European Union, which puts additional strains on the region as it emerges from the COVID-19 crisis and experiences the current global energy crisis. High energy and food prices have also led to a significant increase in inflation, which has affected export-import trade and reduced consumer and investor confidence. In addition to the labour market shortages, the current market conditions contribute to the decline in foreign direct investment (FDI) inflow into the region, with additional consequences. The regional external imbalances in the Balkans were largely financed by net inflows of foreign direct investment (FDI) in 2022, accounting for 7.0 percent of GDP. However, levels of FDI inflow varied significantly among the countries. Bosnia and Herzegovina had the lowest net FDI inflows at 2.9 percent of GDP,

indicating a modest increase compared to the previous year (2.7%), due to political frictions and a complex institutional setup impacting foreign investor confidence. Kosovo and North Macedonia trailed behind other Balkan countries in terms of FDI inflows, with their FDI accounting for 6.6 percent and 5.2 percent of GDP, respectively. FDI inflow to Serbia has been unsteady in the past years, as in 2022 it could not reach the 2018 level (8%) with 7.1% (The World Bank Data, Foreign direct investment, net inflows (% of GDP), 2023). In contrast, Montenegro experienced the strongest FDI inflows at 13.5 percent of GDP, driven by tourism, followed by Serbia at 7.1 percent of GDP, particularly in the productive manufacturing subsectors. The rebound in net FDI inflows since 2019 indicates the potential benefits of nearshoring and business relocations from countries like Ukraine and Russia. Without the right amount and quality of foreign direct investment in the Western Balkans (much of the FDI in the region is targeted at low-productivity sectors and low-cost labour), structural adjustment and catching up with the European Union will not be possible, and it will only contribute to further outward migration (World Bank Group, 2023, pp. 42-45.).

However, no change in migration trends is expected which could mitigate the employment shortage, as the diaspora from the Western Balkans represents a—sometimes still—underutilized resource for the development of their home countries. Remittances sent by migrants are a significant source of income for the region, with Serbia receiving the largest amount of remittance (approximately 4,000 million USD in 2019) and North Macedonia receiving the smallest amount (approximately 450 million USD in 2019), although the amounts are better interpreted as a percentage of each country's GDP. The region has seen a consistent inflow of remittances, accounting for 7.1 percent of GDP, maintaining the upward trend observed since 2016. Notably, Kosovo and Bosnia and Herzegovina experienced significant outmigration, reflected in their remittance inflows amounting to approximately 13 percent and 9 percent of GDP, respectively. In contrast, North Macedonia, Albania, and Serbia recorded relatively lower remittance flows, representing a respective 2.7 percent and 5.5 percent of GDP (World Bank Group, 2023, p. 44). In 2022, net remittance inflows in the Western Balkans remained stable, supported by a robust labour market in the European Union, where unemployment rates reached an all-time low of 6.1 percent.



However, based on the recent experience of the COVID-19 pandemic, the impact of a crisis on remittances remains unclear. Serbia, Bosnia and Herzegovina, and Albania experienced a decline in remittances due to their citizens residing in European countries that were affected by the economic recession caused by the pandemic. In contrast, Montenegro, Kosovo, and North Macedonia recorded an increase in official remittances, possibly due to a shift towards formal channels, as informal remittances became difficult during border closures. Lessons from the 2008-2012 global economic crisis, on the other hand, suggest that the average amount of remittance may increase during economic crises in migrants' home countries, as they feel a stronger need to support their families.

Remittances are seen as an informal social protection mechanism for vulnerable groups in the Western Balkans, contributing significantly to recipient households' income and poverty reduction. However, the potential contributions of the diaspora to development, such as investments, knowledge transfer, tourism, and community infrastructure, are largely overlooked by policymakers. The governments in the region have not yet created an enabling environment to harness these contributions. They struggle to attract foreign direct investment and fail to offer preferential treatment to diaspora investors, despite their patriotic interest in investing in the region. Administrative barriers, government inefficiency, and corruption further hinder efficient and sustainable diaspora and foreign investments (Oruč, 2022).

## Conclusion

The demographic crisis in the Western Balkans is irreversible, as we are not facing an early crisis, but a deepening one. The WB countries are stagnating politically, their reform efforts have stalled, and attempts to reduce corruption, nepotism, organised crime, or the grey economy, or to ensure the rule of law, media freedom, and the independence of the judiciary remain fruitless. The prospect of joining the European Union is not an incentive anymore to solve these problems either, as all the Western Balkan countries have recognised that they will not be part of the community in the near future. At the same time, the tradition of

working abroad, the possibility of visa-free travel to the EU, and the EU's hunger for labour mean that the Western Balkans will start to empty out, and citizens will live and work in the EU one way or another.

Germany, the EU's largest and most labour-hungry economy, issued the Western Balkans Regulations in 2016 to open its labour market to the six Western Balkan countries, so that their citizens can enter the country's labour market simply, without qualification requirements. In addition, the German Skilled Workers Immigration Act 2020 facilitates access to work in skills gaps for non-EU citizens, with the Western Balkan countries having benefited from this act the most. The same can be said of seasonal work visa schemes from Italy and Greece, which mainly target Albanian guest workers (Susan, 2022, pp. 127-128). The image of a well-educated but cheap workforce from the Balkans is fading for those looking to invest in the region, as the countries in the region are facing labour shortages and, as is the practice in the EU, are trying to bridge the gap with workers from Asia (Hila, 2021). However, without a sufficient inflow of FDI, the Western Balkans will have no chance to complete the structural reforms that the EU (also) expects, and they will face a stalemate if the region cannot provide the appropriate labour force, and its population is already putting its skills to work in the EU.

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## Annexes

Table 1.  
Fertility rate in the Western Balkans.

Country	1960	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Albania</b>	6.5	3.6	2.9	2.2	1.6	1.7	1.7	1.7	1.7	1.6	1.6	1.5	1.4	1.4	1.4	1.4
<b>Bosnia and Herzegovina</b>	3.9	2	1.8	1.3	1.3	1.2	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4
<b>Kosovo</b>	6.3	4.9	3.6	2.7	2.4	2	2	2.1	1.9	1.8	1.7	1.6	1.6	1.5	1.5	1.5
<b>North Macedonia</b>	3.9	2.4	2.2	1.9	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.3	1.3	1.6
<b>Montenegro</b>	3.4	2.2	1.9	2.1	1.7	1.7	1.7	1.7	1.8	1.7	1.8	1.9	1.8	1.8	1.8	1.8
<b>Serbia</b>	2.1	1.87	1.7	1.5	1.4	1.4	1.5	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Source: World Bank Data, 2023.

Table 2.  
Population of the Western Balkans.

Country	1960	1990	2000	2010	2020	2021
<b>Albania</b>	1,608,800	3,286,542	3,089,027	2,913,021	2,837,849	2,811,666
<b>Bosnia and Herzegovina</b>	3,262,539	4,494,310	4,179,350	3,811,088	3,318,407	3,270,943
<b>Kosovo</b>	947,000	1,862,000	1,700,000	1,775,680	1,790,133	1,786,038
<b>North Macedonia</b>	1,462,368	2,044,174	2,026,350	2,055,004	2,072,531	2,065,092
<b>Montenegro</b>	480,579	606,372	604,950	619,428	621,306	619,211
<b>Serbia</b>	6,608,000	7,586,000	7,516,346	7,291,436	6,899,126	6,834,326
<b>Kosovo</b>	947,000	1,862,000	1,700,000	1,775,680	1,790,133	1,786,038

Source: World Bank Data, 2023.