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# Do dire demographic projections condemn CESEE EU to a low growth future?

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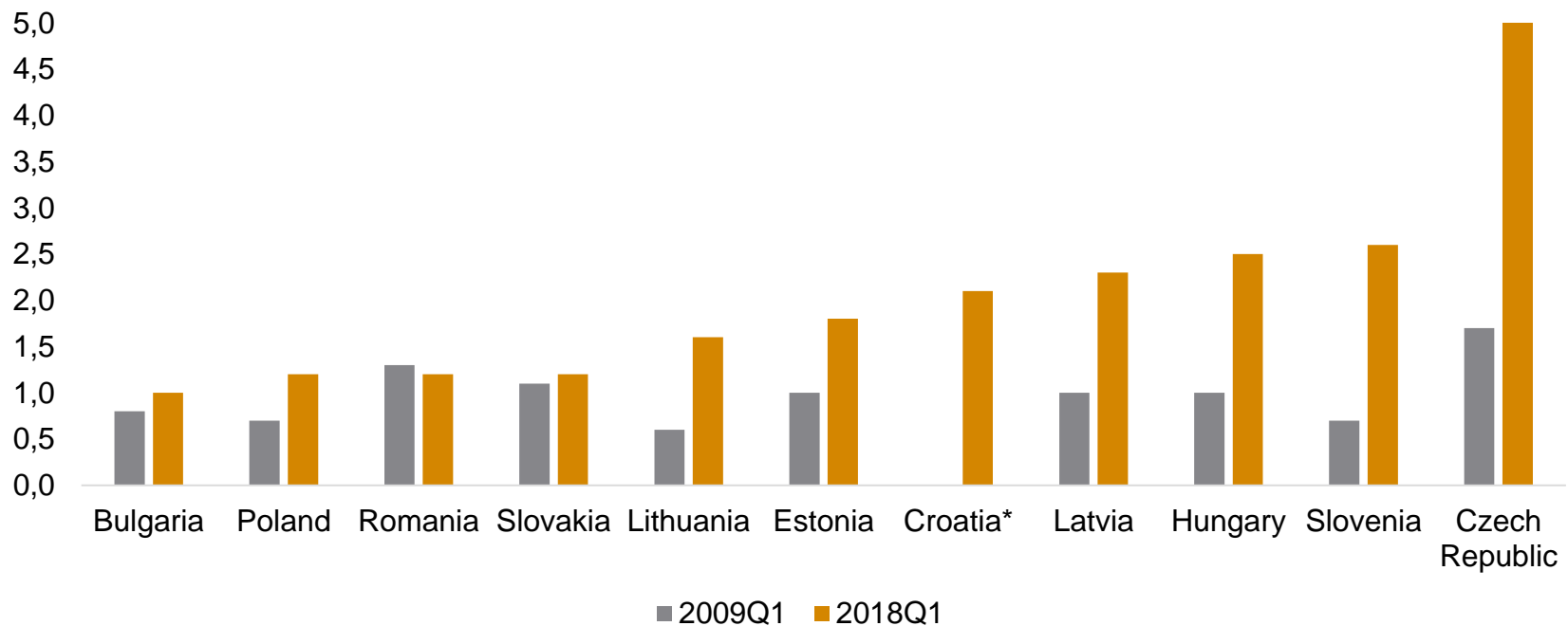
## Overview

1. Increasingly significant labour shortages
2. Implications for growth
3. Potential short-term solutions
4. Can anything help in the long run?

# 1. Increasingly significant labour shortages

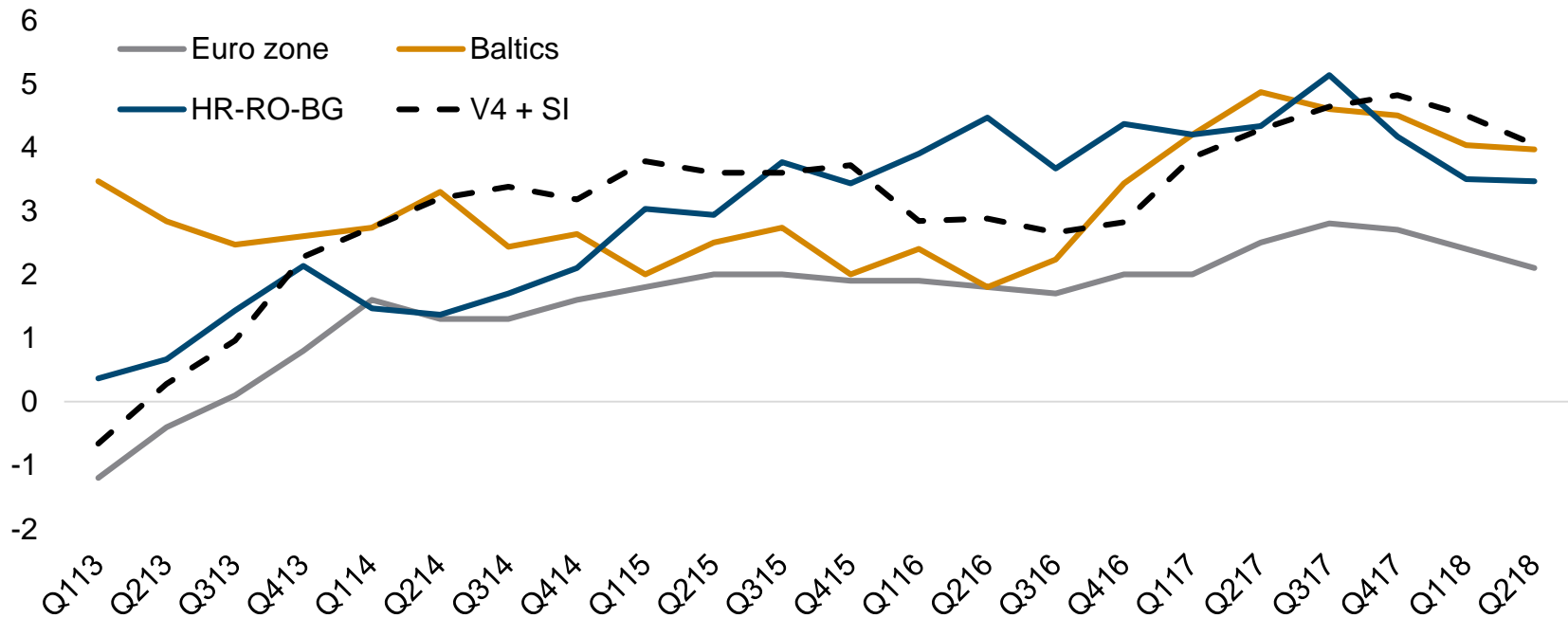
Labour shortages in region are not new, but increasingly acute in recent years.

Total job vacancy rate, %. Unadjusted data, all NACE activities.



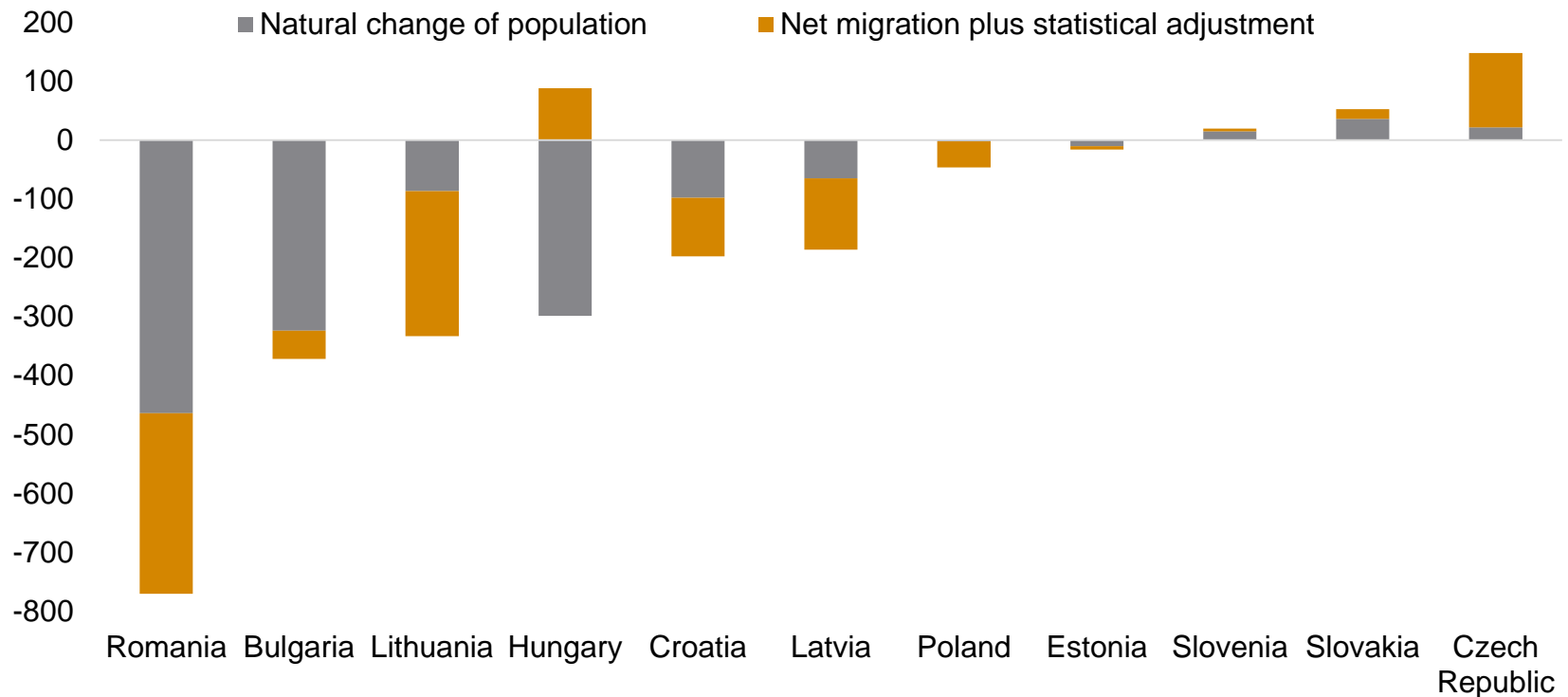
# This is partly a growth story, which has increased labour demand

Real GDP growth, seasonally and working-day adjusted, % change, year on year



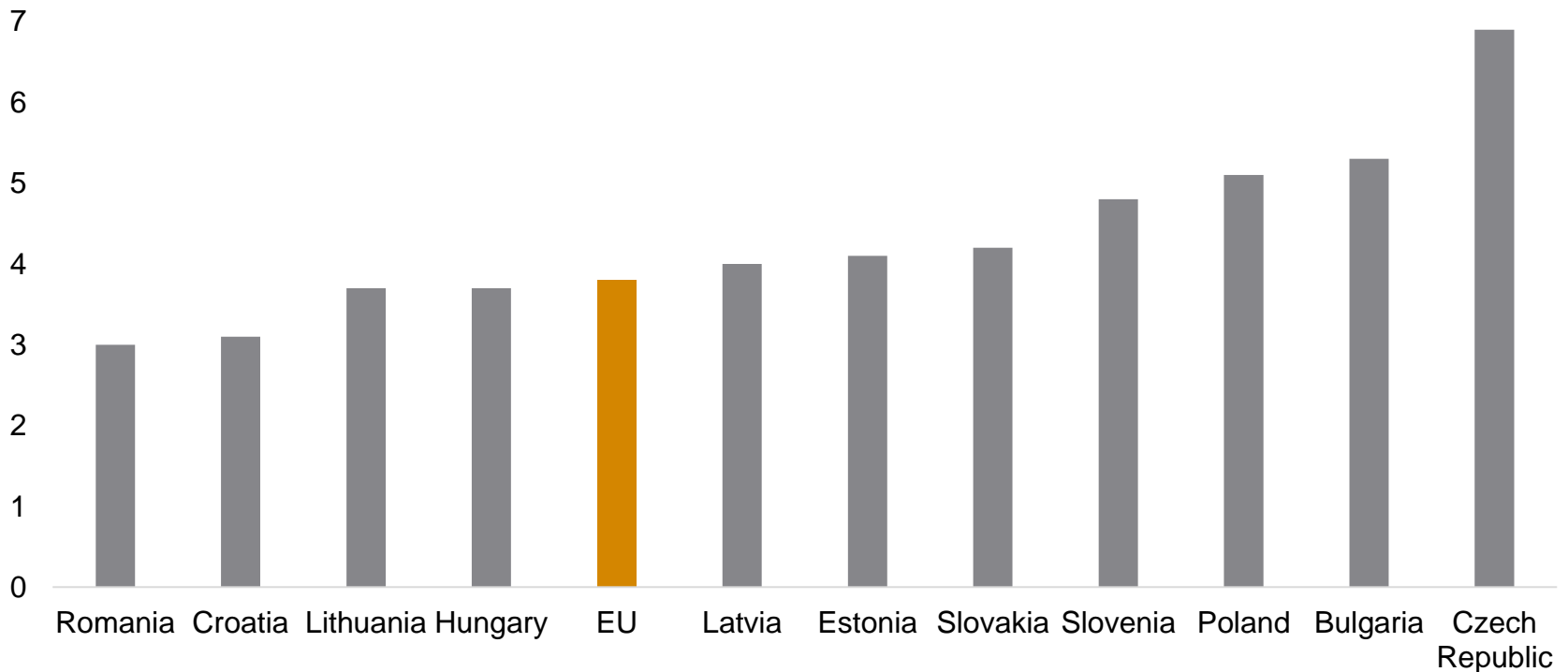
But it is also about population declines in most places  
(both emigration and natural change)...

Population change, sum of flows, 2010-2017, thousands



...and declining share of working-age population.  
Demographic challenges no longer in the future.

Change in old-age dependency ratio, 2010-2017, percentage points



Source: Eurostat.

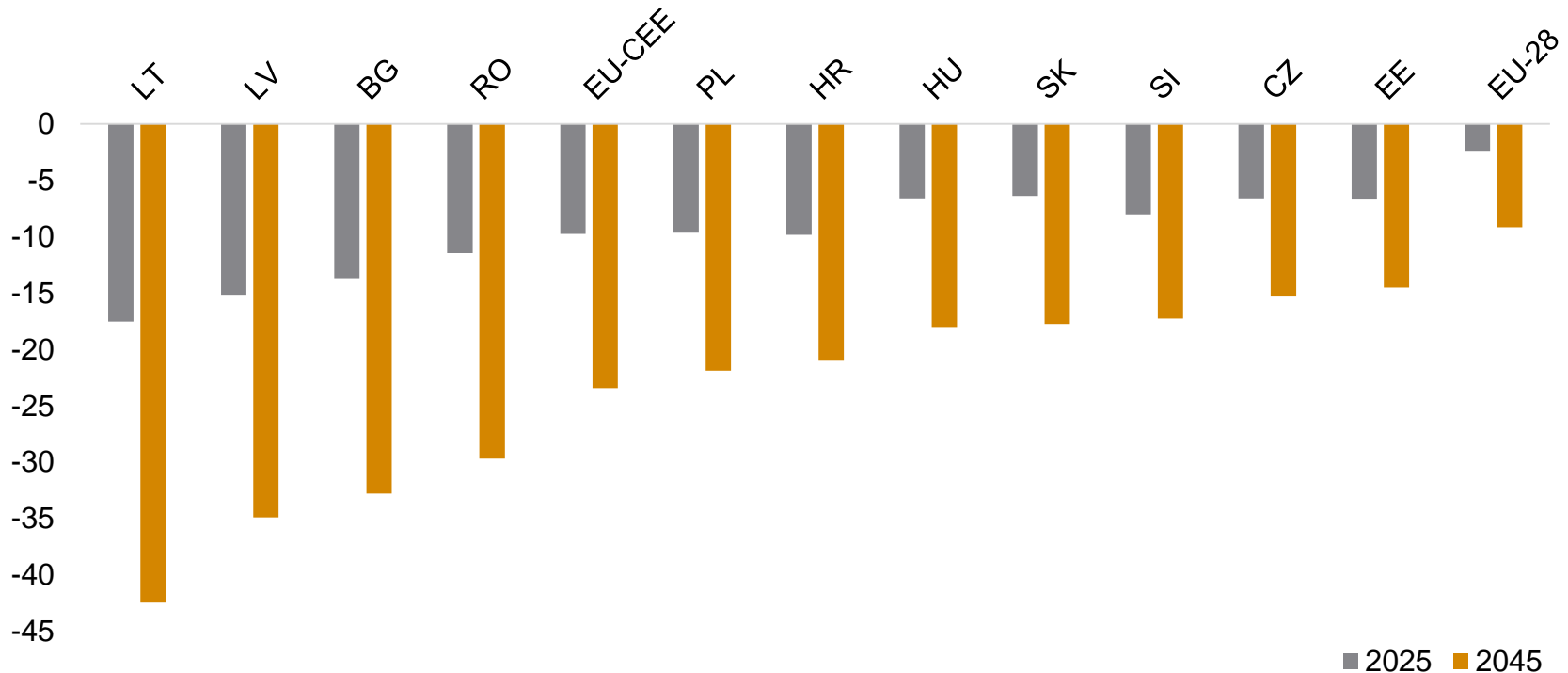
Note: 1st variant of old age dependency ratio used (over 65s as share of 15-64 year olds).

2. Why is this a problem for growth?



## Projections indicate unprecedented decline in working-age populations in CESEE EU

Working age population change from 2015, %

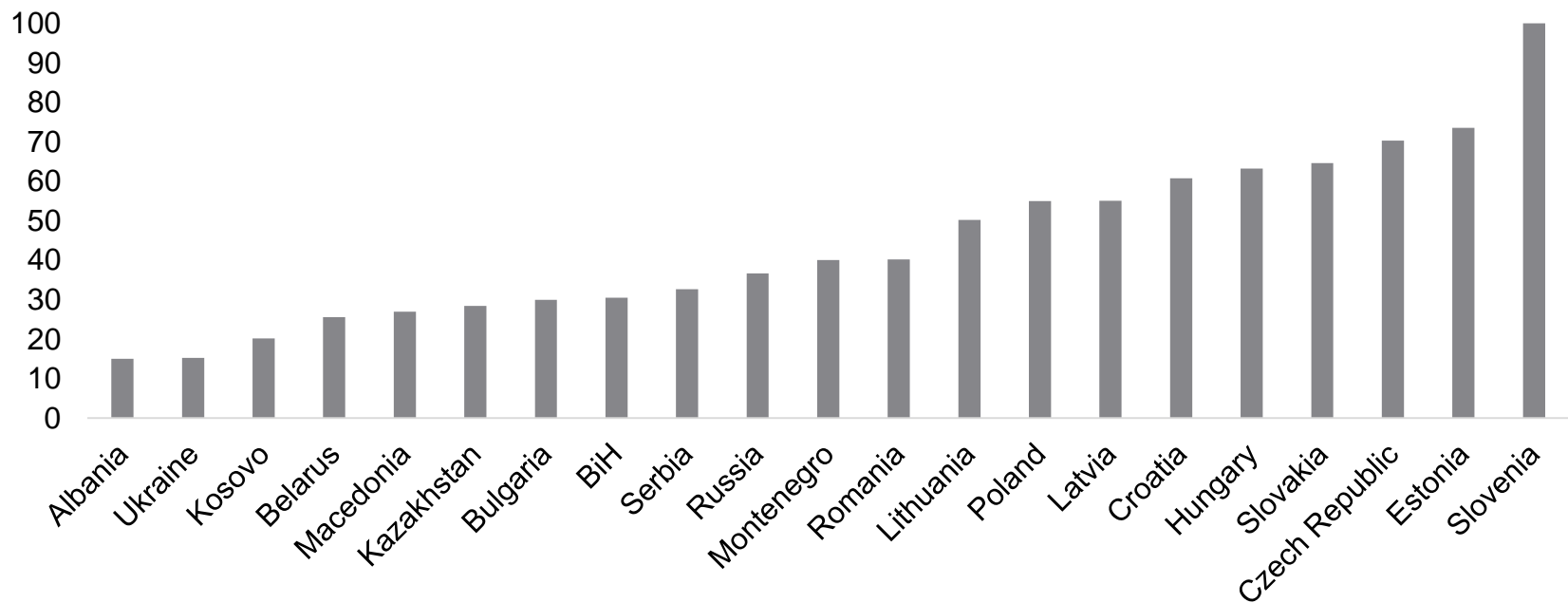


## Falling labour contribution to growth

- Without big inward migration, only way to offset negative growth impact is increase in participation rate.
- This will come, but the impact will be limited.
- Stehrer 2018: even if assume participation rate of 75% of working-age population by 2020 (very ambitious for some countries), labour demand will exceed working-age population by 2023-30 depending on the country.

Faced with less labour and higher wages, firms could move away to cheaper destinations where labour shortages are less acute.

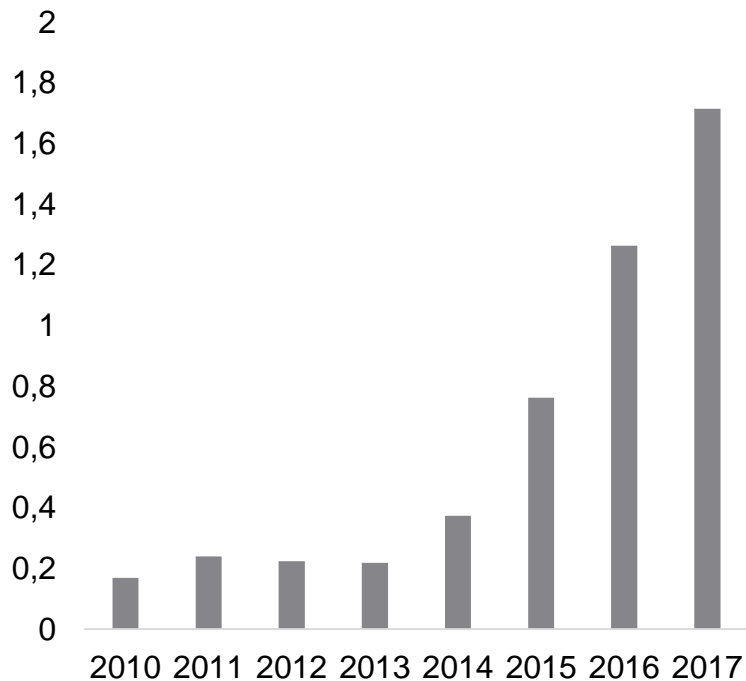
Average gross monthly wages in manufacturing, Slovenia = 100.



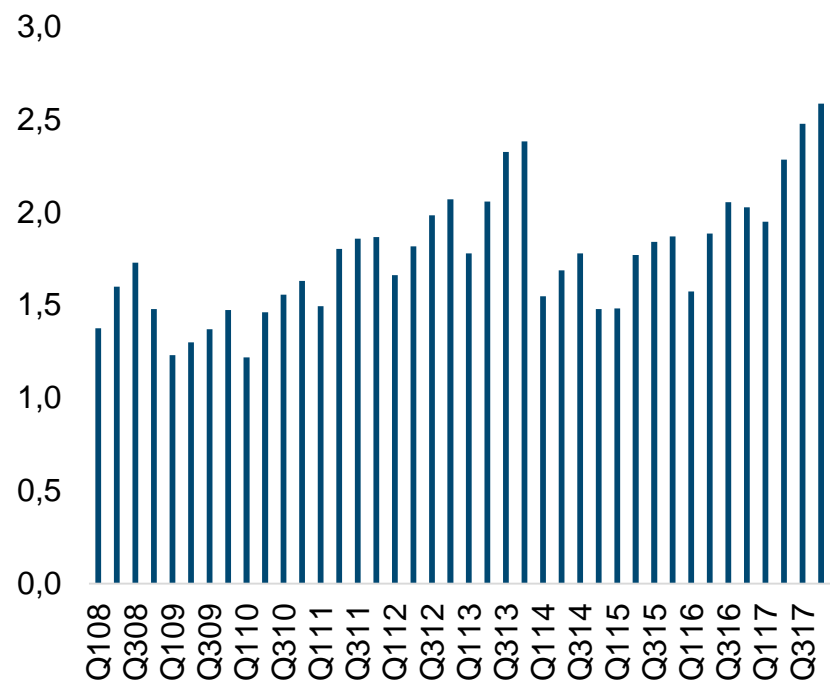
### 3. Immigration or return migration as a solution?

## i) Immigration from Ukraine: high, but not enough

Registered demand for Ukrainian workers in Poland, millions

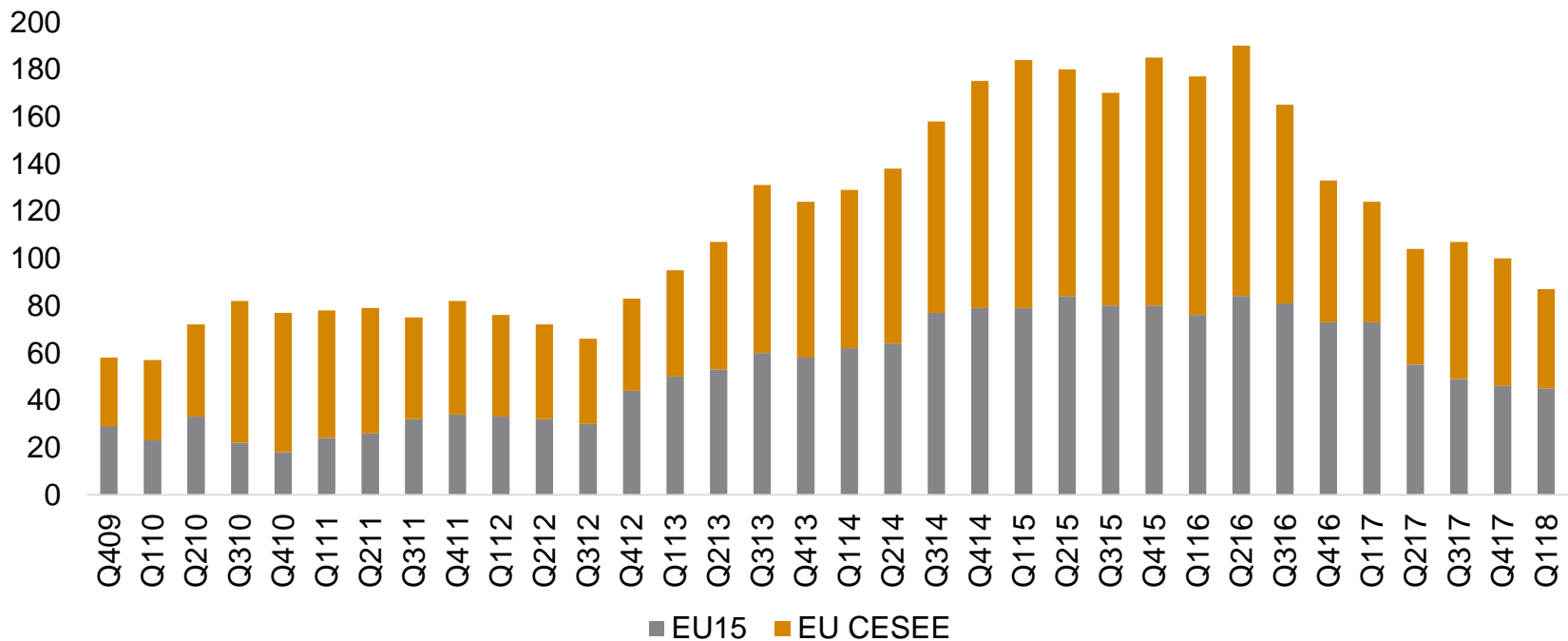


Personal remittances to Ukraine, US\$ bn



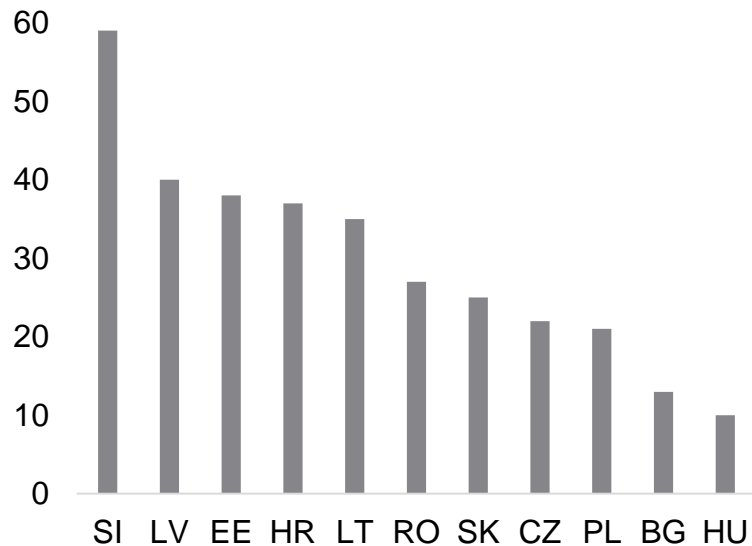
## ii) Workers return home because of Brexit: not happening (so far)

Net migration of EU citizens to the UK, four quarter rolling sum.

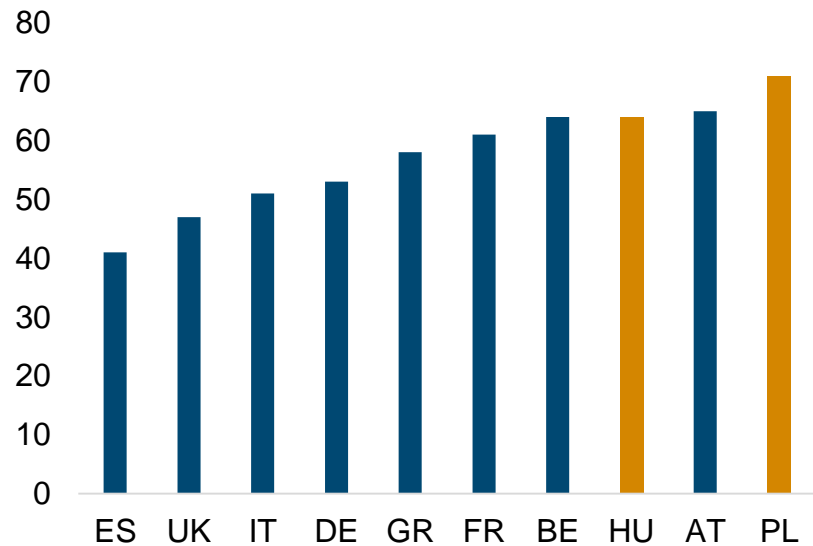


### iii) Non-European migration to fill the gap? Politically hard to imagine.

% of population “totally comfortable” having an immigrant as a friend



% agreeing that “all immigration from mainly Muslim countries should be stopped”

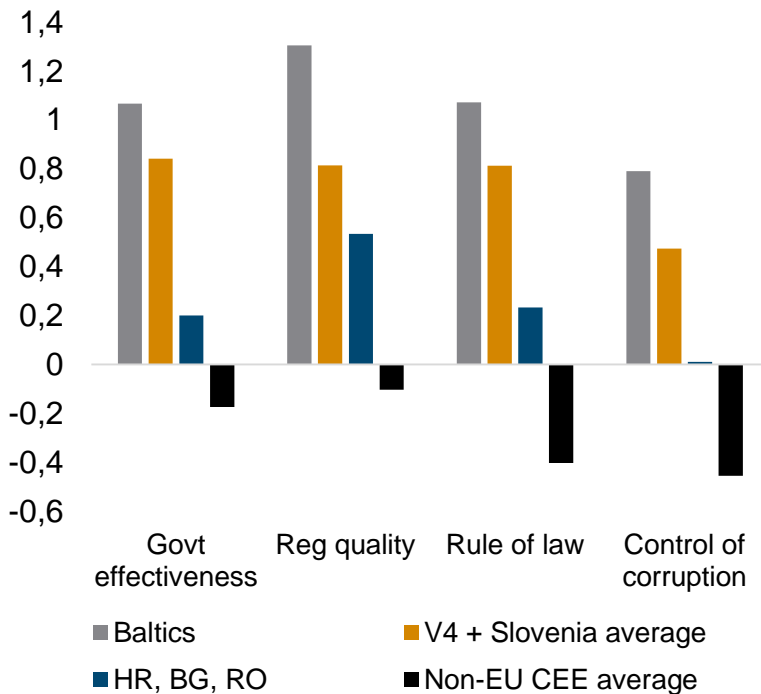


4. So what could help in the long run?

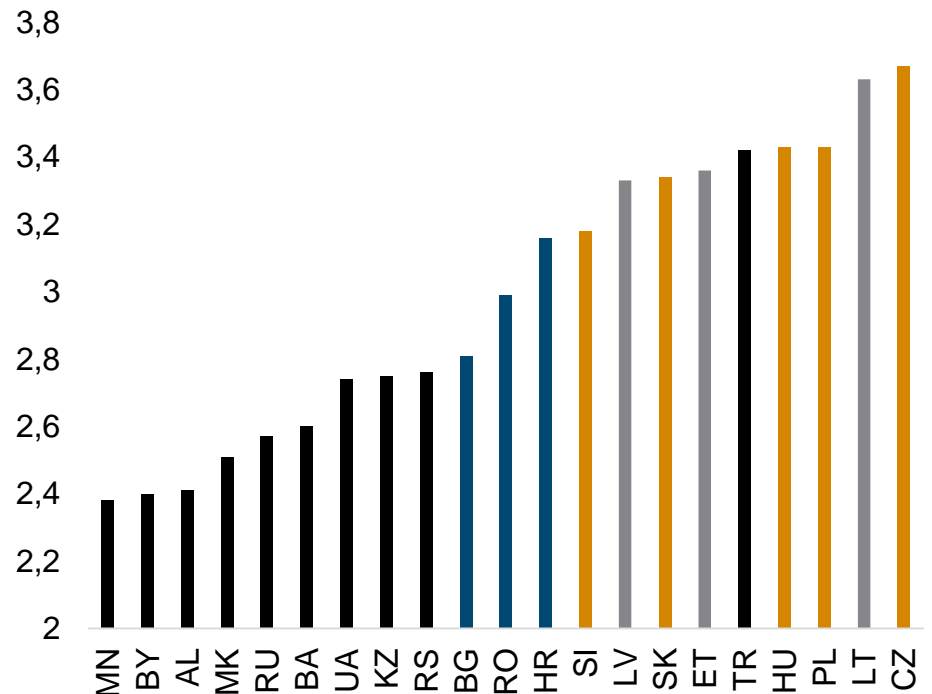


# 1. Despite trends, foreign firms may not leave. Big incentives to stay where they are

## Governance Indicators



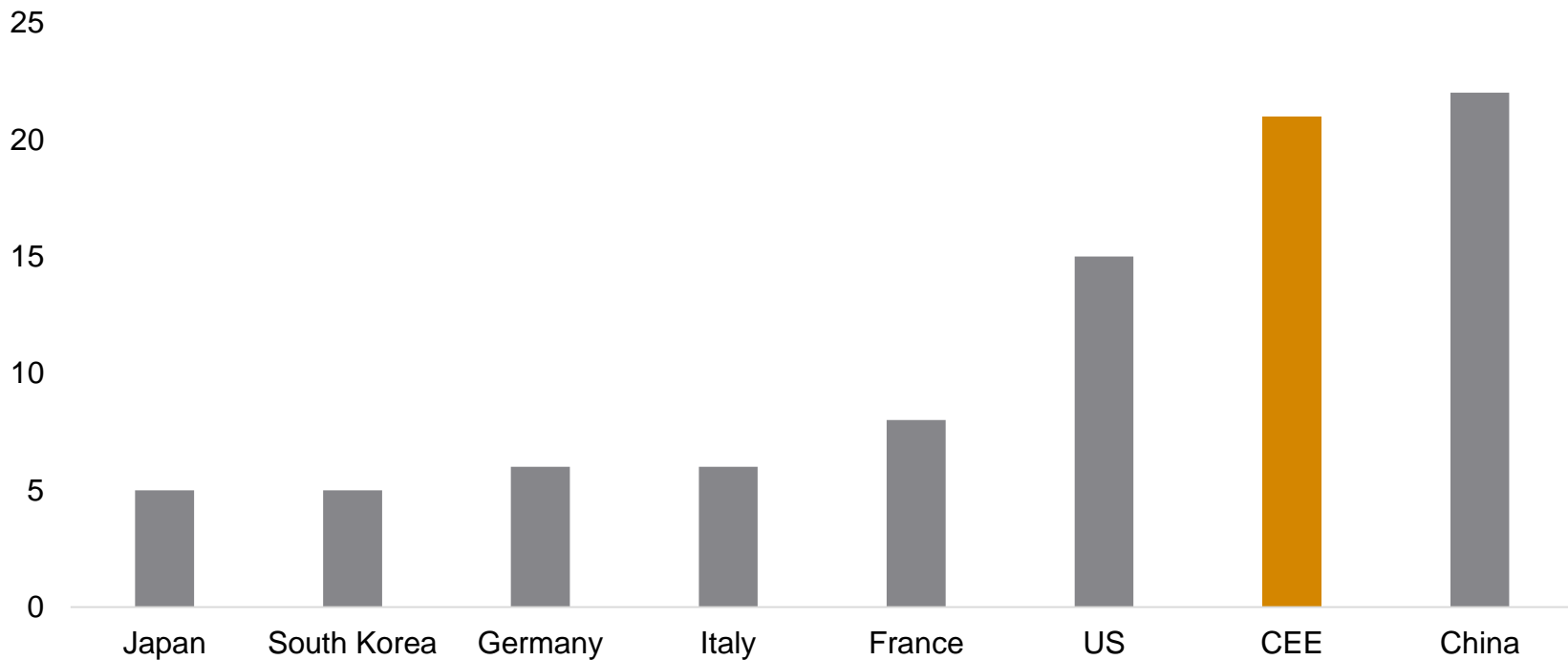
## Logistics Performance Index



Source: World Bank.

## 2. Higher productivity via automation.

% increase in imports of multipurpose industrial robots, 2018-20



## Conclusions

1. Labour shortages are increasingly acute, and will only get worse, with big negative knock-on effects for economic growth.
2. Immigration or returns from the UK post-Brexit won't fill the gap.
3. But this does not automatically mean a low/zero growth future for EU CESEE. Firms have big incentives to stay and pay the higher wages, while automation could help.

# Thank you for your attention!

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