Poverty, Migration, and Employment in South East Europe: What can the data tell us?

(summary)

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Introduction and Summary

The purpose of the presentation (and paper) is to provide the empirical foundations of the development in poverty, migration and employment in the countries of South-East Europe (SEE, consisting of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro). While an improvement in the availability of these important but sensitive data in the countries of this region has taken place, data coverage across these countries and over time is still lagging that of other (former) transition economies in the north. Nevertheless, the available data and fragmented evidence suggest the following broad conclusions: First, the region was hit by two largely parallel shocks: transition crisis and the conflicts around the dissolution of the former Yugoslavia, and the impact of the crises is visible in the development in GDP and other indicators: Compared to the peers in the North, which are all by now members of the European Union, the fall was deeper and the recovery so far much smaller. Only since 2001 does the real GDP growth rate of SEE exceed the growth rate of Central and Eastern Europe (CEE). Within SEE, only Albania was able to surpass its early-1990s GDP level, although starting from a low (per capita) level. Second, poverty has increased during the long years of transition largely due to the fall in output as there is little evidence for a main increase in income inequality. Since the late 1990s, however, poverty seems to have decreased in parallel to the recovery in output, and in parallel to other transition economies. Third, as a reaction to the fall in output and increase in poverty, but also as coping method to armed conflicts and strong ethnic tensions, migration has increased in the region, with seeming differences between the countries with regard to level and flows of migration but also remittance behavior. But data in this area is very patchy: While the population statistics for countries such as Bulgaria suggest a fall in population of 12 percent between the end-90s and early 2000, the magnitudes of available flow data of migrants is much smaller. Fourth, the situation on the labor market mirrors that in other areas: It is, on average, worse than in other CEE countries, and with some variation across the countries, unemployment is high and often increasing. The persistent high level of unemployment suggests main structural problems around firm and job creation. As in most other countries in CEE, the percentage of employment in the informal sector of the total employment is high and well above 30 percent. While migration should relieve the pressure on the labor market, this is seemingly little visible in the change in unemployment.

Empirical cross-country studies by the World Bank for this sub-region and the (former) transition economies in central and eastern Europe and central Asia (Europe and Central Asia: ECA in World Bank’s terminology) are en route, but not yet finished. The most advanced study is on labor markets in the ECA region of which the first draft was presented at a very recent cross-regional labor market conference in mid-November 2004.1 The study on poverty for ECA is under preparation and is scheduled for presentation by mid-2005. Finally, a regional study on migration is in planning with delivery envisaged for 2006.

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