Low Employment and GDP in the Balkans

The Future of the Welfare State in the Western Balkans
Belgrade, June 2018

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Western Balkans amongst poorest part of Europe
Unemployment rate is high; employment rate is low
Western Balkans is poor because capital stock per worker is low and too few people work.
Low employment rate is the result of interaction of low capital stock and high wages.
Large scale emigration has pushed up reservation wages
How to boost output and employment?

- Higher capital stock needed

  => More investment, including in infrastructure

- Higher TFP would help as well!
What can be done to boost investment and create jobs so people stay?

- Improve investment climate
- Better protection of property rights
- Improve legal systems and other government services
- Address infrastructural gaps
- Fighting the informal economy
- Address efficiency gaps in public investments and tax collection
Social investments need to be weighed against other needs

- According to 2016/17 Global Competitiveness Report, region ranks
  - 85 out of 138 on infrastructure
  - 69 on health
  - 58 on education
- You cannot do everything: too high fiscal deficits and debt risk triggering macro instability
- When there is no macro stability there is no growth
- Without growth unemployment will remain high
After recessions in 2009 and 2012, the region is growing again, supported by activity in main trading partners.
Fiscal deficits have come down, particularly in countries with IMF Programs
However, public debt is far above pre-crisis levels.
Thank you