
LABOR MARKET TRENDS DUE TO DEMOGRAPHIC CHANGES. COMPARATIVE STUDY BETWEEN THE EU, THE BALKANS, AND ALBANIA

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Abstract: In recent years, both European Union (EU) member states and non-EU countries have faced a range of challenges related to demographic changes that significantly influence labor market dynamics. Developments such as population ageing, declining birth rates, and increased population mobility have highlighted the growing need for a workforce with specific qualifications and skills. However, the approaches adopted to address these workforce needs differ considerably between EU and non-EU countries, particularly in light of recent migration trends.

This study aims to analyze the impact of main demographic changes on the labor market of EU and non-EU countries, such as Albania, North Macedonia, Kosovo, and Serbia. This analysis is based on secondary data published by statistical institutions of the countries, taking into consideration the data published by Eurostat. By analysing key demographic indicators alongside labour market data, the study seeks to identify core trends, differences, and challenges faced by the countries under consideration. Moreover, as the Western Balkan countries aspire to EU integration, it is essential to assess existing disparities and trends, as it is expected that negative phenomena such as migration levels, population ageing, and brain drain in these countries to widen after integration of these countries in the EU, associated with a rise in labor costs.

The main findings of the study lead to a different approach requested by EU and non-EU countries in dealing with demographic changes, to adequately address the pressing issues related to the completion of certain job positions, in order to have a full functioning service for society, as well as to further maintain the economic growth. Additionally, a certain pattern is noted for Balkan countries that leads to a more generalized approach when addressing demographical and labor market challenges, enabling a more structured approach towards resolving issues derived from these changes.

Keywords: demographic changes, labour market, aging population, migration, qualification.

1. INTRODUCTION

In recent years, both countries, part of the European Union (EU) and the Western Balkans, have faced significant demographic changes; however, the challenges faced differ. As the EU possesses resources and has certain social policies to address and manage demographic changes such as an ageing population, emigration, declining in birth rate and find alternative solutions to fill the vacancies created in the labor market and thus maintaining the preset social and economic standards. On the other hand, Western Balkan (WB) countries, including Albania have certain difficulties that are associated with the peace and stability in these countries, social policies, and very high levels of emigration, especially of the qualified workforce, which lead to significant changes in demographics, as well as followed by disruptions in the respective labor markets.

As WB countries are aspiring to join the EU, it is expected that they would have to comply with certain requirements and policies, while labor market problems are expected to deepen as the expected levels of migration will rise once joining EU, while for the local companies will be even more difficult to compete in the EU market.

Due to these divergences between these countries, it is necessary to analyze demographic changes and their impacts in the labor market noting differences and challenges in each of the countries taken into consideration. Concretely, into analyzing the data will be included the EU average as well as the data for Albania, Kosovo, North Macedonia and Serbia. The data analyzed will be focused on the post-pandemic situation as it has been a breaking point for WB countries with their levels of emigration, birth rates, population concentrations and other demographic phenomenon that have led to notable issues in the respective labor markets.

The empirical analysis for labor market and demographics is focused on main indicators such as population, longevity, natural increase in population, emigration and immigration levels, employment and unemployment rates for each of the countries in the last five years in comparison with the EU average.

2. GENERAL DEMOGRAPHIC AND LABOR MARKET DEVELOPMENTS IN THE EU

The EU's population growth in recent years has been driven by an increase in migration flows and the influx of displaced individuals from Ukraine under temporary protection (Eurostat, 2024). These flows have maintained a significant growth in population in main EU countries. However, considering the European Commission's 2024

report on ageing projects that the EU's total fertility rate it is expected for them to rise from 1.50 live births per woman in 2022 to 1.62 by 2070, still below the natural replacement rate of 2.10. Net migration is expected to remain positive in almost all EU countries, averaging 0.3% annually from 2022 to 2070, according to the forecasts. Multiple demographic issues are being addressed by European institutions that lead to direct interference in the labor market related such as the labor shortages that are spread across a wide range of occupations that impact the levels of production and supply of products and services in the market and that the job vacancy rate doubled in the past 10 years, reaching 2.9 % in 2022. (EU Parliament, 2025).

Additionally, it was noted that the size of the labor force is increasing in most EU countries, while the size of the population in some countries is decreasing. The decline in the size of the labor force is mainly in countries where the employment situation is unfavorable and a long-term decline in population is taking place. On the other hand, it is clear that the size of the labor force is influenced not only by the size of the population, but by a range of other factors as well. Measures taken at the government level can reduce the impact of negative population and economic development on the size of the labor force (Grmanová, 2021). Nevertheless, the discrepancies in the labor market remain, and one of the main aspects considered by the EU is attraction of talent and skills from third countries through managed migration, preventing exploitative working conditions and fighting undeclared work as a means to address skills and labor shortages, as noted in the Strategic Agenda (EU Parliament, 2025).

In the following table are presented the recent demographic developments in the EU.

Table 1: Demographic data EU-27 countries

Year	Population	Population change	Natural change in population	Birth rate	Fertility rate	Immigration levels	Emigration	Net migration	Asylum applicants
2019	446,149,924	880,100	(486,797)	9.3	1.53	4,206,293	2,562,378	1,643,915	702,830
2020	447,030,024	(932,072)	(1,115,455)	9.1	1.51	3,279,673	2,123,994	1,155,679	476,360
2021	445,891,011	107,917	(1,208,839)	8.7	1.53	4,080,101	2,679,628	1,400,473	638,410
2022	445,998,928	1,696,422	(1,278,890)	8.2	1.46	6,938,995	2,683,179	4,255,816	960,725
2023	447,704,445	1,605,173	(1,186,538)	7.9	1.38	5,966,731	3,004,518	2,962,213	1,130,405
2024	449,309,618	1,070,702	(1,259,328)						998,530

Source: Authors 2025

The data above represents the main demographic indicators for the recent years aggregated for the 27 member states of the EU. It is noted that despite the optimistic forecasts of the EU institutions, the fertility rate and birth rate are in a continuous decline for the union, especially after 2021. Given the natural change in population, it is negative, leading to a decrease of more than 1 million inhabitants per year. However, the population change after the pandemic has increased, outweighing the negative natural change in population. The main reasons behind it are related to the significant increase in migration due to the Russian-Ukrainian war, as well as migration flows from other countries in development.

The net migration flows have reached the peak in 2022 with more than 4 million individuals; however, the trend has remained high as there have been approximately 1 million asylum seekers every year and the net migration in 2023 stayed at 3 million people as well. Such migration flows have maintained a growing population in the EU, as well as without the net migration the population decline would be amplified by an additional 46 million people. Thus, in order to maintain current production and services up and running the current migration flows are necessary (EU Commission, 2025).

The EU has been supporting legal migration in order to support the labor shortages and to boost economic growth; however some of the EU countries themselves have a negative migration rate, leading to a potential brain drain from these countries. On the other hand, the labor shortage supported by skilled workers migration means the brain drain from other countries such as the Western Balkans, which have, in the latest years have had very high migration levels and are associated with difficulties in their labor market, has made it easier for skilled workers to decide on leaving towards the EU.

The EU labor market has been significantly affected by demographic developments. As it is noted below, the unemployment rate has had a decreasing trend throughout time, while there have been approximately 5 million people on yearly basis who have transitioned from unemployment to employment. Yet, due to the demographic condition explained above, the unemployment rates remain at high levels for the union in general, standing at 5.9 in 2024 as a percentage of the labor force, while significantly low as a percentage of the total population.

Table 2: Labor market data EU-27 countries

Year	Unemployment ('000)	Percentage of total population	Percentage of population in the labor force	Employment	Transition unemployment-employment ('000)
2019	14,460	4.4	7.0	73	5,135
2020	15,135	4.6	7.2	71.7	4,318
2021	14,987	4.5	7.1	73.1	NA
2022	13,318	4	6.2	74.6	5,763
2023	13,185	4	6.1	75.3	4,817
2024	13,049	3.9	5.9	75.8	4,866

Source: Authors, 2025

In overall, the EU has been regulating labor market deficiencies caused by demographic developments, through encouraging legal migration, especially of skilled workers. Despite it facing certain resistance from some countries that support restrictions on migration, it is still necessary to address the fast-changing demographic environment in the EU. As it is also expected that the labor market will not be in full employment of the labor force, as there will always be shifts in the skills requested by the market and thus creating certain gaps, migration is one of the ways for completing the needs for products and services in the society. AI developments have also had the interest by the SMEs as they have reported the main difficulties in finding long term employees to fill the job positions, nevertheless its performance and replacement of skilled labor is debatable in all industries.

On the other hand, the high migration flows toward EU, have led to significant problems in the developing countries in the Balkans that some of them are aspiring into joining the EU. Countries such as Albania and North Macedonia are actively engaged in completing the requirements for being a member of the union, however, it is estimated that the joining of the EU will deepen the migration crisis and the brain drain these countries are currently facing.

3. DEMOGRAPHICS AND LABOR MARKET DEVELOPMENTS IN THE BALKANS

Western Balkan countries have been facing a decline in the population due to significant high levels of migration leading to the ageing of population. All 6 Western Balkans countries are facing significant demographic changes. Concretely the population in these countries is declining significantly such as Albania, facing a decline with approximately 21% compared to 30 years ago, while Serbia's population has declined with more than 40 thousand individuals yearly. Additionally, Kosovo has had the youngest population in Europe, with significantly high birth rate, has recently experienced ageing of population due to the decrease in the birth rate as well as higher levels of migration (Wankiewicz, 2025). OECD has derived that the current situation is impacted by social and economic problems in the region such as education quality, healthcare, economic and political stability and corruption, that have led to a steady flow of workers to leave these countries towards the EU. According to the United Nations, the population of the Western Balkans is expected to continue decreasing (approx. by 3 million by 2050). This decrease is expected to further shrink these countries from 15% up to 18%.

Below are presented the data related to key demographic and labor market indicators for Albania, North Macedonia, Kosovo and Serbia. The data represents a summary on the demographic developments that reflect into the labor market.

Table 3: North Macedonia's demographic and labor market statistics

	Birth rate	Natural growth	Total Population	Net migration	Employment rate	Unemployment rate
2019	9.6	-0.3	2,076,255	2,349	47.5	17.1
2020	9.2	-3.2	2,068,808	766	47.5	16.2
2021	10.2	-5.4	1,836,713	1,532	47.2	15.4
2022	9.9	-2.4	1,831,712	1,381	47.3	14.4
2023	9.2	-1.9	1,826,247	799	45.4	13.1
2024	8.8	-2.3	1,822,612	5,747	45.8	12.4

Source: Authors 2025

In North Macedonia, it is noted that the natural growth of the population has remained negative in the last five years, with the overall population declining. However, it is reported that the country has had a positive migration rate, which goes differently from the general WB countries trend. On the other hand, labor market seems to have an amelioration throughout the years. in the employment rate throughout the years. The unemployment rate has had a stable decreasing trend on yearly basis, while the employment rate seems to have grown much slower. The gaging population is a pressing issue in North Macedonia (NMK) same as in other WB countries with population above 65 years reaching to 18.6% in 2024. It is also aspiring to join the EU, which leads to expectations that this trend will likely continue and the country situation deteriorating as the migration flows, despite being positive are not significant to cover the gaps created in the workforce. While in the EU AI is considered to be implemented into businesses, in NMK as well as in other WB countries these developments seem distant, thus this issue remains to be addressed with highest priority, in order to avoid any potential market disruptions.

Table 4: Kosovo’s demographic and labor market developments Statistics

Year	Birth rate	Fertility rate	Population	Net Migration	Participation into workforce	Employment rate	Unemployment rate
2019	12.61	1.57	1,782,115	(28,845)	41.4	30.7	25.9
2020	12.34	1.57	1,798,188	2,819	41.3	30.2	27.0
2021	12.55	1.56	1,773,971	(38,606)	39.2	31.7	19.0
2022	12.28	1.55	1,762,220	(30,889)	38.5	34.0	11.8
2023	12.07	1.55	1,603,115	(15,394)	42.3	37.8	10.7
2024	11.85	1.54	1,585,590	(28,413)	43.6	38.8	10.9

Source: Authors 2025

As mentioned above, Kosovo had the youngest population in Europe, and it still has a high birth rate compared to the EU and other WB countries, however the fertility rate has significantly decreased in two decades reaching to 1.54 in 2024 compared to 2.8 in 2000. In addition, the ageing population is significantly impacted by migration of population with net migration levels approx. at 30 thousand citizens per year, with an exception for 2020 as it was impacted by movement restrictions.

On the other hand, the employment follows the general improvement trend with improvement in the unemployment rate and employment as well. However, the participation in the workforce remains at lower levels as the employment rates stand at 40% which is below other countries analyzed in this study. Impacted by many other challenges in economic, social and political aspects, Kosovo has limited possibilities to fuel the population growth through migration or large technological investments. As the population declines on yearly basis, it is necessary to take the adequate measures to retained the skilled workforce in the country, otherwise it would deal with irreversible damages in the labor market and the brain drain phenomenon.

Table 5: Serbia’s demographic and labor market developments Statistics.

Year	Fertility rate	Total Population	Population change rate	Net migration	Employment rate % of labor force	Unemployment rate
2019	1.52	6,963,764	-5.3	(18,891)	89.61	10.40
2020	1.48	6,926,705	-8	(10,220)	90.99	9.01
2021	1.52	6,871,547	-10.9	(8,974)	90.16	9.84
2022	1.63	6,687,700	-7	40,118	91.56	8.44
2023	1.61	6,641,197	-5.4	4,348	91.73	8.27
2024	1.63	6,605,168	-5.7	(8,132)	92.61	7.39

Source: Authors, 2025

As for Serbia, it has one of the largest populations in the WB, however the population has had a decreasing trend influenced by high migration levels, while the fertility rate has had a slowly growing trend, yet the country deals with aging population, a shrinking workforce and brain drain. The trends in the labor market follow the general WB

trend, however the participation in the labor force and the unemployment rate show better results than the other countries analyzed in the study. Despite that Serbia has a more developed market and higher levels of population compared to other WB countries, it is still under the same pressures and challenges in both demographic aspect and the labor market.

As their populations shrink, the future development of WB6 economies is also at risk. Their competitive advantage to date has relied on the availability of cheap and highly skilled labor. Faced with growing labor shortages, the Western Balkan countries are now trying to offset these deficits through immigration. Long-term forecasts predict a significant decline in the population of all countries in the region (Wankiewicz, 2025).

4. ALBANIA’S DEMOGRAPHIC AND LABOR MARKET DEVELOPMENTS

Albania has experienced many changes in the last 30 years and is still in an ongoing transition. These political and economic changes led the way for many other social changes and thus impacted further the market and the economy in overall. Albanian culture and family composition has significantly changed in the transition (Hoxhaj et al., 2022). These changes refer to phenomenon as shrinking families, lowering of the birth rate, significantly high levels of migration leading to structural changes in the population and thus the labor market.

Table 6: Albania’s demographic and labor market developments Statistics

Years	Population	Birth rate	Net migration	Permit requests	Participation into workforce	Employment rate	Unemployment rate
2019	2,862,427	10.8	(23,082)	..	60.4	53.4	11.5
2020	2,845,955	10.5	(16,684)	7,661	59.5	52.5	11.7
2021	2,829,741	10.3	(32,853)	9,106	59.8	52.9	11.5
2022	2,793,592	10.3	(32,497)	10,127	62.4	55.5	10.9
2023	2,761,785	10.2	(25,357)	12,430	62.4	56.5	9.5
2024	2,363,314	NA	(24,472)	13,176	63.7	58.2	8.5

Source: Authors, 2025

In the recent years Albania has had ongoing issues conveyed from the past. As all the WB countries, the challenges related to education, health care, politics and corruption remain present, while the country has noticed immediately after the pandemic very high levels of emigration. These developments have led to labor market shortages and have raised the issue of the brain drain in the country, yet policies remain ineffective and with not a significant focus in addressing this issue. On the other hand, it is noted that the residency permits requests of foreign individuals have doubled in 5 years. However, one different phenomenon is noted as the country has had an increasing interest by EU citizens that are out of the workforce. Individuals of above 65 years have expressed interest and have had a major share on the permit requests in the recent years in Albania, while the remaining part is comprised of mainly Asian countries employees to fill on vacancies created in the market.

Labor shortages are increasingly concerning as multiple jobs that don’t require qualification are difficult to fill, leading to an increase in rewards given to certain professions that don’t require qualification, filling the gap between the employees with qualifications and skilled labor and jobs that don’t require training or qualification.

However, the labor shortages persist, increasing the interest of many companies in hiring foreign citizens especially from Asian countries. On the other hand, Albania is losing its advantage as a country with cheap labor cost, leading the withdrawal of many foreign companies from the market due to the increasing costs.

5. CONCLUSIONS

The EU and the Western Balkan countries are facing significant challenges regarding demographic issues and these problems are reflected into the labor market as well. For all of the countries taken into consideration EU and WB as well the lack of skilled labor, labor shortages and brain drain have been noted. However, the potential ways on resolving these issues are different due to resources, working conditions and other macroeconomic factors. As the WB countries are facing high levels of migration and despite the higher birth rates in these countries, population is still ageing and for most of the WB the population growth on yearly basis is negative, while the EU, despite the lower birth rates has managed to maintain a positive growth in the population and this due to migration flows. The WB have been a source of migration flows in the EU and as well of the skilled labor, thus impacting the higher emigration in the WB, leading to labor shortages in these countries, as well as the brain drain phenomenon.

On the other hand, these countries have returned to other developing countries mainly in Asia and Middle East to complete vacancies in the market related to certain jobs. However, the inflows haven't been at higher levels to cover the emigration of youth to other developed countries.

These changes have significantly impacted the labor market creating more space for employment of the remaining population, while there has been noted a significant increase in the compensation for jobs that do not require high skills to be performed due to lack of the employees in the market, significantly reducing the gap with the skilled labor, leading to a potential demotivation in the younger generations and in the working population.

As EU is exploring on potential new ways of replacing the labor force in day-to-day activities that have been previously performed by employees, the WB development and approach to technology is not at the same level. This requires a more prudent approach and special attention by the governments of these countries to address the higher levels of emigration and retain the working force in their respective countries.

Albania has noted one of the higher levels of migration in the WB, leading to significant discrepancies in the market, however little to no interventions have been made in order to retain employees. While more companies are hiring employees from across the continent, most of these employees see Albania as a trespassing to the EU countries for better working conditions and higher compensation to their labor. Albania is also noticing a higher interest from people outside of the working force as in the recent years are noted higher inflows of EU individuals above 65 years that reside in Albania.

In overall, in order to support the demographic developments that appear the same between the EU and WB, the tools these countries have are significantly different. Therefore, it is essential for the WB to implement strategies in the market to retain the workforce and stimulate the population growth via social policies, as well as consider the other macroeconomic aspects such as stability in market and politics, economic growth, corruption and other labor market related issues in order to prevent brain drain and potential disruption in the processes of many companies that use labor force as a competitive advantage for operation.

Additionally, as some of the WB countries are aspiring to join the EU, these discrepancies will widen as the access to a free labor market between the WB and the EU will potentially stimulate higher emigration from WB towards the EU countries.

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