

# Human Capital in the Western Balkans:

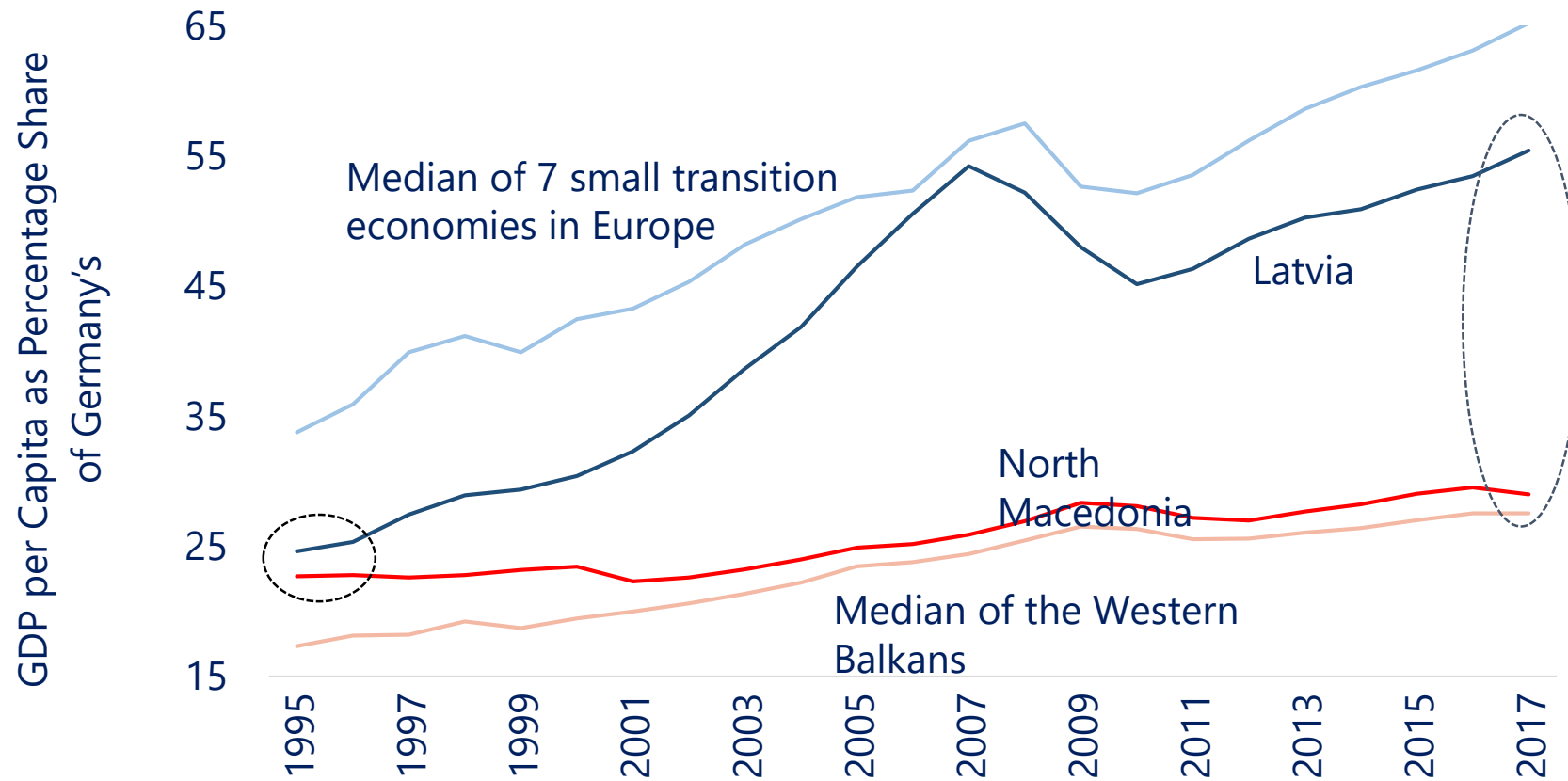
## A Missing Link to Growth and Inclusion

October 22, 2019

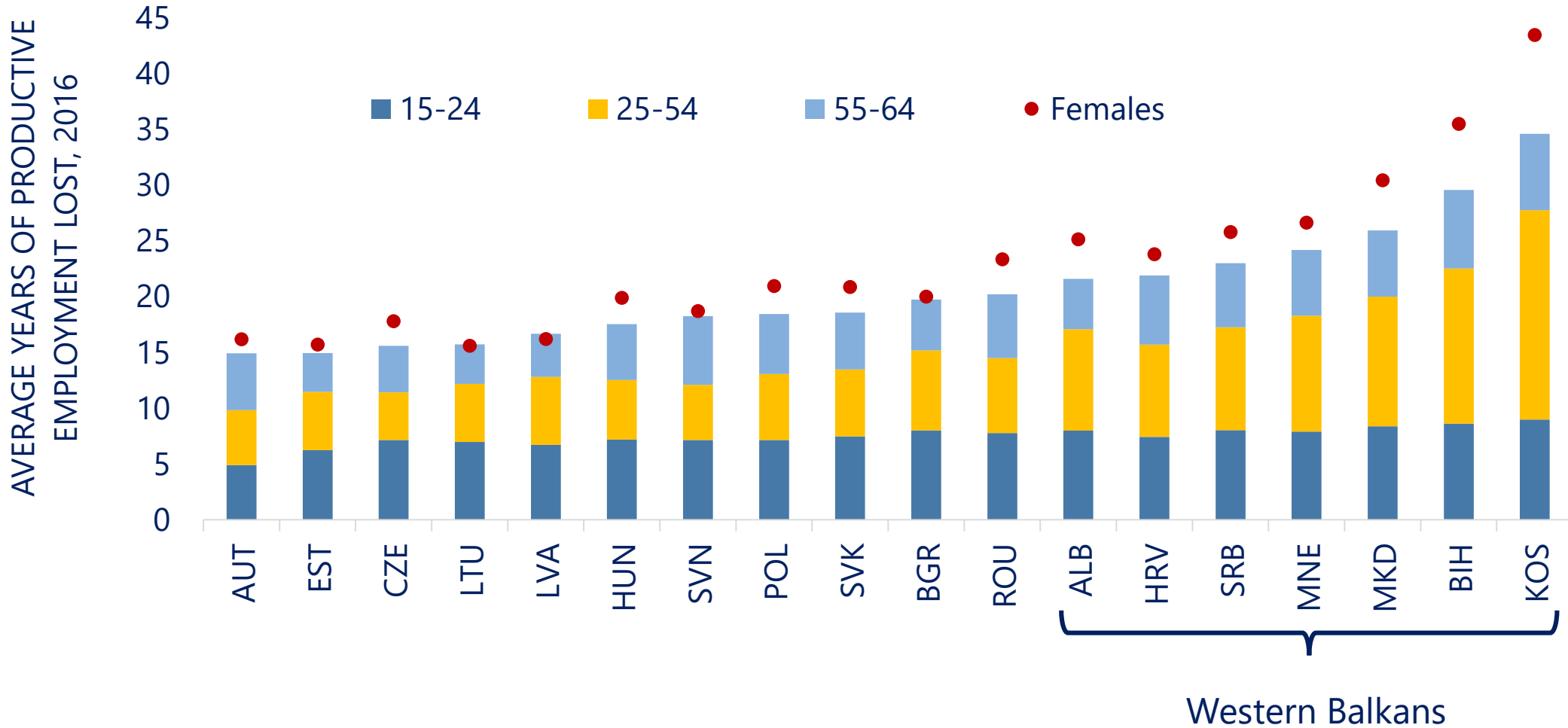
Jamele Rigolini, World Bank



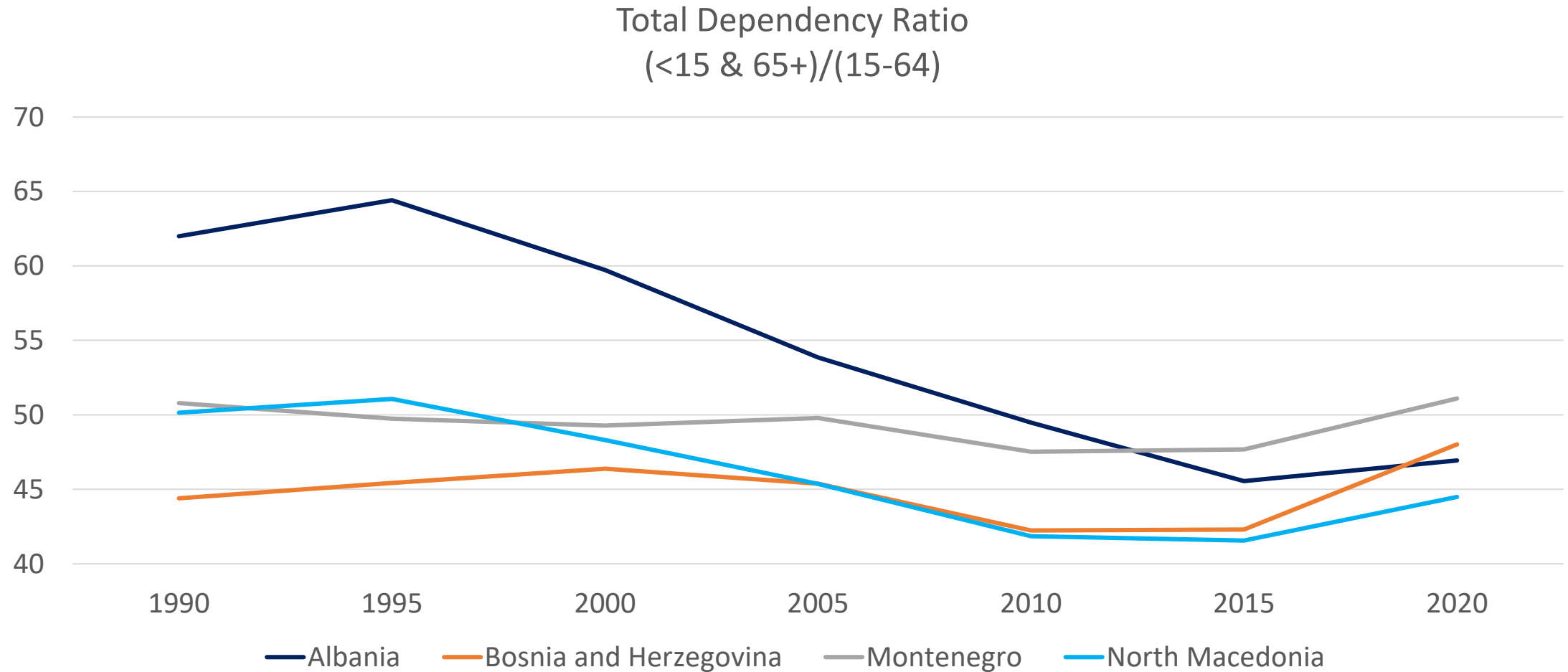
# Western Balkan countries remain among the poorest in Europe



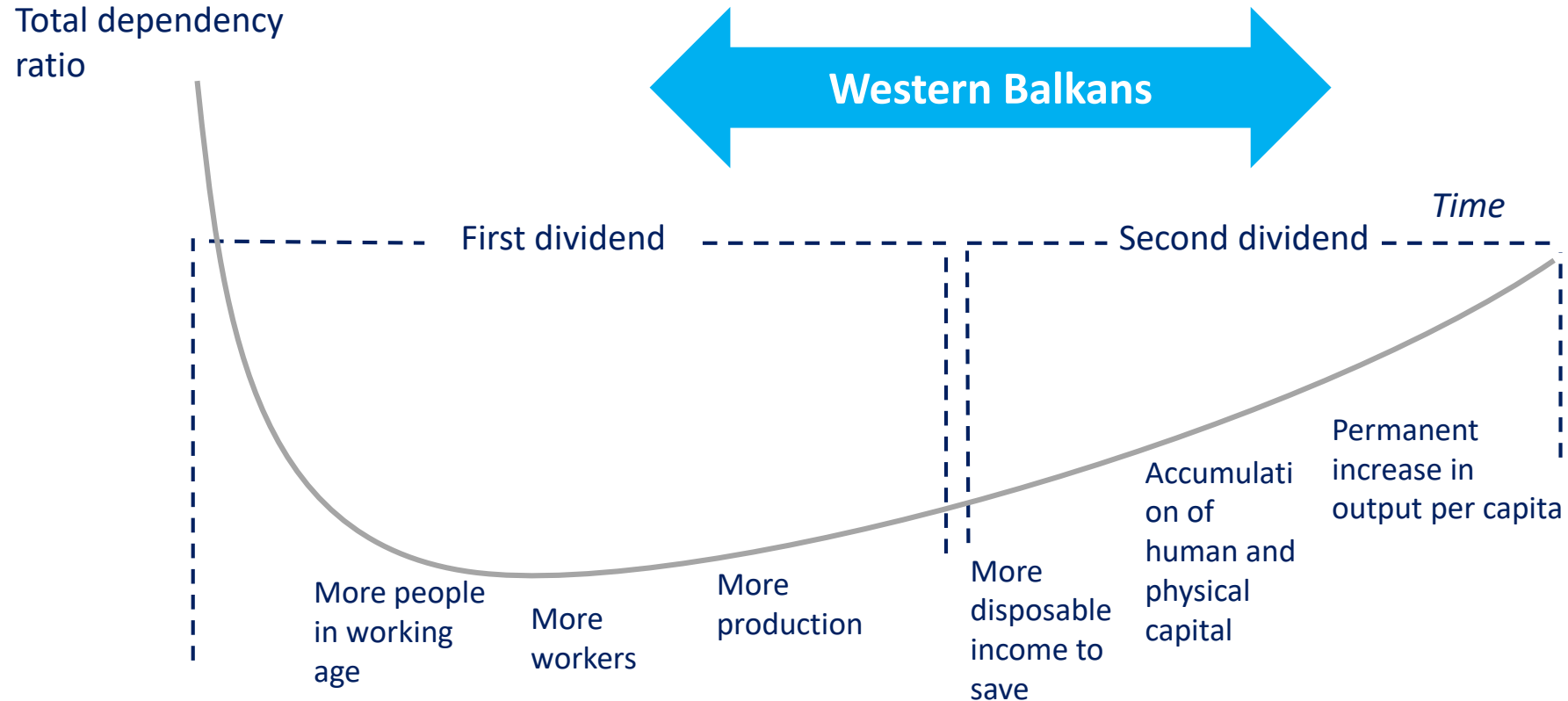
# Lagging economic growth has led to a persistent jobs challenge



# An aging population urgently requires boosting productivity

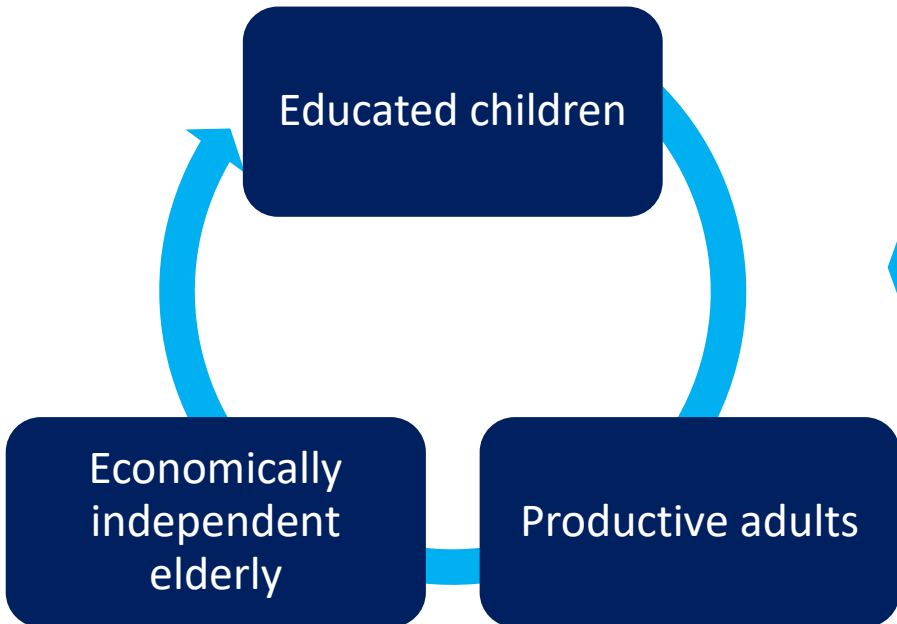


# Realizing opportunities from the demographic dividends will depend on good policies



# The demographic transition amplifies the impacts of good but also bad policies

## Virtuous cycle



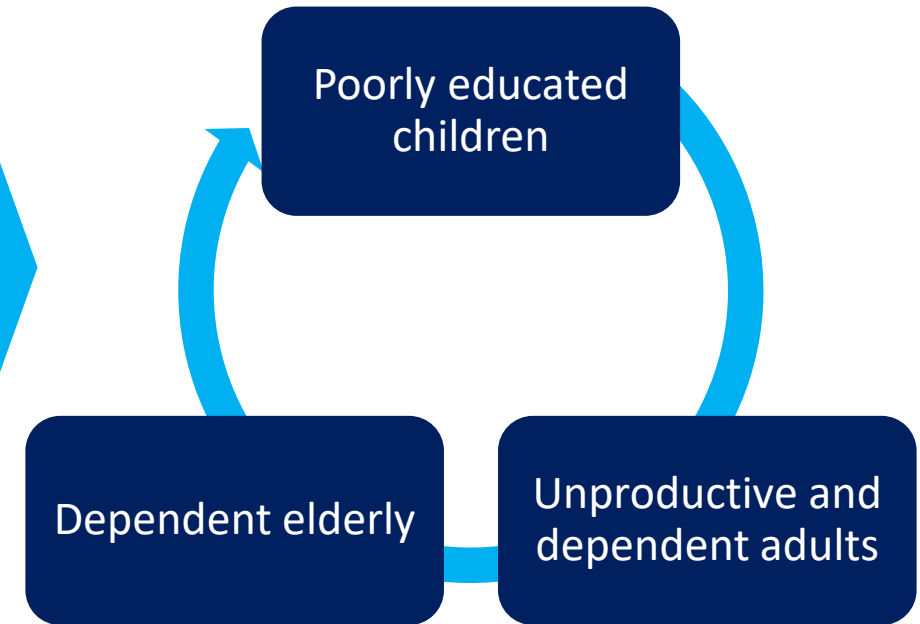
## Policies



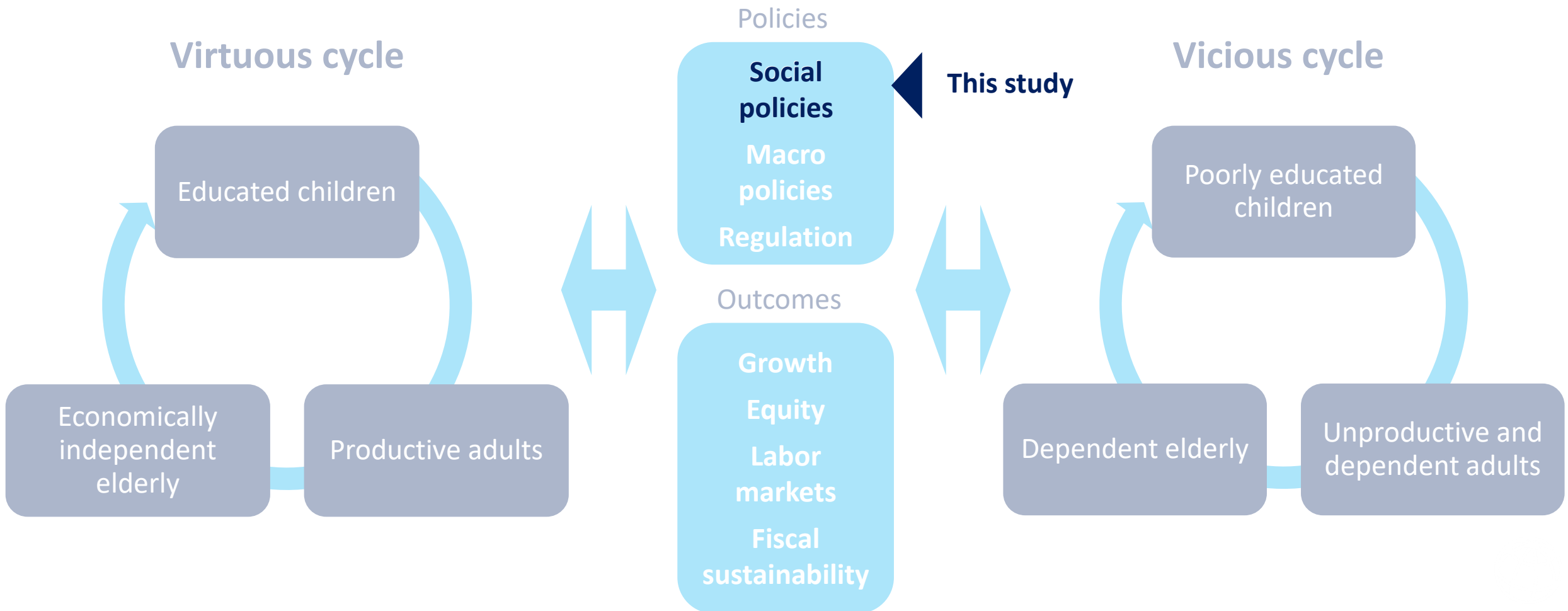
## Outcomes



## Vicious cycle



# The demographic transition amplifies the impacts of good but also bad policies

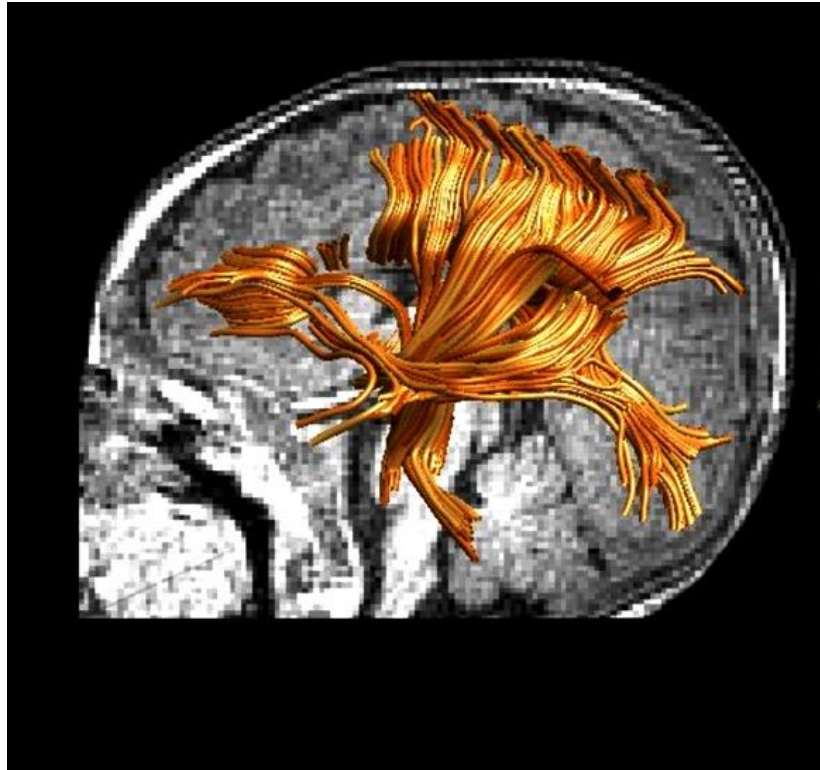


# Human capital is essential for growth, good jobs and poverty reduction

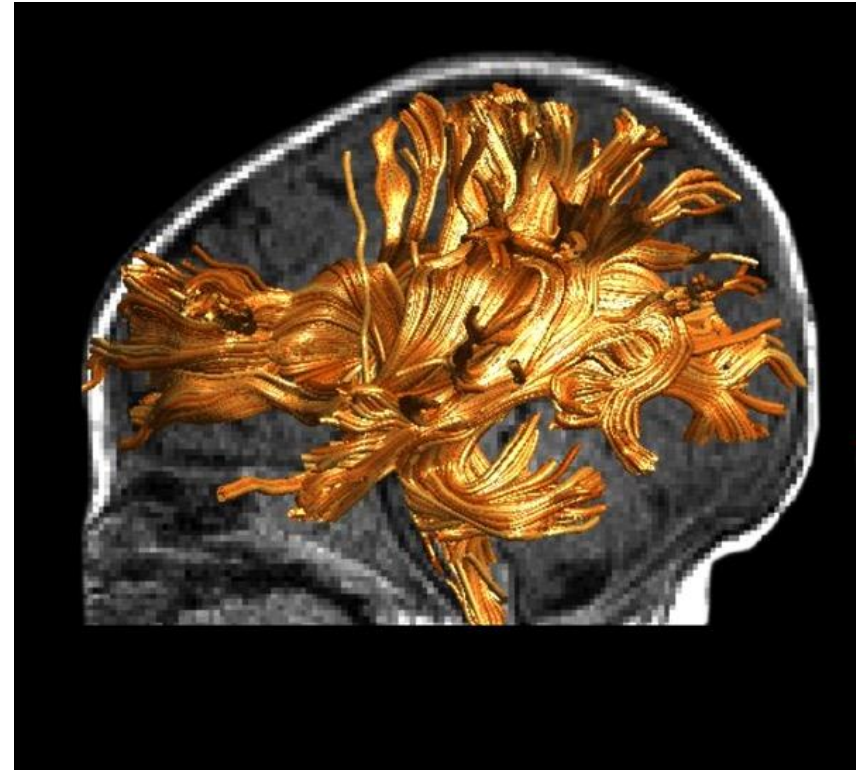
- A healthy, skillful population helps handling increasingly complex and competitive production processes
- Quality human capital also helps the poor escape poverty through better jobs:
  - One additional year of schooling increases earnings by 9 percent
  - Inclusive and cost-effective health systems support productive lives and avoid impoverishment from health shocks
  - Effective social protection systems protect people and promote employment



# Human Development begins in the womb: The importance of ECD



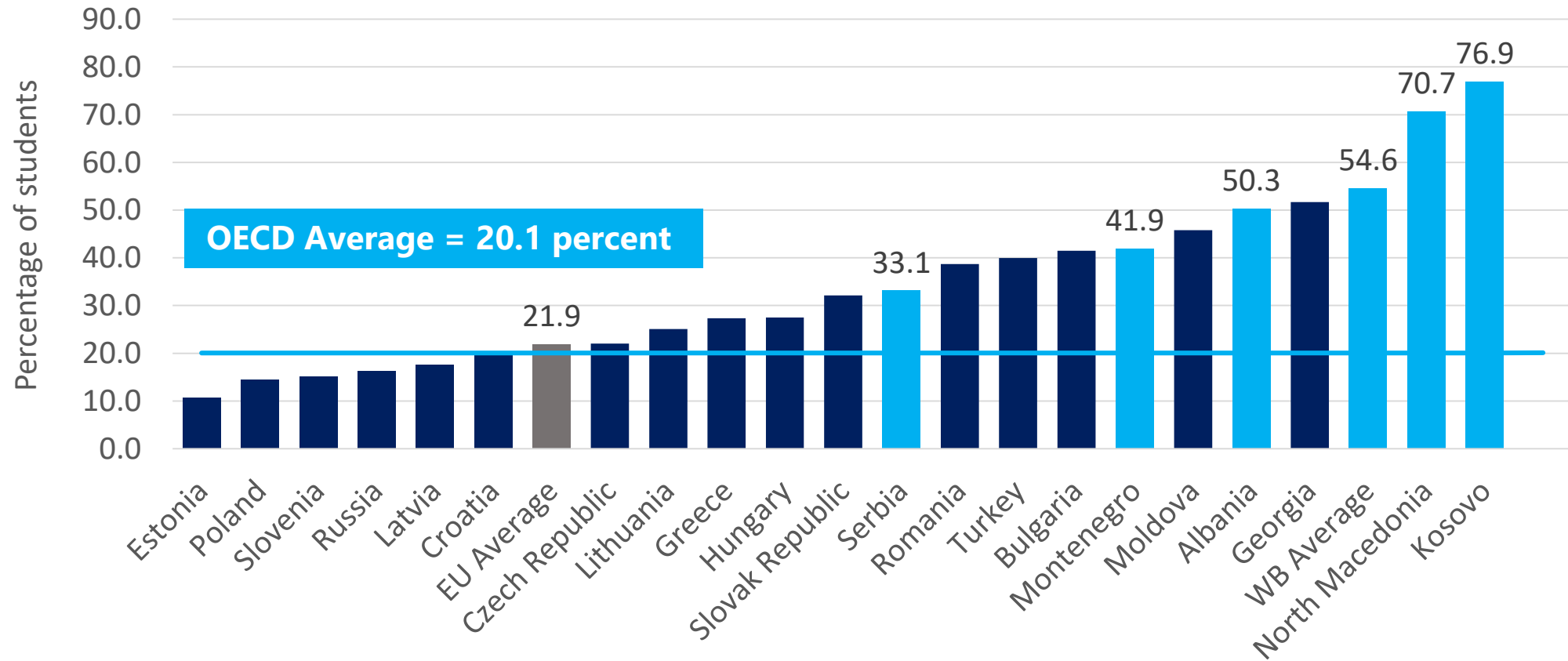
**CHILD WITH STUNTED  
BRAIN DEVELOPMENT**



**HEALTHY, CARED  
FOR CHILD**

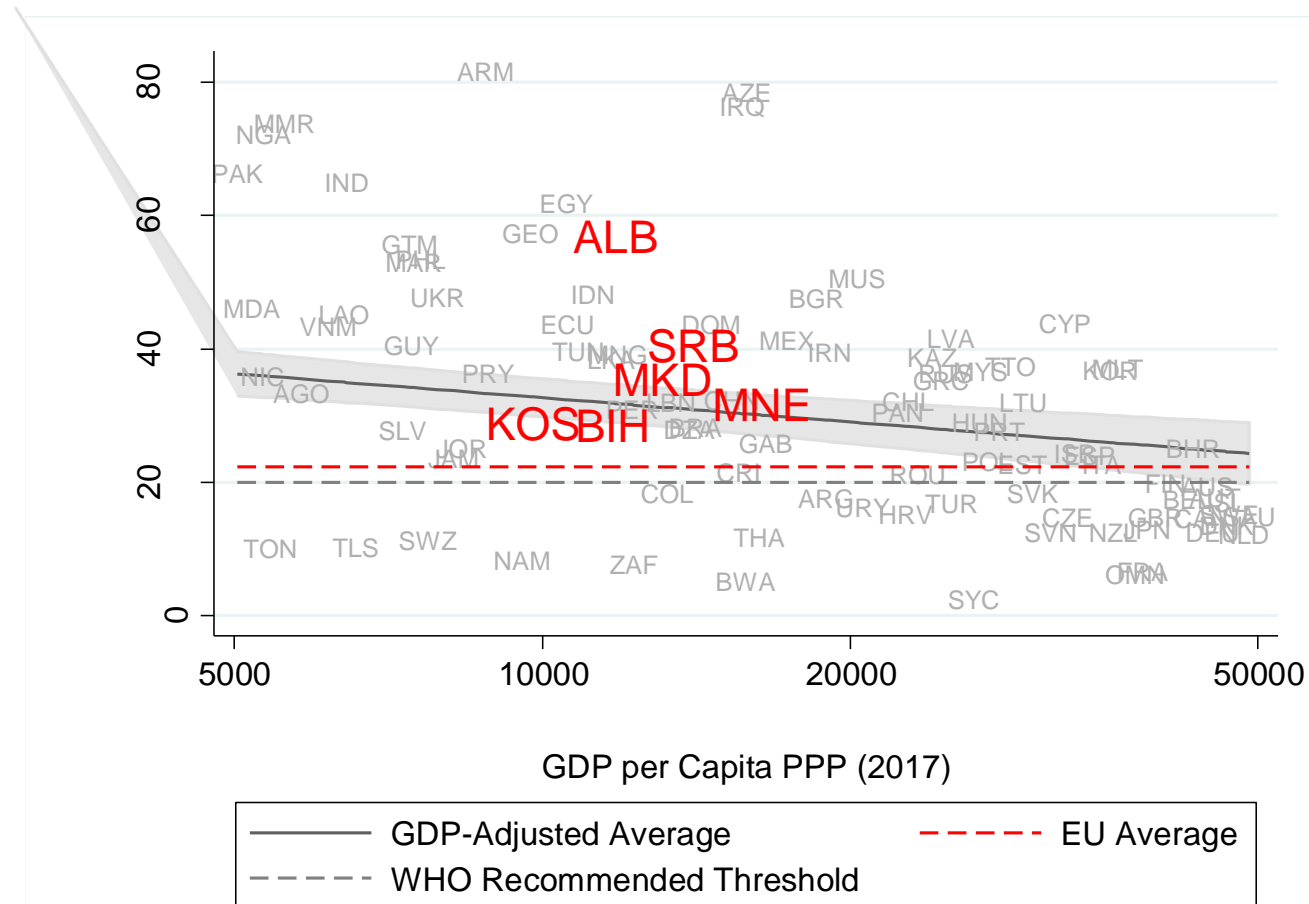
# Education systems that fail students in the labor market

High functional illiteracy rates



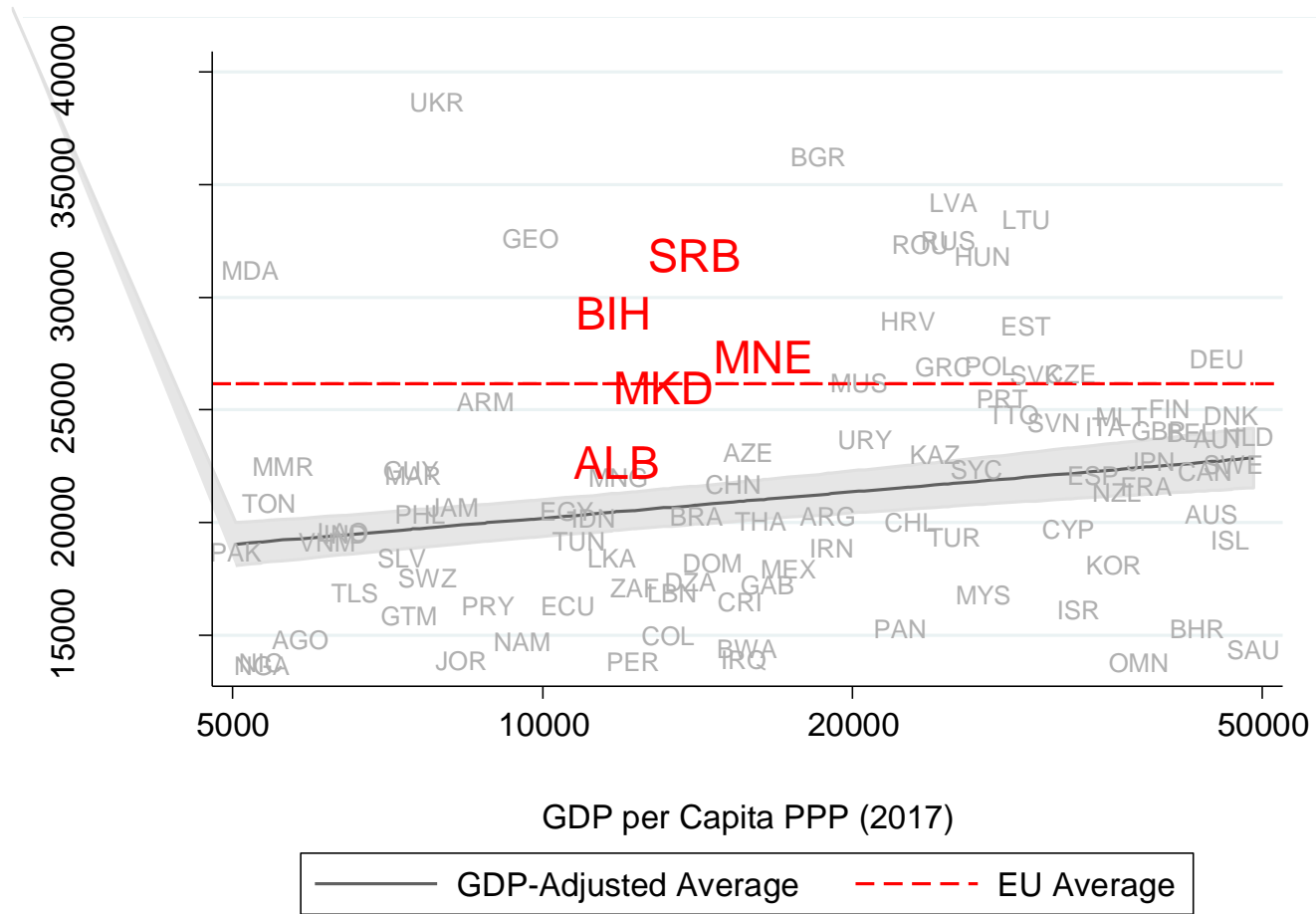
# Health systems that impoverish people and fail to address new diseases

## High Out-of-Pocket health expenditures



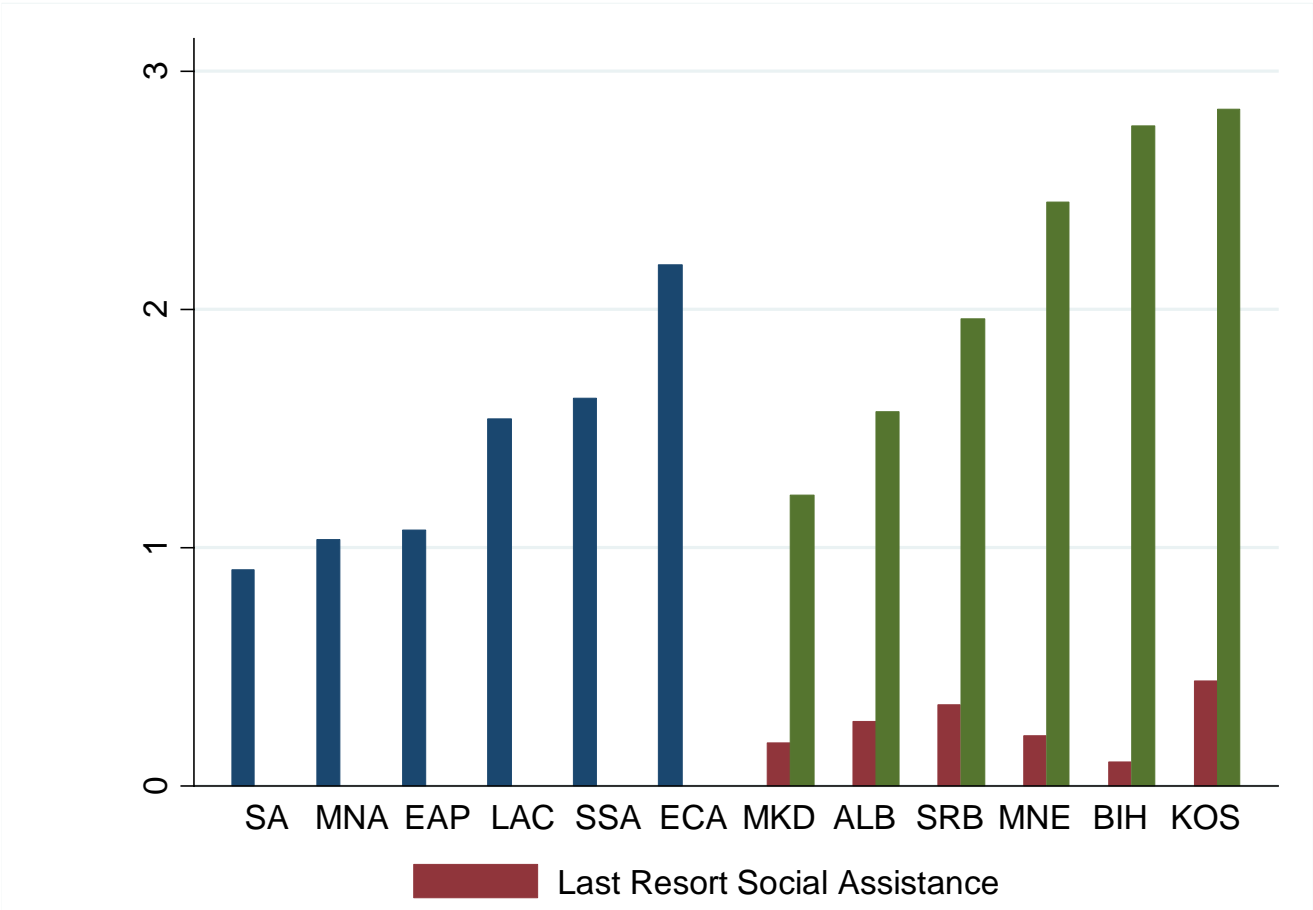
# Health systems that impoverish people and fail to address new diseases

## Rising prevalence of NCDs



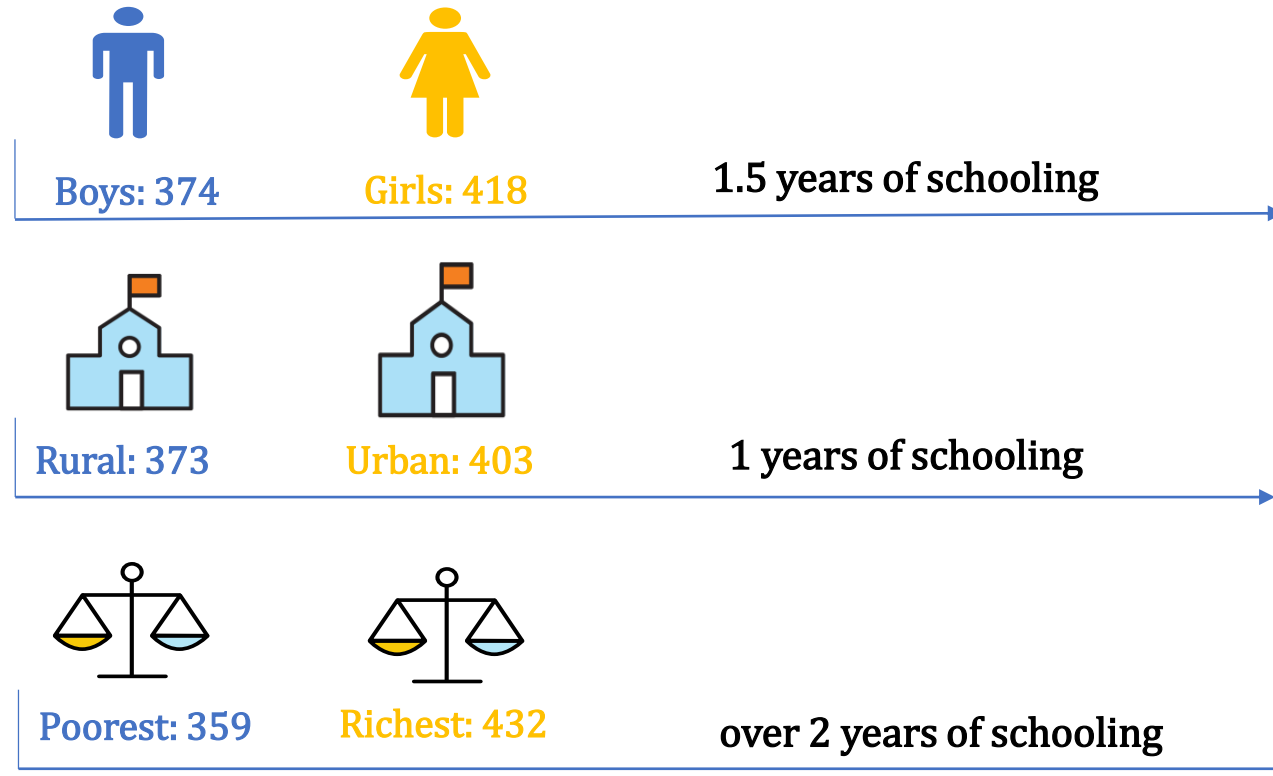
# Out of focus social assistance

High social assistance spending does not necessarily reach the poor



# A persistent inclusion challenge (1/2)

Disparities in learning outcomes persist along gender, location, and income groups

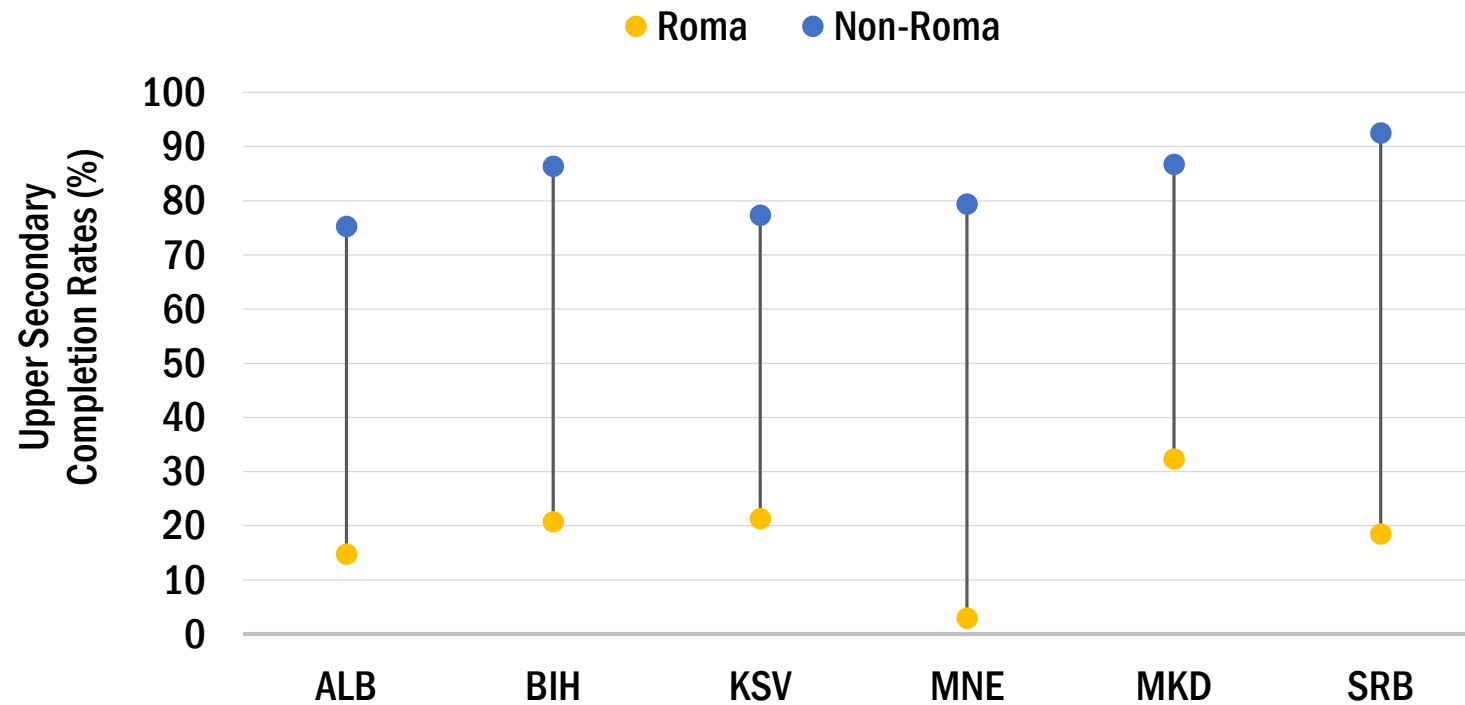


The inclusion agenda is also a growth agenda

In Serbia, by 2030 close to 30% of new workers will include individuals from vulnerable and minority backgrounds

# A persistent inclusion challenge (2/2)

Education outcomes for vulnerable Roma are dismally low



# An Urgent Need for More and Better Investments in Human Capital (1/3)

- In **education**, there is a need to improve quality, relevance, and inclusion:
  - In the **early ages**, access to quality childcare needs to be expanded – with priority to children from poor and vulnerable backgrounds
  - In **basic education**, teacher and curriculum reforms and better school management would help students acquire solid foundational skills
  - In **TVET and higher education**, ensuring quality certification and accreditation and closer links with the private sector could boost the labor market relevance of the training
  - There is also a need to more carefully **monitor student performance and outcomes at all levels**, and better support poor and vulnerable students



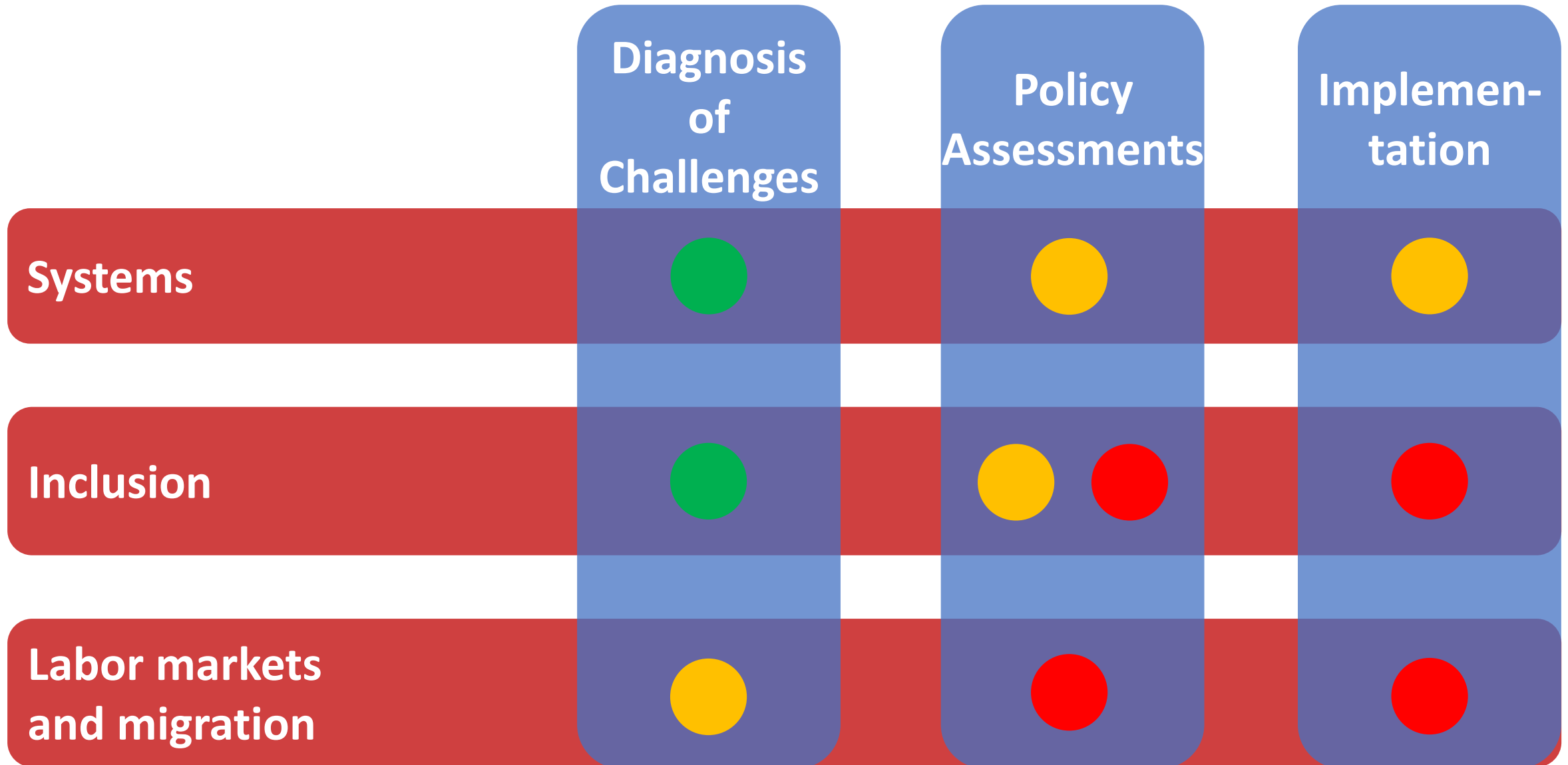
# An Urgent Need for More and Better Investments in Human Capital (2/3)

- In **health**, reforms should address the lifelong consequences of poor ECD, the rise of NCDs, and excessive out-of-pocket health expenditures:
  - **Reproductive health and antenatal/children care services** are in need of a quality boost
  - Health care needs to adapt to **aging populations** and the **rise of NCDs**
  - **Primary care** should be enhanced and expanded into the places where people live and work
  - **Health insurance systems** need to be broadened and optimized to reduce out-of-pocket spending, in particular among poorer households

# An Urgent Need for More and Better Investments in Human Capital (3/3)

- **Social assistance** should focus on alleviating poverty, improving the employability of the poor and provide effective support throughout the lifecycle:
  - Social assistance must be **refocused to address actual needs**, rather than covering broad categories of beneficiaries independent from needs
  - Social assistance should not only support the poor but also **promote the acquisition of human capital** and the employability of the poor
  - Programs and case management can also be **better integrated**: only two Western Balkan countries have a well-established social registry

# Where do we stand?



# Thank you

Western Balkans  
Regular Economic Report # 15

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