

**Making the labour market
work for women and youth**



**50
YEARS**

Empowered lives. Resilient nations.

The background of the cover features a photograph of several hands of different skin tones being pressed together in a supportive gesture. The image is split vertically: the left side is overlaid with a teal color, and the right side is a warm, golden-yellow color. The title text is overlaid on the teal section.

**KOSOVO
HUMAN
DEVELOPMENT
REPORT 2016**

MAKING THE LABOUR
MARKET WORK FOR
WOMEN AND YOUTH

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DEVELOPMENT
REPORT 2016**

The views expressed in this report are those of the authors and do not necessarily represent those of the United Nations Development Programme or the Ministry for Foreign Affairs of Finland.

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■ FOREWORD

For more than 50 years UNDP has been committed to eradicating poverty and hunger around the world. Much of this effort over the past 15 years has been dedicated to the achievement of the eight Millennium Development Goals which guided development from 2000 to 2015. More recently, UNDP has taken a leading role in advocating for the Sustainable Development Goals, also known as Agenda 2030, which is considered to be the “most ambitious effort on development in world history” (UNDP, 2016, n. p).

One of the main substantive contributions that UNDP makes in support of the three main tenets of these Global Goals – ending extreme poverty and hunger, leaving no one behind, and assuring sustainability – are its Human Development Reports. According to the Director of the Human Development Report Office, the Reports contribute to achieving the Goals in at least three ways. First, they make an intellectual contribution through “extending the frontiers of knowledge of human development” (Jahan, 2016, n. p.). Second, Human Development data can help to monitor and evaluate the Goals in the country and global level. Third, this same data can be used to enhance UNDP advocacy efforts for the Agenda 2030.

The 2015 global Human Development report “Work for Human Development” places employment at the core of human development in today’s world. As Global Goal #8 implies, sustainable development is possible only with equitable access to the labour market and decent work for all. “Work is considered decent if it: enables expansion of choices; enhances knowledge and skills; allows planning for the future; enables participation in

the political, economic and socio-cultural spheres; and protects the employee from different risks in the present and the future” (Human Development Report 2015, Work for Human Development). On the other hand, unused, underused or misused potential can inhibit sustainable human development. Long-term inactivity, especially among youth, poses great risks to the well-being of young women and men and to social cohesion in the long term.

Being in mind the particularly negative labour market outcomes for women and youth in Kosovo, it was perhaps inevitable that the next Kosovo Human Development Report would seek to analyse and get a better understanding of the topic.¹ Consultations with Kosovans from all walks of life, through surveys and social media showed that unemployment is indeed the main topic of concern for them. The report takes a holistic approach to the topic, analysing it from the viewpoints of demand, supply, and the functioning of the labour market.

More than 57% of youth between 15 and 24 years in Kosovo are unemployed and a third of them are neither employed nor attending education or training. Transition from school to work is very long here. The majority of the 33% of the population who are unemployed have been looking for work for more than a year. Women’s labour market participation is the lowest in the region: 82% of working age women in Kosovo are neither employed nor looking for work.

The report finds that women are particularly constrained by many barriers, including their traditional role as the primary caregiver in the family.

1 References to Kosovo shall be understood to be in the context of UN Security Council Resolution 1244 (1999).

Inaccessible or unaffordable care services, lack of flexible working arrangements, and favouring of male candidates over female for private sector jobs are also cited as bottlenecks to participation.

In addition to low demand for labour, labour supply and labour market functioning is less than adequate. The education system is characterized with poor quality at all levels and is yet unable to equip youth with a full set of knowledge and skills to match the demands of the labour market, especially those of the private sector. University education programs are often segregated by gender, leading to occupational segregation in the labour market. Kosovans in fact have such a negative perception of the labour market functioning that nine out of ten of them search for work through personal contacts, family, friends and relatives. Age, area of residence (i.e. urban vs. rural), education attainment, marital status, age of children and receipt of remittances are all found to be important factors affecting participation in the labour market, especially by women and youth.

The report also provides details about those currently in employment. It finds that women generally require a higher education attainment than men to gain employment. They are underrepresented in managerial and professional positions and overrepresented in the public and informal private sectors in areas linked to traditional roles such as caregivers, teachers, and health care providers. Employed youth on the other hand are overrepresented in the informal economy. Low wages, lack of job security and lack of social protection coverage in these jobs increase vulnerabilities for women and youth.

Our findings and recommendations show that to improve the position of women and youth in the labour market in Kosovo more collaboration is needed by partners working together across multiple sectors. To begin with, reform of legislation on labour is necessary to better cater to women's needs. Second, stricter implementation of labour rights is necessary. As well, more accessible and affordable care services should be made available to allow women to participate in the labour market. Youth need to be provided with more opportunities to gain skills and experience through active labour market programmes. And education reform at all levels is necessary to equip young women and men with skills compatible with both local and global market demands.

This report is only one of many efforts that UNDP and its partners have undertaken to address unemployment in Kosovo. Since 2005, we have helped more than 12,000 Kosovans to find employment, gain new marketable skills through active labour market programmes, and start their own businesses. Our hope is that the findings from the report will improve the effectiveness and impact of these programmes and those of others working to address this central challenge to Kosovo's development.



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The report has been peer-reviewed by: Jonathan Hall, UNDP Head of Human Development Report Unit and colleagues from UNDP Istanbul Regional Hub (IRH): Ben Slay, Senior Advisor; Elena Danilova, Policy Analyst; Jasmina Papa, Social Inclusion Specialist.

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The report was proofread and edited by Deirdre Keogh.

LIST OF ACRONYMS

FYRoM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HDR	Human Development Report
HR	Human Resources
ILO	International Labour Organization
KAS	Kosovo Agency of Statistics
KHDR	Kosovo Human Development Report
KOSME	Kosovo Programme for Overall Small and Medium Enterprise Promotion
KWN	Kosovo Women's Network
LFS	Labour Force Survey
MEST	Ministry of Education, Science and Technology
MICS	Multiple Indicator Cluster Survey
MLSW	Ministry of Labour and Social Welfare
MTI	Ministry of Trade and Industry
NEET	Not in Employment, Education or Training
OECD	Organization for Economic Co-operation and Development
PISA	Programme for International Students Assessment
PPP	Purchasing Price Parity
RAE	Roma, Ashkali and Egyptian
TAK	Tax Administration of Kosovo
UNDP	United Nations Development Programme
UNDESA	United Nations Department of Economic and Social Affairs
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
UNSD	United Nations Statistics Division
VET	Vocational Education and Training

GLOSSARY OF TERMS

Correlation & regression analysis: Used to estimate the relationships between variables

Econometric analysis: Application of statistical and mathematical methods to understand and describe economic systems

Employed: People who during the reference week performed some work for a wage or salary, or for profit or family gain, in cash or in-kind or who were temporarily absent from their jobs

Employment rate: Proportion of the working-age population that is employed

Inactive: People who were neither employed nor unemployed during the reference period

Inactivity rate: Proportion of the working-age population that is neither employed nor unemployed

Labour force participation rate: The ratio of the labour force (employed plus unemployed) to the working-age population, expressed as percentage

Logistic regression analysis: Regression analysis whereby the dependent variable is binary/dummy (0 or 1)

Statistical significance: A number that expresses the probability that the result of a given experiment or study could have occurred purely by chance. If a result is statistically significant, it simply means that the statistic is reliable

Unemployed: People who during the reference week were: without work, currently available for work, or seeking work

Unemployment rate: Proportion of the labour force that is not employed

Vulnerable employment: Employment in the informal economy, characterized by low pay and minimal or no coverage by formal social protection systems

Working age population/Labour force: includes people 15 to 64 years of age

Youth: Persons aged 15-24 years

Youth Not in Employment, Education or Training (NEET): The share of youth (15-24 years) that are not employed, not in education and not in training

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■ EXECUTIVE SUMMARY

The latest global Human Development Report (2015) entitled 'Work for Human Development' places employment and work at the forefront of expanding people's choices and ensuring sustainable development. The report argues that the link between work and human development should be considered as two interlinked concepts: while work enhances human development through increased income, poverty reduction and equitable growth, human development simultaneously increases human capital and expands opportunities and choices through enhancing health, knowledge, skills and awareness. The report also argues that in order for work to enhance human development, its definition needs to be expanded to encompass all types of work that contribute to human development including jobs, care work as well as voluntary and creative work. Moreover, policies that: 1) Expand worker's knowledge, skills and productivity, 2) Promote satisfying and remunerative work opportunities, and 3) Ensure worker's rights, safety and well-being, need to be in place.

Widespread unemployment and inactivity, especially among women and youth, leaves an ample amount of human potential unused, misused or underused all of which are considered human deprivations that inhibit sustainable development. While in the short to medium term unemployed individuals risk losing work related skills and knowledge, long term unemployment and inactivity decreases well-being, increases the potential for crime, violence and social unrest, whilst also leaving people outside the social security and social protection systems thereby increasing the risk of age-related vulnerabilities.

The theme of employment and work is considered to be both timely and highly appropriate for the 2016 Kosovo Human Development Report as confirmed by

consultations with the general public in Kosovo through UNDP surveys and also a crowd sourcing exercise where unemployment, lack of economic development and poverty/low standards of living were consistently cited by respondents as the most critical problems facing Kosovo today.

The report explores the causes of the labour market outcomes within Kosovo's macroeconomic context and also assesses several aspects of labour supply and labour market functioning with a particular focus on women and youth is both groups display the most negative and pessimistic outcomes in the labour market whilst also simultaneously possessing the greatest potential for sustainable development. The analysis is based on desk and legislative review,

econometric analysis of the Kosovo Agency of Statistics (KAS) Labour Force Survey (LFS) data from 2014 as well as the UNDP 2011 Remittance Household Survey data. The findings of the report strengthen existing research on the topic and highlight the urgency for multisector and multidimensional interventions, especially those targeting women and youth.

The high unemployment and inactivity rates in Kosovo are largely attributed to low demand for labour as a result of sluggish economic growth which is based largely on remittances, donor assistance and public infrastructure investments. The high trade deficit and the limited growth of the private sector, which still lacks significant investment in large-scale manufacturing or other labour-intensive sectors, are also important contributing factors. The supply of more than 20,000 young entrants into the labour market each year exacerbates the situation further given especially the limited employment opportunities in the public sector. More importantly, problems with access to and quality of education as well as the “detachment” of Kosovo’s education system from the latest global trends produces a labour force whose skills are obsolete and in low demand. Finally, job seekers overreliance on informal networks – family and friends – to find employment is also considered as an impediment to labour market functioning.

In an attempt to identify other key factors that impact labour market outcomes for women and youth the report also explores some important issues for both groups: 1) Demographic characteristics such as age, gender, marital status, having children, and region of residence, as well as receipt of remittances all have an impact on the decision of women and youth to participate in the labour market; 2) Traditional gender division

of roles has a large impact on labour market outcomes for women, especially participation in the labour market and sectors of employment (public/private, formal/informal and economic activity); 3) Women and youth are overrepresented in vulnerable employment and very few enjoy decent pay, working conditions, and coverage by the social protection system, which increases their risk for vulnerability in the future; 4) Youth enjoy limited employment and internship opportunities that would enable them to advance their skills; and 5) Care services and the related legislative framework do not facilitate women’s participation in the labour market.

The policy recommendations presented in this report, which tackle major findings related to labour market outcomes for women and youth, were drafted in consultation with relevant central and local level institutions, major donors in the field of employment, and economy and labour experts. They include a call for action in legislative and policy reform, rule of law, and the shaping of behaviour. Specifically, the report recommends: 1) Provision of subsidies for day care centres, childcare and preschool education and expanded access to pre-school services; 2) Revision of policies for parental leave to address women’s access to the labour market; 3) Promotion of flexible working arrangements for women of reproductive age; 4) Advocacy and “behaviour modelling” to address the social norm barrier to women’s participation in the labour force; 5) Investments in agriculture and improved low cost public transport from rural to urban areas; 6) Investments in modernization of general secondary and (especially) Vocational Education and Training (VET) programs; and 7) Development of measures to identify, track and support youth in the Not in Employment, Education or Training (NEET) category.

■ INTRODUCTION

The most recent KAS consumption poverty assessment found that in 2011 almost a third of the population in Kosovo lived below the poverty line (€1.72 per adult equivalent per day), while 10.2% lived with less than €1.20 per adult equivalent per day (KAS, 2013). Poverty is highest among the unemployed² (36.1%) and those in vulnerable employment including per diem workers (29.3%) and farmers (29.4%) (KAS, 2013). At 0.741 Kosovo's Human Development Index (HDI) is one of the lowest in the region next to Albania and Bosnia and Herzegovina, that are both ranked 85th globally³ (See the Statistical Annex for details on the calculation of the HDI).

Given Kosovo's high poverty rate, its low HDI, the poor performance of the private sector in job creation and the strong link between unemployment and socio-economic exclusion, it was imperative that the 2016 Kosovo Human Development Report (KHDR) should focus on employment and work. Identifying the determinants of labour force participation for women and youth in Kosovo is especially important as both of these groups currently experience the most negative and pessimistic

outcomes in the labour market whilst simultaneously possessing the greatest potential for sustainable development. Our consultations with the general public across Kosovo through a number of UNDP surveys and a *crowd sourcing* activity confirmed the relevance of this year's topic as respondents consistently cited unemployment, lack of economic development and poverty/low standards of living as the main problems facing Kosovo today.

This report is organized as follows.

THE FIRST CHAPTER includes a brief description of the conceptual framework between human development and work, and highlights the rationale for the report.

THE SECOND CHAPTER is divided into six sub-sections the first of which discusses Kosovo's economy in terms of employment generation, including Gross Domestic Product (GDP) growth, characteristics of the private sector and latest trends in private sector development; the second sub-section discusses labour supply, including the demographic composition of Kosovo's population, access to and quality of education and the mis-match with labour market demands, and the impact of migration and inactivity on labour supply; the third sub-section discusses labour market functioning in terms of the interaction between employers and job-seekers; the fourth sub-section discusses the related legislation that impacts on women's participation in the labour market while the fifth and the sixth sub-sections discuss employment statistics and outcomes by demographic characteristics (age, gender, education level and region of residence) as well as quality of work (types of jobs, sectors of employment, occupations, job security, coverage by the social protection systems).

THE THIRD CHAPTER presents an in-depth analysis of the determinants of labour force participation for both women and youth, as the two groups with the most negative labour market outcomes. In addition to descriptive statistics from the LFS 2014 that consider unemployment and inactivity by demographic characteristics and other factors, the section also includes a review of literature on the determinants of labour force participation among women and youth. These findings are then used to build econometric models using data from the LFS (LFS,2014) and the UNDP Kosovo Remittance Survey 2012 to identify individual and household characteristics that have an impact on women's and youth's participation in the labour market. Whenever possible, the findings are complemented with secondary data and review of legislation to broaden and deepen the discussion. The policy recommendations, which tackle major findings related to labour market outcomes for women and youth, are covered in the last section of the report. The recommendations were drafted in consultation with relevant central and local level institutions, major donors in the field of employment, and economy and labour experts.⁴

It must be highlighted that due to the nature and aim of the report, most of the analysis will revolve around labour market outcomes and their determinants, with only limited focus on some of the many components of work and work quality.

A woman with curly hair, wearing a red long-sleeved shirt, is standing in a warehouse or storage area. She is looking towards the camera with a slight smile. In the background, there are tall stacks of yellow and white boxes. In the foreground, she is holding a pair of black shoes, and a white cardboard box is visible on the right. The entire image has a semi-transparent teal overlay.

CHAPTER 1: WORK AND HUMAN DEVELOPMENT

1.1. WORK AND HUMAN DEVELOPMENT: A CONCEPTUAL FRAMEWORK

According to the global Human Development Report (HDR) 2015 'Work for Human Development', work affects human development in multiple ways, including: 1) Increasing income enabling individuals and households to achieve a decent standard of living; 2) Enabling individuals and households to build a secure basis for their lives allowing them make choices for the longer term; 3) Empowering women through greater autonomy and decision-making power in the family and community; 4) Increasing participation and giving individuals a voice through interaction with others at work and participation in collective decision-making; 5) Providing the individual with dignity and recognition through acknowledgment of accomplishments, self-respect and social identity, and 6) Enhancing creativity and innovation by providing individuals with an opportunity to unleash creativity.

The report also recommends the definition of work be expanded to encompass all types of work that contribute to human development including jobs, care work, as well as voluntary and creative work. Moreover, policies that expand worker's knowledge and skills and create productive, satisfying and remunerative work opportunities as well as ensuring worker's rights, safety and well-being need to be in place. It is essential also that latest trends in globalization and technological developments that bring together workers and business networks from around the globe are recognized.

To this date there are countless examples across the globe of the failure to use, misuse or underuse human potential which in turn serves to inhibit human development. Widespread unemployment and inactivity, especially among women and youth, leave an ample

amount of human potential unused. Duration of unemployment is crucial in this regard as overtime individuals tend to lose their employable skills in a context of fast-evolving markets driven by technological advancements. There is also evidence that unemployment has a scarring effect, harming people's labour market prospects. More importantly, long periods of unemployment and inactivity among youth may lead to a *"lost generation of workers"*, with a decrease in well-being as a result of low self-esteem and potential increases in crime, violence and social unrest due to lack of social cohesion. The risk of age-related vulnerabilities also increases as many of the long term unemployed remain outside social security and social protection systems.

Women's participation in the labour market is still extensively influenced by local values, traditional norms and historical gender roles. Unpaid domestic care work, such as preparation of meals, housework, and caring for children, elderly and sick family members, remain primarily the duty and responsibility of women within households, limiting their choices and opportunities to use their potential in other spheres of life. In paid work, women continue to be discriminated against in terms of lower pay, overrepresentation in mid-skill level jobs, the informal economy and occupations that correspond with their traditional roles. Globally, very few women hold senior or managerial positions in either the public or private sectors, while the majority of working women occupy positions such as clerks, shop and sales workers and care (healthcare and education) service providers. In addition, they are overrepresented in vulnerable employment, especially the informal economy, characterized by low or inconsistent pay and minimal or no coverage by formal social protection systems the importance of which is emphasised in three of the Sustainable Development Goals (SDGs) - 1, 5 and 10.

All of these targets highlight the need for social protection policies and systems and the introduction of the Social Protection Floor to cover the poor, the vulnerable, unpaid and domestic workers, and enhance equality.⁵

1.2. WORK AND HUMAN DEVELOPMENT IN KOSOVO

In order to present a report that caters to the needs and concerns of Kosovo citizens, a *crowd-sourcing activity* was used to help identify this year's topic giving citizens across Kosovo the opportunity to vote (through online and offline channels) for a topic of their choice. *Economic development, education and healthcare* were voted as the top three priorities. In addition to this, the results of the latest UNDP Kosovo Mosaic Survey (2015), which interviews more than 6,700 households every three years were also considered, whereby 44% of Kosovans cited unemployment as the biggest problem facing Kosovo, followed by the lack of economic growth (19%) and poverty/low standards of living which was selected by 9.5% of those interviewed (UNDP, 2016, 12).

Three recent Kosovo Human Development Reports (KHDR) – 'Social Inclusion' (2010), 'Private Sector and Employment' (2012) and 'Migration as a Force for Development' (2014) – provide important insights on the inter-linkages between employment and work and human development in Kosovo.

The KHDR 2010 identified a number of groups that face severe social exclusion: long-term unemployed, disadvantaged children and youth, rural women, Kosovo Roma, Ashkali and Egyptian (RAE), and persons with disabilities. Especially for the RAE communities and persons with disabilities, barriers to labour market participation are found to be structural and to begin at a very early age. Both groups have limited access to

basic education: only 10% of children with disabilities in 2010 were found to be enrolled in mainstream education due primarily to the lack of physical infrastructure appropriate to their needs (KHDR, 2010), whereas RAE children have lower net attendance ratios, especially in secondary education⁶ (53.4% compared to 90.4% of Kosovo's average) (KAS, 2015 & UNICEF, 2014).

Additionally, 13.3% of Kosovo RAE adults are illiterate compared to 1.6% of Kosovo Albanians and 0% of the Kosovo Serbs (KAS, 2014). As well as experiencing multiple deprivations in housing, education, healthcare services, information, participation, etc. both groups are also hindered by discrimination in access to basic public services and the labour market. The report also finds that 40.6% of the RAE were excluded from all the factor markets (i.e. land, capital, and adequate skills) needed to gain employment thereby compounding their vulnerability and further impeding their opportunities for human development.

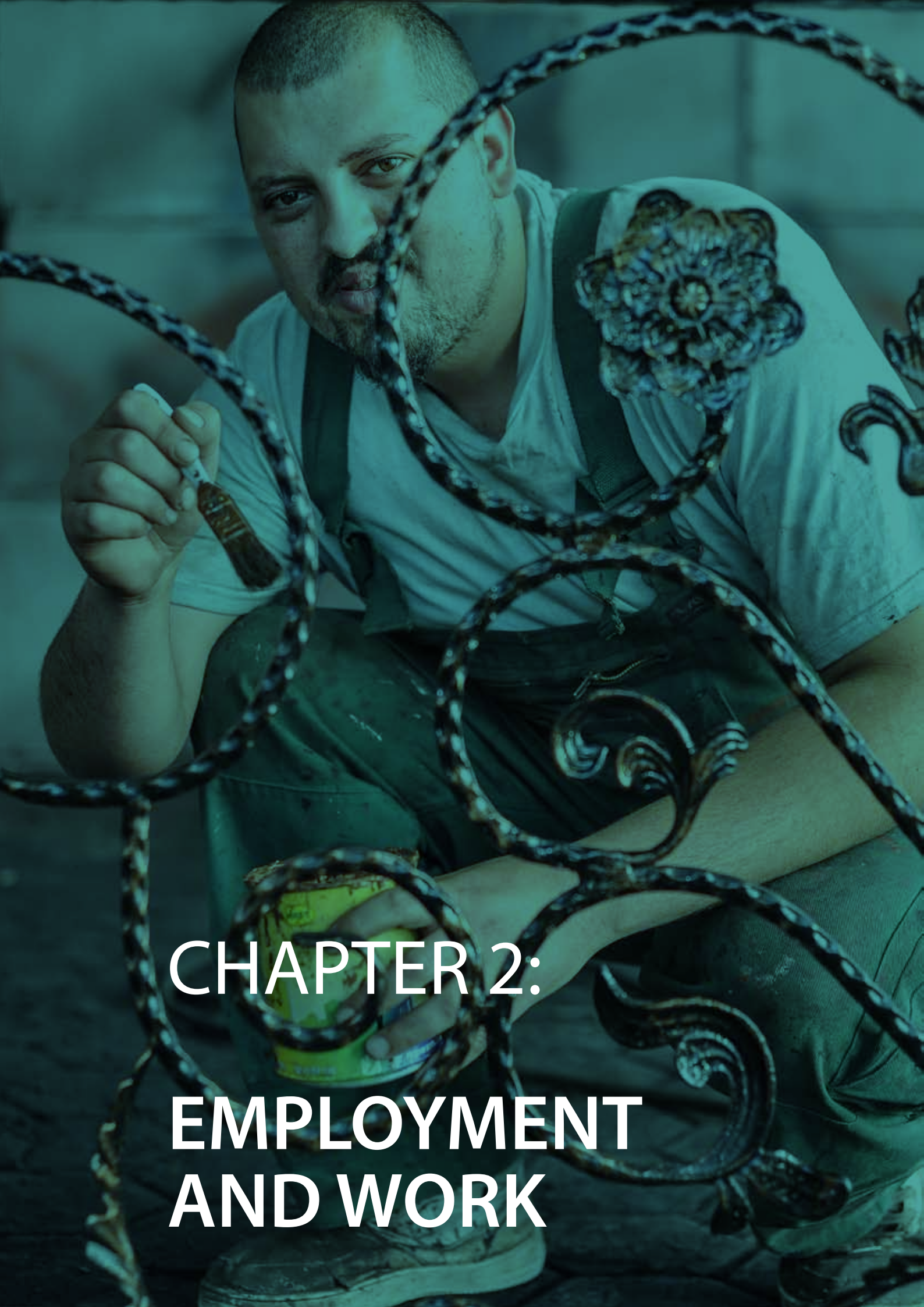
The KHDR 2012, notes that poverty resulting from lack of access to income through employment is argued to be a major impediment to human development. Coupled with young age, gender and region of residence, unemployment is argued to pose serious risks to human development even for the future generations.

The KHDR 2014 discusses both pull and push factors of migration among other issues, listing lack of employment and work opportunities at home as a major determinant for migration.

Kosovo has the highest poverty (30%)⁷ and unemployment rate (35%)⁸ in the Western Balkans. Its HDI (0.739)⁹ is slightly higher than Albania and Bosnia and Herzegovina (both at 0.733), but lower than the other countries in the region.¹⁰ Even though both poverty and unemployment are widespread and the incidence of poverty

is high among the unemployed in general, women and youth have benefitted less from economic growth in comparison to other groups. More than three quarters of women do not participate in the labour market at all – they are neither employed nor seeking work – while those that are employed remain overrepresented to this date in the informal economy, the public sector, and occupations related to their traditional care roles. Traditional norms and values, lack of access to capital, discrimination in the private sector due to issues with Labour Law implementation, all pose significant barriers to women's participation in the labour market and employment.¹¹ For youth, lack of job opportunities, outdated education and qualification programmes that do not match labour market needs (especially among VET schools), lack of internship and practical experience opportunities, and labour supply pressure from other age groups all pose major hindrances to successful participation in the labour market.

Considering the demographic composition of Kosovo with half of the population being women and more than half of the population under the age of 29 years, improvement of labour market outcomes for both groups should top the list of priorities for Kosovo's development policies and strategies to better ensure Kosovo's future sustainable development. In this regard, chapters 2 and 3 of this report explore employment, unemployment and labour market functioning in Kosovo with a focus on the experience of women and youth. Recommendations are made in the final section of the report.



CHAPTER 2:

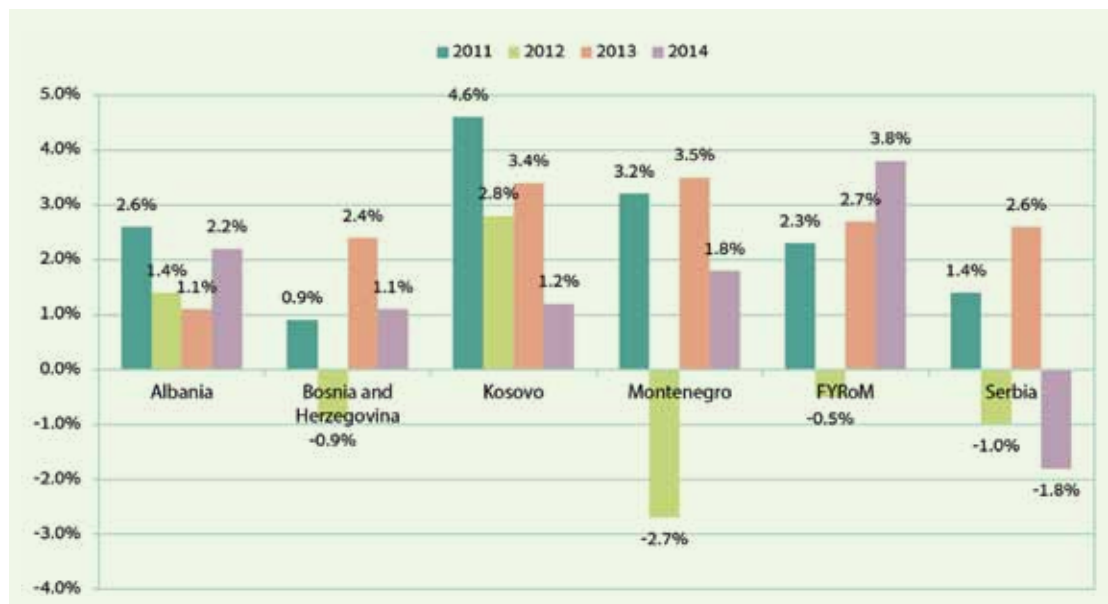
EMPLOYMENT AND WORK

2.1. DEMAND FOR LABOUR

While Kosovo's GDP growth has remained positive over the last number of years it continues to be driven primarily by remittances, public investments and donor assistance and while this served to shelter it from the 2008 financial crisis, Kosovo has also remained isolated from global financial markets. As can be seen in Figure 1, in 2011 Kosovo experienced the highest GDP growth (4.6%) in the region, while in 2012, Kosovo and Albania were the only

two in the Western Balkans which did not experience economic decline. In 2014, Kosovo was fourth highest in the region in terms of GDP growth but at just US \$4,052, Kosovo had the lowest GDP per capita in the region (World Bank DataBank, 2016). Even though there have been noted improvements in the legal and policy framework for ease in doing business – moving from 86th position in 2014 to the 66th in 2016 – private sector growth has not as yet resulted in significant demand for labour.¹²

Figure 1: Annual GDP growth in Western Balkans, in %



Source: World Bank Databank. World Development Indicators (2016)

The private sector is dominated by micro enterprises and sectors that do not have potential for growth. Despite continued positive GDP growth, averaging 3.3% annually since 2009, economic growth has been largely driven by consumption fuelled by remittances (very few of which are used for investments) as well as high levels of public sector spending and investments (mostly for roads). The bulk of Foreign Direct Investment has been focused on the construction sector (Diaspora investments in real estate). As a result, the domestic private sector in Kosovo continues to be underdeveloped

and dominated by unsophisticated micro enterprises that are either family owned or ("solo") firms that mostly trade imported goods (Kosovo's import to export ratio is 9 to 1). According to the 2014 Kosovo Programme for overall Small and Medium Enterprise Promotion (KOSME) report, 56% of the registered enterprises in Kosovo are "solo" enterprises, employing only one person (KOSME, 2014, p.4-6). The lack of investments in large scale industries, either in manufacturing or services (although it has recently picked up), has thus kept demand for labour low.

Exports are limited and the trade deficit remains large. While exports increased by 10% from 2013 to 2014, imports in 2014 at approximately €2.5 billion far exceeded the level of exports (€325 million).¹³ Metal, metal waste and scrap, minerals, yarn (excluding sewing thread) and wheat or muslin flour constitute the top 10 export products, while Kosovo relies on imports for the supply of all other products (MTI, 2014, p. 6). During the last five years, significant efforts have been made to identify, analyze and prioritize investments in sectors that have growth potential for both export and job creation especially in the sectors of agribusiness (food processing and packaging), information and communication technology (Business Process Outsourcing), metal processing, textile and leather, wood processing, and tourism however, significant challenges remain including: customs procedures, limited opportunities to establish links with international business networks, political relations with exporting countries, lack of financing and credit for exports, high costs of bank guarantees and international quality standards.¹⁴

2.2. LABOUR SUPPLY

Young women and men comprise almost a third of the working age population in Kosovo. With more than half of the population below the age of 29, Kosovo has the youngest population in Europe. Youth aged 15-24 years comprise 19.4% of the total population and almost a third (28%) of the working age population. Around 20,000 young women and men enter the labour market every year (World Bank, 2008, p. ii).

While women have started to surpass men at university level, young women are still more likely to drop out from basic education, especially in rural areas. KAS education statistics show that women are underrepresented at all levels of education except for university, where they comprise 53.6% of the student body

(KAS, 2014, p. 15). Multiple Indicator Cluster Survey (MICS) data show that while there are no differences in primary school attendance between young boys and girls, the Gender Parity Index (GPI)¹⁶ for upper secondary education is 0.96 meaning that girls aged 15-19 years have higher dropout rates at this level of school compared to boys. The index is especially low for rural areas (0.92) and the poorest households (0.90), emphasising their vulnerability and the challenges they face in finding employment (KAS, 2015, p.115). The 2010 World Bank assessment of youth labour market outcomes found that school-to-work transition is rare among young women while it takes young men an average of 10 years to transition from school to work (World Bank, 2010, p. 17).¹⁷

There are numerous issues with access to and quality of education at all levels. To begin with, enrolment rates in preschool education for children between 3 and 5 years are very low at 13.9% with significant differences between rural and urban areas of residence. Lack of physical infrastructure and qualified preschool staff remain serious barriers to access for this level of education (MICS, 2014, p.10). Indicators of primary and secondary education performance are not yet available as the Programme for International Students Assessment (PISA) of the Organisation for Economic Co-operation and Development (OECD) was carried out for the first time in 2015. Nevertheless, a number of reports and assessments emphasize poor quality of both primary and secondary education due to lack of qualified teaching staff, usage of outdated literature/teaching material and limited implementation of the new curricula (Office of the Prime Minister (OPM), 2016, p. 12). There is a great mismatch between education programmes and labour market demand for skills and profiles. Enterprises of all sizes consider the lack of skilled staff as a rather severe impediment to business growth (UNDP, Private Sector and Employment, 2012, p. 66). An unqualified workforce is

considered a high intensity barrier (60.7 points from a maximum of 100) among medium-sized enterprises (ibid.). The World Bank 'Country Snapshot 2015' also finds that 23% of enterprises perceive the uneducated and unskilled workforce as a major impediment for business growth (World Bank, 2015, p. 6).

Educational programmes – especially those of VET – are not fully adjusted to the latest industry and market trends.

The six priority sectors with potential as identified by the Ministry of Trade and Industry (MTI)¹⁸ report a wide range of knowledge and skills gaps among their existing and potential employees. These range from lack of primary production and processing skills, lack of in skills in modern technology, to lack of knowledge in operational procedures, quality control, management of production, communication, marketing and promotion, sales and administration. The enterprises interviewed held a common perception that the current educational and training programmes do not address the skills needs of industries and markets (see UNDP or MTI for the Six Sector Profiles, 2014).

University education programmes and majors are segregated by gender, leading to segregation of occupations and compounding gender inequalities.

Education statistics show that law, education, philology and philosophy are the most popular majors, selected by 61.5% of students in total. The number of students attending Medicine has not been included since this degree lasts the longest (5 years in comparison to 3 years for other majors) and the large number of students could be overestimated simply because of the duration of the major rather than its popularity. As shown by KAS' education statistics (2012-2013), there is significant gender segregation at university level (Figure A1 in the Annex). Women are overrepresented in the majors of education, philology, philosophy, and medicine, whereas men dominate in physical education and sports,

agriculture, mechanical engineering, computer engineering, construction and architecture. Even though no in-depth analysis exists on the topic, this suggests that women and men choose professions that are traditionally perceived as more suitable for their genders. LFS 2014 data also show that among those that have been students or apprentices during the last four weeks, a significantly larger share of women attended training on education science, health and care work, while a higher percentage of men attended training in engineering, manufacturing and construction.

High inactivity and migration reduce the pressure of the high labour supply.

At 58.4% the inactivity rate in Kosovo is very high, especially among women where it rises to 78.6% (LFS, 2014). In addition, 10.7% of working age people report that they are not seeking work because they are discouraged while a staggering 30.2% of youth are categorized as NEET (LFS, 2014). All of this contributes to a reduction in labour supply which has also historically been reduced by migration. The Kosovo Agency of Statistics 'Report on Migration' in 2014 found that the vast majority (80.6%) of Kosovan migrants currently living abroad are of working age- 15-64 years (KAS, 2014, p.23). The KHDR 2014 'Migration as a Force for Development' also finds that Kosovans generally migrate when young. The average age at time of migration for men is 25 years, whereas for women it is 22 years (UNDP, 2014, p. 22).

2.3. LABOUR MARKET FUNCTIONING

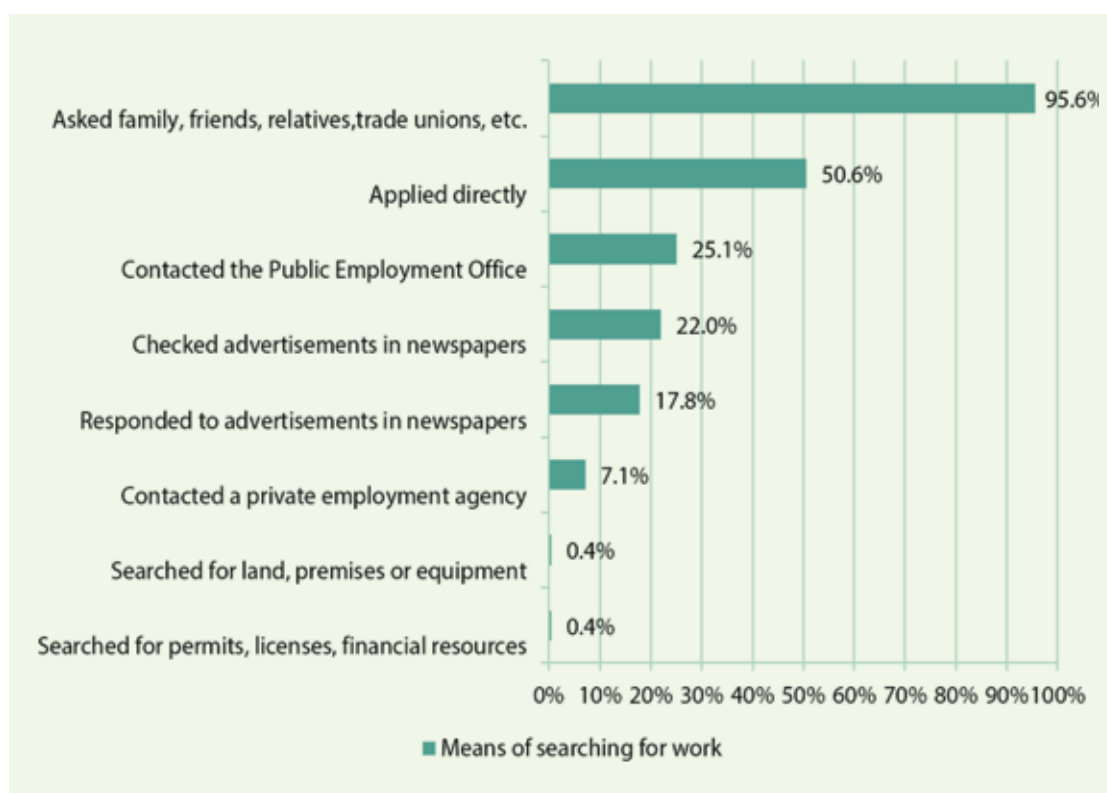
The majority of Kosovans seek employment through family or friends.

Availability and quality of information is paramount for job seekers, especially among youth. However, according to the LFS 2014 the overwhelming majority of Kosovans (95.6%) seek employment through family, friends, relatives, trade unions, etc. Less than a quarter searched

for employment through official sources of information such as newspapers and less than 10% sought the support of private employment agencies (Figure 2). The low use of online job portals is due not only to lack of quality but also to low labour demand and a reliance on Human Resource (HR) departments by the larger enterprises (Enhancing Youth Employment , 2015, p.3). Literature shows the predominant use of social networks (family, friends, relatives, etc.)

is largely driven by perceptions about the key factors in gaining employment. Considering the labour market conditions in Kosovo and that 81% of Kosovans believe that family connections, bribery, party alliance and other non-merit factors are the best ways to get a job in public institutions, it is no surprise that this remains the main source through which young people seek employment (UNDP, 2015, p.7).

Figure 2: Means of searching for work during the last 4 weeks



Source: Kosovo Agency of Statistics. 2015. LFS 2014 data

Public Employment Services are playing an increasingly important role in labour market functioning, especially through active labour market programmes. The role of the Public Employment Services increased significantly during 2015.¹⁹ While the number of unemployed (both men and women) increased by 38% from 2014 to 2015 (31,500 in total) for both women and men, the number of registered jobs (including Active Labour Market Programmes (ALMPs) marked a

90% increase during the same period, reaching 12,474 jobs in total.²⁰ Over the course of 2015, the Public Employment Services mediated 6,706 employment cases, a 43.6% increase compared to 2014. These results suggest the increased availability and suitability of programmes for employment in these institutions, as well as a gain in popularity as a mediator, and especially improved performance in understanding and catering to the needs of the registered unemployed.

2.4. RELATED LEGISLATIVE FRAMEWORK

The Kosovo Law on Labour is conducive for women's protection during their reproductive age but implementation is inconsistent. It stipulates that women are entitled to 12 months' maternity leave, six of which are paid by the employers at 70% of the base salary, three months by Kosovo institutions at 50% of the average salary in Kosovo and three months unpaid. However, numerous issues with implementation are evident especially in the private sector. The World Bank qualitative study on 'Maternity Leave and Women's Labour Market Status in Kosovo' (2015) finds that there is limited benefit coverage due to low take-up as women fear losing their jobs if they take the full amount of leave due. The report also notes that the provision of maternity leave negatively impacts not only the recruitment of women (especially those of childbearing age) but also the quality of work for women of this age, a large number of whom experience the provision of short-term contracts, while others have their contracts terminated due pregnancy or childbirth or find themselves replaced while on maternity leave. Even though the law prohibits contract termination during maternity leave, there is no provision to ensure contract extension should it expire

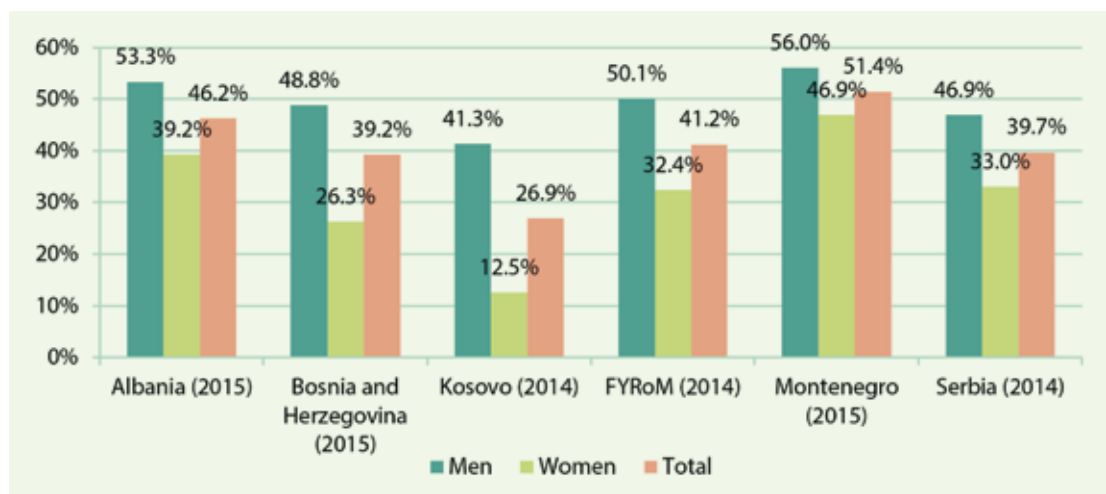
during or right after maternity leave. The legislation on maternity leave is currently being revised by the Ministry of Labour and Social Welfare (MLSW) with the aim of improving women's labour market outcomes in the private sector.

There are no policies, regulations or practices in place for the provision of flexible working arrangements, such as part-time or working from home. These were all considered as favourable by women of reproductive age in the World Bank study cited above. Further, the extra time allowed for breastfeeding of young children which is intended to promote early childhood development is typically implemented only in exceptional cases, even in public institutions.

2.5. EMPLOYMENT AND WORK

Kosovo has the lowest employment rate in the region, where women are the most represented of all unemployed. As can be seen in Figure 3, Kosovo has the lowest total employment rate in the Western Balkans (26.9%), lagging far behind Montenegro (51.4%) and Albania (46.2%). Further, at 12.5% the employment rate for women in Kosovo is by far the lowest of all in the region.

Figure 3: Employment rate in Western Balkans, by gender



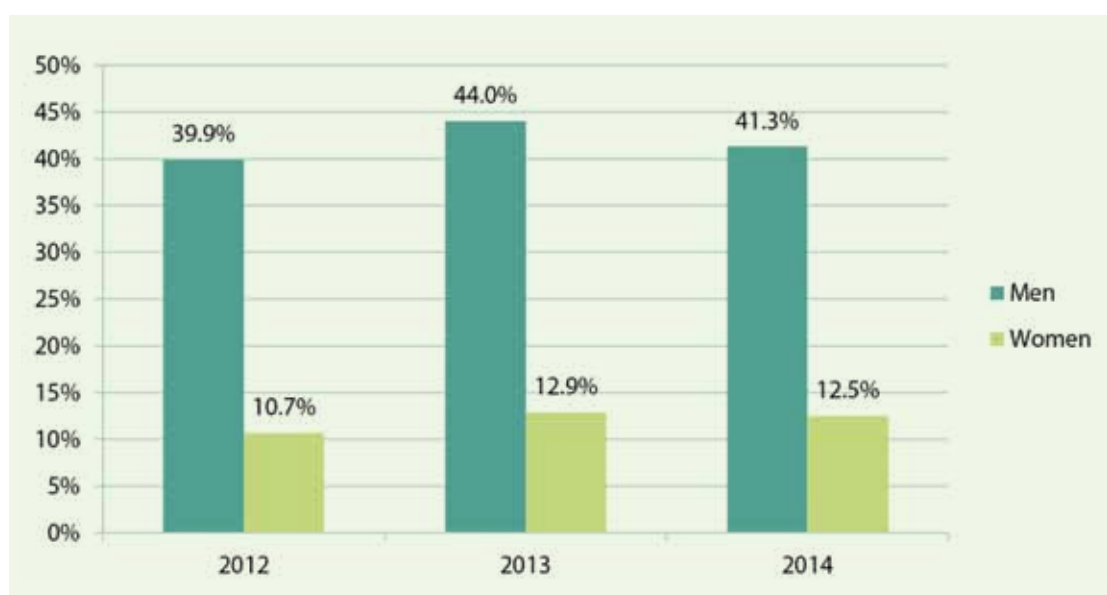
Source: Statistical office of each country.

*Note: Since there are general differences in measurement of employment rates across countries the above calculations were made using the following methodology: employment rate of working age population vs. employment rate of all persons aged 15+ years.

Women need more education and experience to get employed. Data from the LFS 2014 shows that the employment rate of women in Kosovo has been persistently low over the last four years, ranging from 11% and 13%. The lowest employment rate was noted for **young women aged 15-24 years, at 4.2%**, whereas the highest at 18% was for those aged 45-54 years. While women aged 25-34 years have the highest participation rate in the labour market in comparison to all other age groups they experience

the highest unemployment and lowest employment rates, suggesting that they face barriers related to reproductive age and a wider perception of their traditional role in the economy and family (see Table A1 in the Annex of Tables and Figures 4 and 5). In addition, **a higher percentage of employed women, 37% compared to 21% of employed men, have completed tertiary education**, suggesting that women need higher education to access the labour market (see Table A2 in the Annex of Tables and Figures 4 and 5).

Figure 4: **Employment rate trends by gender, 2012 - 2014**

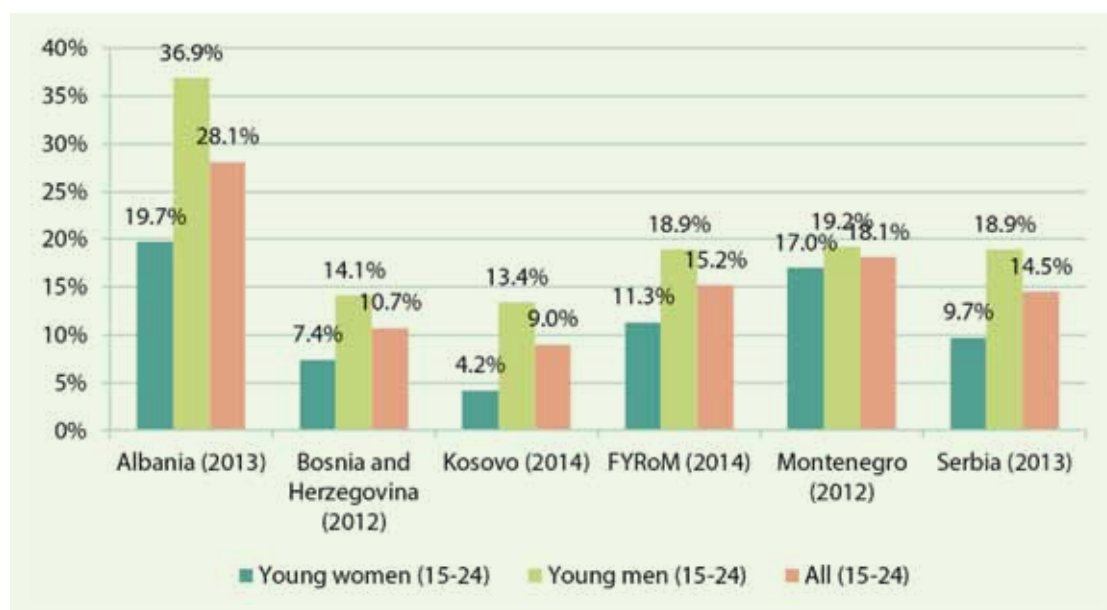


Source: Kosovo Agency of Statistics. LFS 2012, 2013 and 2014

The rate of youth employment in Kosovo is the lowest in the region, especially for women. As shown in Figure 5, at 9% Kosovo's youth employment rate is dramatically lower than every country in the region with only Bosnia and Herzegovina coming close at 10.7%. While the gender gap in youth employment is prevalent across the region, with the largest disparities notable

in Albania, young women in Kosovo as noted also above, experience by far the lowest employment rate in the region (4.2%). The employment rates of youth and young women in Kosovo are both two times smaller than the employment rate of the total working age population, while just 13.4% of young men in Kosovo compared to 41.3% of men of working age are employed (Table A3 in the Annex).

Figure 5: Youth (15-24 years) employment rate in the Western Balkans, by gender



Source: Kosovo Agency of Statistics. 2015. LFS 2014 data and World Bank Data Bank (2016)

2.6. SECTORS OF EMPLOYMENT AND QUALITY OF WORK

Women are overrepresented in low rank jobs. The majority of employed women in Kosovo (79%) are working as employees compared to 65% of men (Table 1). Just 2% of women in the work force (compared to 8.2% of men) are self-employed with employees. One of the main barriers to starting a business for women is lack of property (including land) ownership. Kosovo's Gender Profile argues that the Constitution and Inheritance and Family laws guarantee women equality

in inheritance, however, women owned only 15.2% of property in Kosovo in 2014 (including land) (Kosovo's Gender Profile, 2014, p. 11). Additionally, very few women among the employed hold managerial or decision-making positions. The 2014 KAS LFS data show that only 5% of employed women (compared to 9.2% of employed men), work as legislators, senior officials or managers, and just 2.6% (compared to 5.7% of men) supervise any staff. Using 2012 data, the International Labour Organisation (ILO) report 'Women in Business and Management' ranks Kosovo 89 out of 108 countries from around the world for women's percentage share of all managers -just 14.8% (ILO, 2015, p. 19).

Table 1: Employment status by gender, 2014

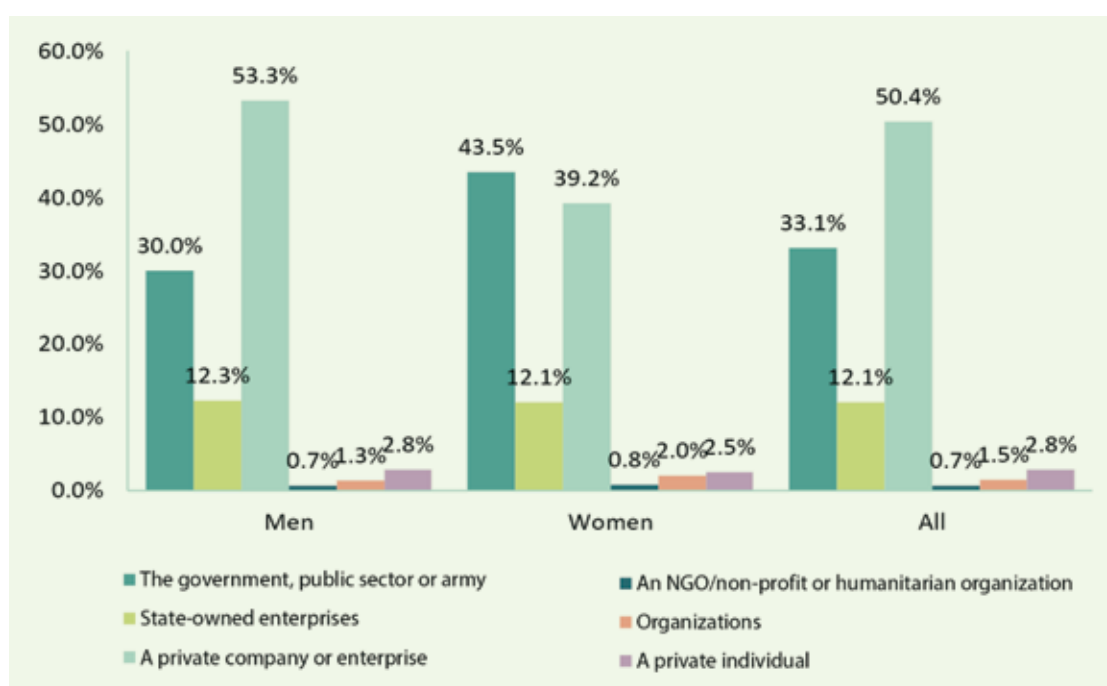
EMPLOYMENT STATUS	MEN	WOMEN
Employee	64.8%	78.8%
Self employed with employees	8.3%	2.1%
Self-employed without employees	18.2%	11.6%
Unpaid family worker	8.9%	7.5%

Source: Kosovo Agency of Statistics. 2015. LFS 2014 data.

Women are overrepresented in the public sector. More than half of employed women, 55.6% compared to 42.3% of men, are working in the public sector, either in the public institutions, security forces or state-owned enterprises (Figure 6). About 39% of women compared to more than half of men (53.3%) are working for a private company or enterprise. Two possible explanations for these outcomes include 1) Women's preference to work in the public sector due to job security and "granted" social protection benefits (especially in relation to maternity leave) and 2) Irregularities in the private sector

with regards to women's employment due to the high financial burden related to maternity leave legislative provisions. It must also be noted that **women are more likely to work in the informal economy**²¹ due to household responsibilities and gender-specific barriers and issues such as discrimination, overrepresentation in the sector of care services, as well as the dominance of micro enterprises in the private sector (around 95% of all enterprises) often run by families which are characterized by high large-scale informality.

Figure 6: Sectors of employment, by gender



Source: Kosovo Agency of Statistics. 2015. LFS 2014 data.

Occupational segregation based on traditional gender roles is evident in the labour market. The LFS 2014 report notes that 21.8% and 17.3% of women respectively are employed in the sectors of education and human health and social work, and 16% are employed in the sector of wholesale and retail trade, while 15.8% of men are employed in manufacturing and 13.9% in construction (see Table 1.8B, LFS, KAS, 2015, p.13).

These figures correspond with commonly held perceptions about women's and men's roles in society. The UNDP report 'Leadership and Participation of Women in Politics' (2014) - based on citizens' perceptions - finds that both women and men equally, associate professions such as nursing, primary school teaching, hairdressing and cleaning, with women (UNDP, 2014, p. 25).

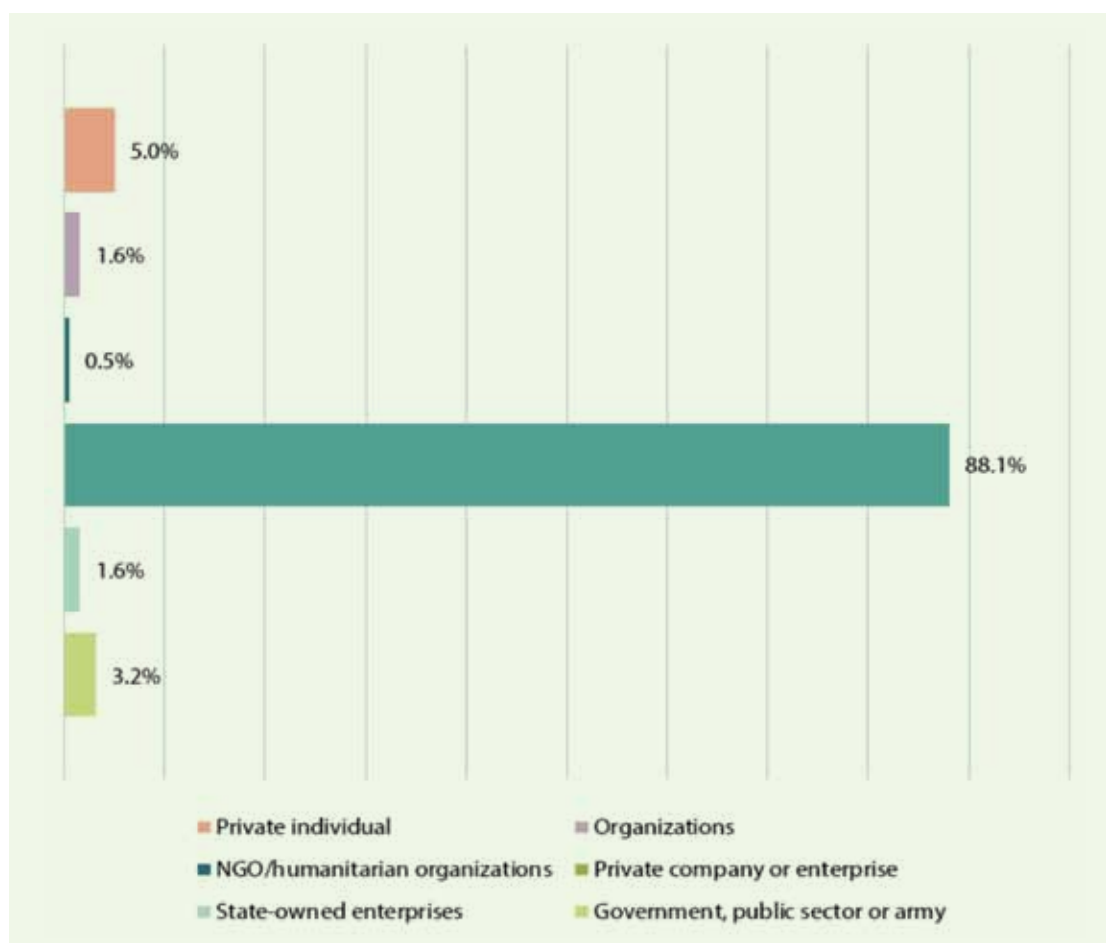
Youth in general, and young men in particular, are overrepresented in vulnerable employment.

More than half of youth – 62.6% of young men and 80.6% of young women – are working as employees, almost a quarter in unpaid family jobs while 8% are self-employed without employees. Even though the LFS 2014 report does not disaggregate vulnerable employment by age, its disaggregation by occupation and gender shows two important insights: occupational segregation by gender and the predominance of low-skill jobs (see Table 1.6 on Kosovo LFS results 2014 report).

The private sector – characterized by high informality - is the primary employer of young women and men aged 15-24

years. LFS 2014 data shows no significant differences between young women and men when the sectors of employment are disaggregated by gender. In contrast with the working age population, the private sector is the key employer of young women and men in Kosovo, employing more than 93% of youth (Figure 7). The public sector and state-owned enterprises are reported to employ less than 5% of young women and men. However, considering the estimated size of the informal economy in Kosovo (at around 50%)²², these figures suggest that young women and men do not enjoy quality work opportunities in terms of job security, enhancement of opportunities for employment in the future and coverage by the social security system.

Figure 7: Main sectors of employment of youth

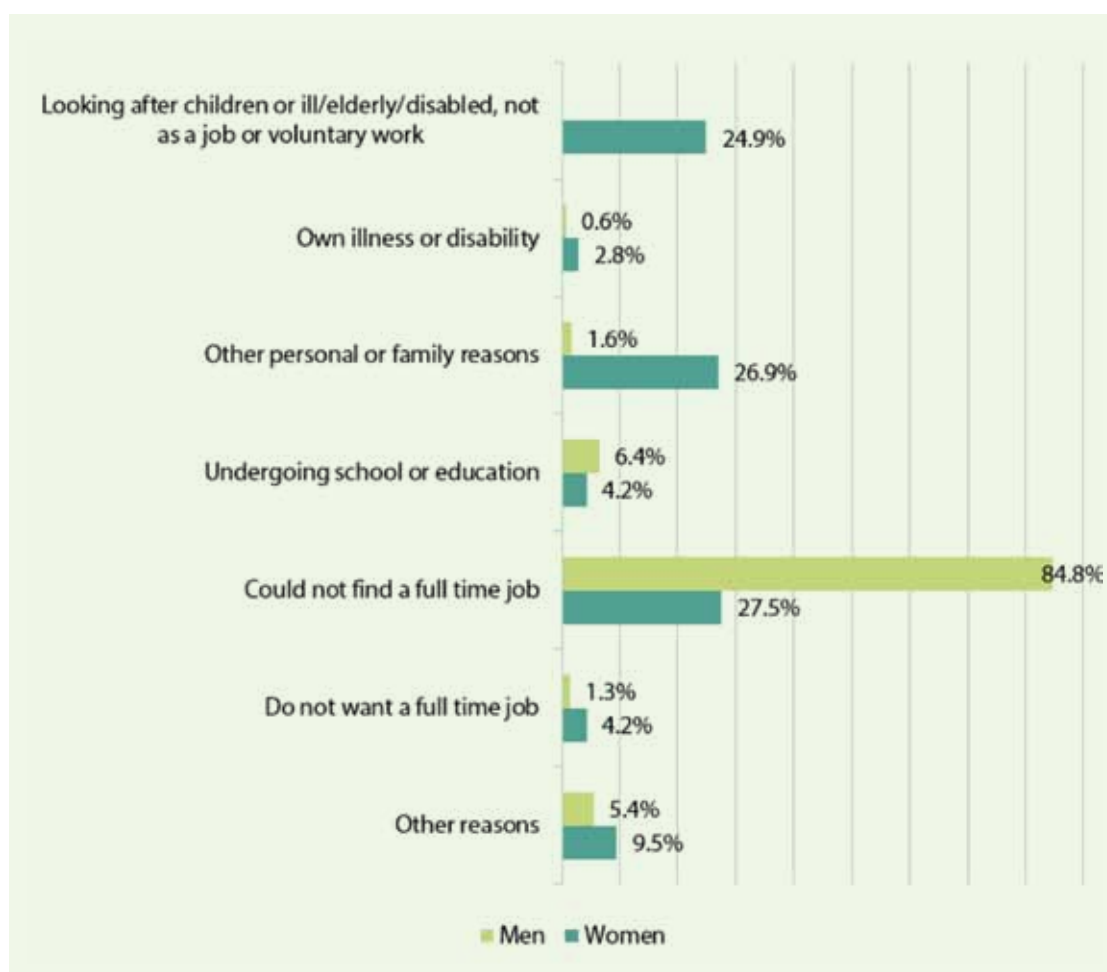


Source: Kosovo Agency of Statistics. 2015. LFS 2014 data

Women are more likely to work part time and less likely to have a second job due to care responsibilities. The majority of Kosovans in employment - 91.7% - work full time, however, women are more likely to work part-time (10.1%) compared to men (7.7%). As shown in Figure 8, the vast majority of men (84.8%)

who work part-time do so because they could not find a full time job, while more than half of women who work part-time do so because they are looking after children or ill/elderly/persons with disability either family and non-family members (24.9%) or because of other personal or family reasons (26.9%).

Figure 8: Reasons for working part-time, by gender



Source: Kosovo Agency of Statistics. 2015. LFS 2014 data

Furthermore, over 10% of employed women compared to 15.5% of employed men have a second job. The majority of both are working on a farm that they or their family members own, this is most likely subsistence farming, which implies that the second job does not add a significant amount to the total household

income. According to the findings of the Household Budget Survey (HBS, 2014), income from agriculture contributes only 4% to the aggregate household income in Kosovo, seconded only by income from the Social Assistance scheme (KAS, 2015, p.17).

Less than 12% of young women and men are employed part-time. In contrast to evidence from numerous countries about the overrepresentation of youth in part-time jobs (which entails a range of vulnerabilities for both present and future employment of youth), LFS 2014 data show that less than 12% of young women and men are employed part-time and gender differences are statistically insignificant.

Job insecurity, low wages and lack of protection in the informal economy make employment ineffective in relation to social inclusion both for the present and the future. Even though unemployment is the main cause of poverty in Kosovo, its incidence is especially high among those in vulnerable employment including farming (36%), per diem workers (33.4%) and also those who receive wages from the private sector (26.2%) (KAS, 2011, p. 6).

These figures point to multiple repercussions faced due to employment in the informal economy, which is a sizable employer for women and youth. A World Bank study from 2010 finds that of the total employed in 2008 in Kosovo 31% were informal workers, but this figure was more than half (51%) among youth (World Bank, 2010, p.60). The Kosovo Human Development Report (2012) estimates the informal economy at around 30-40% based on the percentage of enterprises that evade paying taxes or reporting their employees in the Tax Administration of Kosovo (TAK) thereby avoiding their social security obligations, which suggests that the figures of informally employed might be even higher (UNDP, 2012, p.54).²³

A more recent 2013 assessment carried out by Riinvest finds that around 34% of enterprises in Kosovo do not report their income to the tax authorities and that the size of informality decreases with the size of the enterprise. In other words, medium and large enterprises are less likely to operate informally compared to the small and micro enterprises. The study also finds that approximately 37% of the labour force in the private sector is employed informally, i.e. not reported to the related authorities (Riinvest Institute, 2013, pp.15-24). These employees work long hours without overtime, without contracts or rights to minimum leave and remain uncovered by the social security system.

A young woman with dark hair, wearing a red lab coat, is working in a laboratory. She is holding a glass flask containing a yellow liquid. The background is slightly blurred, showing laboratory equipment. The text is overlaid on the image in white, bold, sans-serif font.

CHAPTER 3:
UNEMPLOYMENT
AND INACTIVITY:
WOMEN AND
YOUTH IN FOCUS

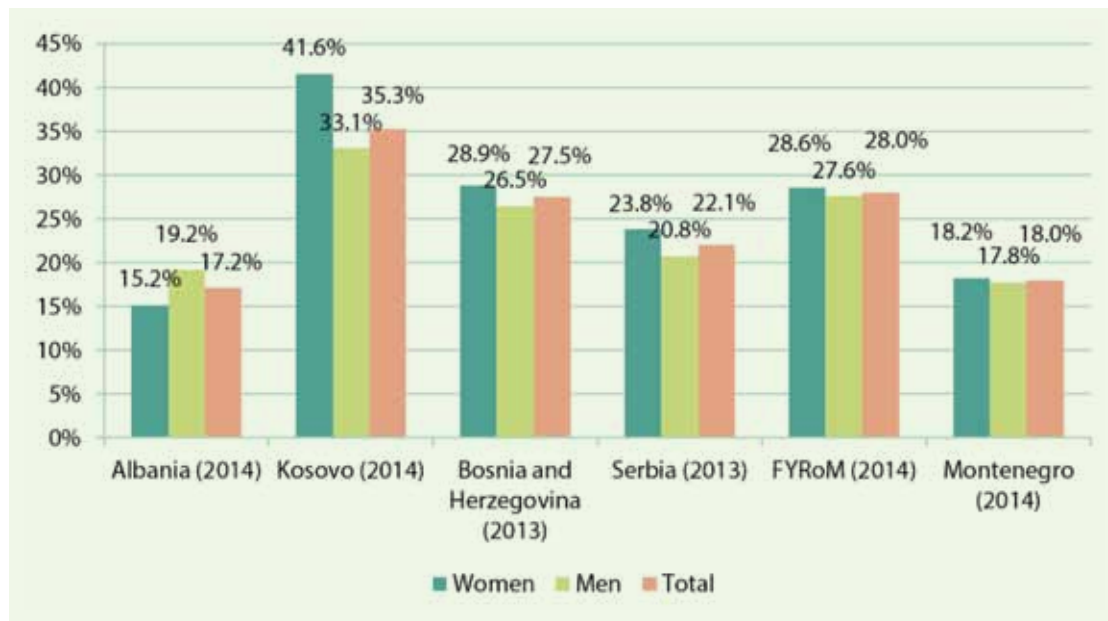
3.1. WOMEN

Kosovo has the highest unemployment rate²⁴ and the widest gender gap in unemployment in the region (Figure 9).

While unemployment continues to remain above 30%, (see Figure A2 in the Annex),

the unemployment rate for women in Kosovo is significantly higher compared to all the countries in the region, as is the gap in the unemployment rate between women and men. About 42% of women in Kosovo were unemployed in 2014 compared to 33% of men.

Figure 9: Unemployment rate in Western Balkans, by gender



Source: Kosovo Agency of Statistics. 2015. LFS 2014 data and World Bank Data Bank 2016.

The unemployment rate for both women and men is significantly higher among youth and those with lower levels of education. The unemployment rate of youth (aged 15-24 years) is 61% and 64.5% for those with no formal employment. Except for the age group 45-54 years, women's unemployment is higher across all age groups and levels of education. About 72% of young women are unemployed compared to 57.6% of young men. The largest gender gap in employment was noted for those with general secondary education: 62% of women compared to 4.8% of men (LFS, 2015).

The long-term unemployment rate is high and duration of unemployment very long, especially for women. Almost three quarters of the unemployed

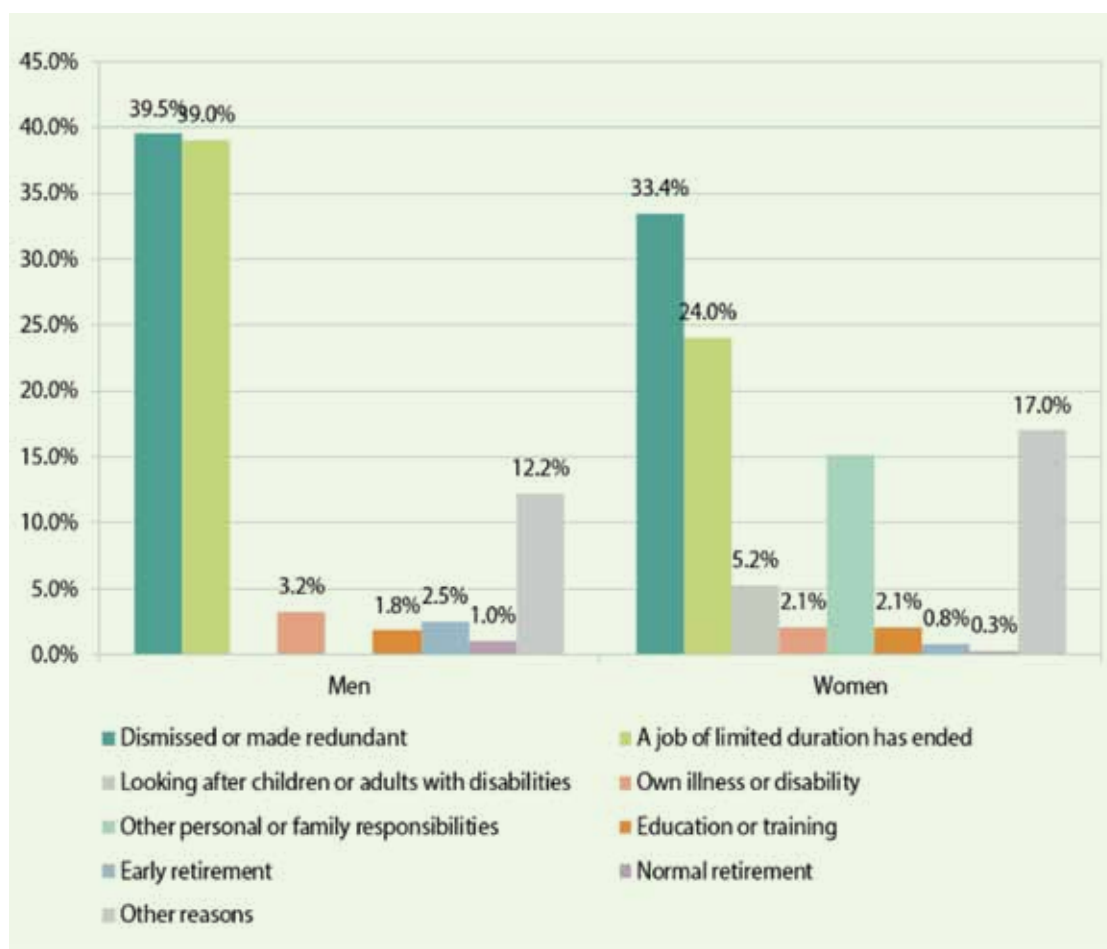
(73.8%) have been so for more than 12 months, increasing from 68.9% in 2013 (KAS, 2015, p.5). The data also shows that women typically remain unemployed for a longer period of time than men, and this difference is statistically significant. The average unemployment duration is 10.4 years - 11.3 years for women and 10.1 years on average for men (KAS, LFS 2014 data).

The majority of unemployed working age Kosovans have never had regular employment. More than three quarters (78.5%) unemployed Kosovans of working age have never been in regular employment either as employees, self-employed or unpaid family members. This share is higher for women (89.8%) compared to men (73.5%).

Personal or family responsibilities have an impact in women's decision to participate in the labour market (Figure 10). Personal or family responsibilities and looking after children or adult family members that are unable to work (due to old age, illness or disability) are both major reasons why women stopped working in their last job, while data show no incidence

of these two reasons among men.²⁵ Also, more than 65% of unemployed women stated that they would not be able to start working in the next two weeks even if they got a job because of personal or family responsibilities, whereas 80.6% of men stated the need to complete education or training before starting work (LFS 2014 data).

Figure 10: Main reason for stopping work in the last job/activity



Source: Kosovo Agency of Statistics. 2015. LFS 2014 data

The rate of labour force participation in Kosovo is the lowest in the region especially for young people and women. In the Western Balkans, three to five out of 10 women of working age are either employed or unemployed and looking for work, while in Kosovo only two out of ten women participate in the labour market. Men's labour market participation (61.8%) corresponds with the average of the region (see Table A4 in the Annex).

Even though labour force participation of young women (15-24 years) is generally low across the whole region, in Kosovo it is drastically low: only one out of 10 young women is employed or looking for work. As noted earlier another worrying figure is the 30.2% of youth in the not in employment, education and training (NEET) category. The figure is higher for young women (34.0%) compared to men (26.6%) (KAS, 2015).

Labour force participation is the highest among those with VET. Disaggregation of labour force participation rate by education shows that the working age population with no formal education or general secondary education have the lowest labour force participation rates at 0.6% and 17.3%, respectively. The highest participation rate was noted for those with vocational secondary education at 39.9% (KAS, 2015, p. 25) (see Table A5 in the Annex).

For young women and men, attendance at education or training was listed as the main reason for not searching for work. Personal or family obligations were

listed as the main reason for inactivity among 10.7% of young women and less than 2% of young men, while for both attending education and training are the main reasons for not searching for work; 70.6% of young women and 82.8% of young men (KAS, 2015).

Men seem to be more discouraged than women: almost 20.8% of men outside the labour market are not looking for work because they believe that there are no suitable jobs compared to 14.6% of women (Table 2). However, when asked if they would like to have a job 51% of men said that they do not want to have one (LFS 2014 data).

Table 2: **Main reasons for not looking for work, by gender**

MAIN REASON FOR NOT LOOKING FOR WORK	MEN	WOMEN
Looking after children and adults unable to work	0.0%	3.2%
Own illness or disability	6.4%	1.7%
Other personal or family responsibilities	7.3%	53.6%
Education and training	49.9%	21.2%
Retirement	2.9%	1.0%
Belief that work is not available	20.9%	14.5%
Awaiting recall to work (persons on lay-off)	0.5%	0.1%
Other reasons	11.0%	3.8%
No reason given	1.0%	0.8%
Total	100%	100%

Source: Kosovo Agency of Statistics. 2015. LFS 2014 data

Përcaktuesit e pjesëmarrjes së grave në fuqinë punëtore: Hulumtim nga zyra

According to the World Bank Report 'Back to Work: Growing with Jobs in Europe and Central Asia' (2014), women in the region of Europe and Central Asia face multiple barriers to employment, including: access and affordability of care services, especially

childcare; inadequate labour regulations and work arrangements; access to productive inputs, information and networks; skills and attitudes and social norms. Since the demand-side aspect of employment has been addressed in the previous chapter, this section contains a literature review of micro and policy level determinants of labour force participation and sets the framework of analysis specific to Kosovo in the next section.

In the research paper 'Labour Market Decision of Married Women: Evidence from Turkey' (2005), Kizilirmak uses econometric [multinomial regression analysis] to identify individual and household characteristics that have an impact on married women's participation in the labour market.

The results show that women's decision to enter the labour market is primarily driven by the need to compensate for the loss of income due to their husband's unemployment. The analysis also finds that women with children younger than 6 years and with higher levels of income are less likely to participate in the labour market. On the other hand, the attainment of a higher level of education increases the likelihood of women's participation in the labour market.

The World Bank report 'Female Labour Force Participation in Turkey: Trends, Determinants and Policy Framework' (2009), argues that female labour force participation in Turkey is multidimensional and requires a careful analysis of both economic and cultural factors. While a lot of these indicators may be proxied by standard quantitative research, the research suggests that intra-household roles and relationships in the society are crucial to any type of analyses as they are strong determinants of women's choice to participate in the labour market.

In addition to the explicit factors such as region of residence and level of education, the assessment lists a number of social norms and values that affect women's labour force participation, including: "extended family dynamics" whereby other family members decide about women's employment; strongly entrenched values of family honour, family obligations and family loyalty; and the traditional role of women as the primary caregiver in the family. Through the research study 'Opportunities and Challenges for Female Labour Force Participation in Morocco',

Morikawa (2015) argues that perceptions of women's and men's traditional norms are also very important determinants in women's activity in the labour market. Comparing perceptions about women's and men's traditional roles in Jordan, Morocco, and Malaysia, the author finds that men are considered income earners, whereas women are perceived to be the primary caregivers in the family.

A number of studies in industrial countries focus on the macroeconomic aspects of economic development, and assess the impact of fiscal and social protection policies on women's access to the labour market. For instance, a quantitative study in 17 OECD countries assesses the effect of policies such as tax wedges between different earners, public childcare spending per child, child benefits, parental leave, and part-time employment (as a proxy for flexible working arrangements) on women's labour force participation.

The research finds that women's participation in the labour market is greatly enhanced by public spending on childcare (provision of formal day care and pre-primary school), paid parental leave, and flexibility of working arrangements (options to work part-time or from home). The unemployment rate of men is also found to positively impact women's participation (household wealth effect). The assessment also finds that level of education and general labour market conditions are both detrimental to women's participation in the labour market.

Cipollone, Patacchini and Vallanti in 'Women Labour Market Participation in Europe' (2013) also find that women's labour force participation is related to differences in the institutional setting of the labour market and the social policy environment. These are argued to have an important effect on the quality of jobs available, chances to enter or re-enter the labour market and the opportunity cost of employment. For instance, flexible

working arrangements that allow women to both remain attached to the labour market and attend to the care of their children are found to be positively related to women's labour force participation, and the correlation is stronger for women in the early stages of their career. Generous maternity, paternity and child benefits are also positively correlated with women's participation in the labour market. Nevertheless, the authors argue, for an optimal result, a mix of flexible working arrangements and state-provided security - in terms of long-term work contracts and adequate unemployment/maternity benefits - needs to be provided.

Determinants of women's labour force participation in Kosovo

Using the database of the UNDP Kosovo Remittance Household Survey (2011) study²⁶ a logistic regression analysis was constructed to gain an insight on the individual and household characteristics that might impact the participation of married women in the labour force. An inactive married woman was used as a dependent variable, whereas age, years of education, number of children 0-3 years, residence, and receipt of remittances were used as explanatory variables.

Young age, lower levels of education, having a young child (between 0 and 3 years old) and receiving remittances are positively associated with women's inactivity. The results confirm the findings highlighted by descriptive statistics in the beginning of this section. As shown in Table A6 in the Annex, **age is negatively related with inactivity** of married women. In other words, young women have the highest probability of being unemployed.

However, their chance to participate in the labour market increases with age. There is also a **negative relationship between inactivity and education attainment**; additional years of education increase

the probability of women's participation in the labour market. **Having a young child (aged 0-3 years) increases the probability of women to be inactive.** As noted earlier, care taking responsibilities and family obligations were the two main reasons why women of working age in Kosovo either stopped working or are not searching for a job. The LFS 2014 notes that more than 90% of women who are not unemployed or are outside the labour market stated that suitable care services for children are not available or affordable in Kosovo.

An additional 6% of those not participating in the labour market stated that such services are also not available for elderly, ill or people with disabilities (KAS, LFS 2014 data). These findings are confirmed with the low percentage of children age 35-59 months (less than 14% in 2013-2014) that are attending an early childhood education programme (KAS, 2015, p.vi). While residence (urban or rural) is not found to have an impact in women's decision to participate in the labour market, **receipt of remittances is found to be a strong determinant of inactivity.**

In the process of constructing this regression model two additional variables were tested: household income and having an unemployed husband. In contrast with the literature, the LFS 2014 data showed no statistically significant correlation between women's inactivity and their husband's unemployment. In other words, loss in income due to a husband's unemployment does not have an impact on women's participation in the labour market in Kosovo. On the other hand, there is a negative correlation between household income and inactivity, which suggests that as household income increases the likelihood that a married woman is inactive decreases (See Table A6 in the Annex for regression results).²⁷

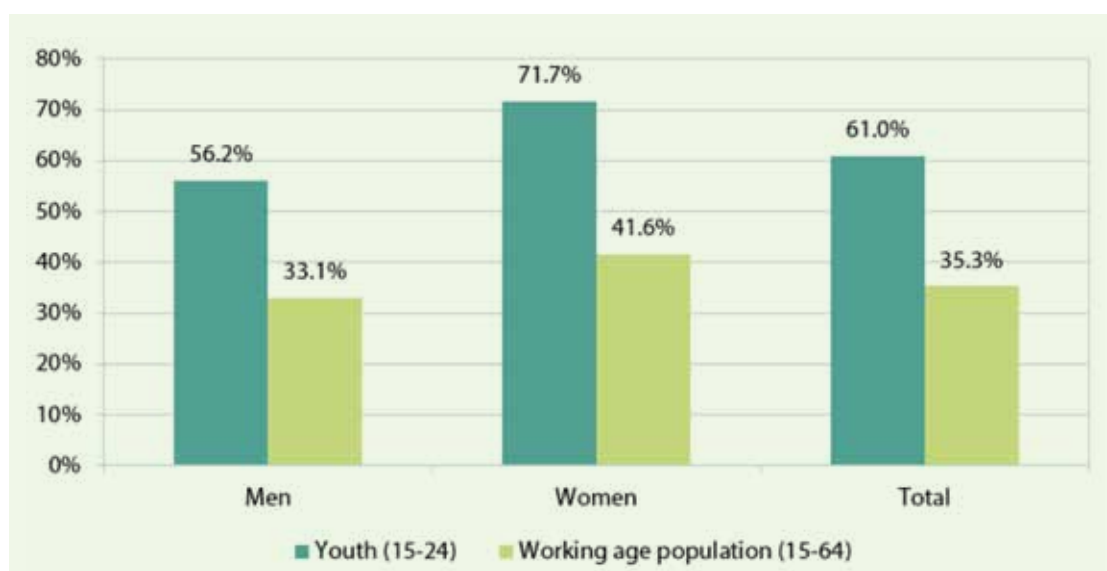
3.2. YOUTH

At 61% the rate of youth unemployment is almost double the total rate of unemployment in Kosovo. The unemployment rate of young women is exceptionally high at 71.7%. The majority of unemployed youth, 87%, have been looking for work for two to three years, classifying them as long-term unemployed. As per LFS 2014, more than 98% have never had a formal job, but the opportunities seem even more

limited for young women, almost 100% of whom have never had any previous work experience.

Education attainment and training ranks only third in importance for the termination of the most recent job among youth, after dismissal (23.4% of youth) and end of contract (46.7%), indicating perhaps a scarcity of jobs despite the willingness of youth to work (Figure 11).

Figure 11: Overall and youth unemployment rate, by gender

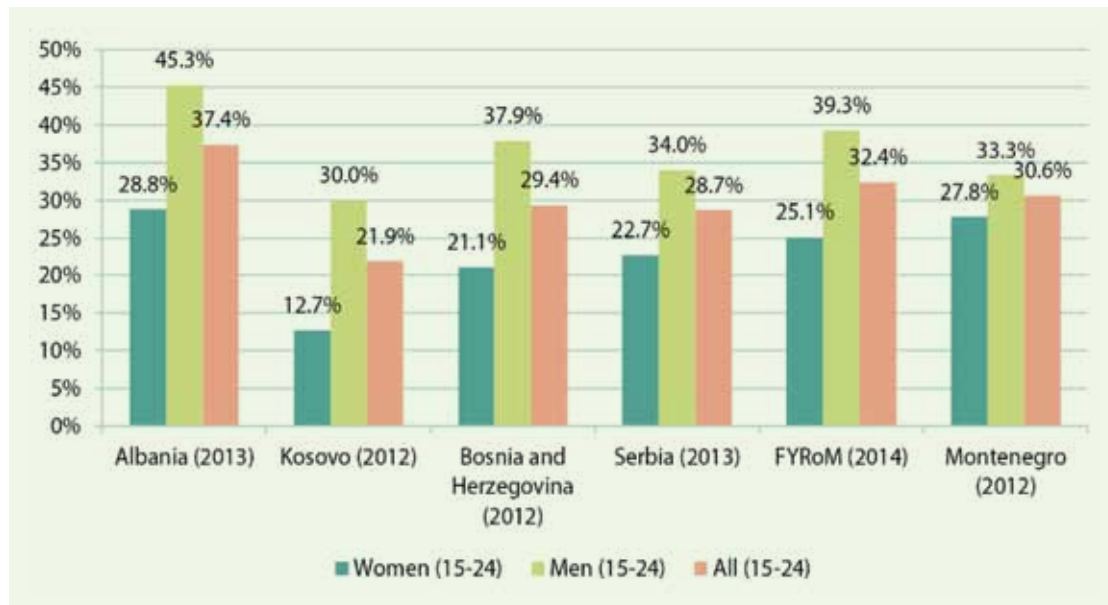


Source: Kosovo Agency of Statistics. 2015. LFS 2014 data

Kosovo has the lowest labour force participation rates for young women and men in the Western Balkans. While the gender gap in youth labour force participation is similar in most Western Balkans countries – more than 12 percentage points – the rate of young women's participation in the labour market in Kosovo is half or less than half of that in other countries' in the region. Disaggregation of the labour force participation rate by two age cohorts

(15-19 years) and (20-25 years) shows that because of high secondary school enrolment rates, labour force participation of young women and men aged 15-19 is extremely low (5.5% for young women and 11% for young men). Even though the labour force participation rate for young women in Kosovo is low it increases five-fold for the age cohort (20-24 years) rising to 25.2% even exceeding the overall rate of women's labour force participation in Kosovo (21.4%) (see Table A1 in the Annex).

Figure 12: Youth labour force participation rate in Western Balkans, by gender



Source: World Bank DataBank (2016) and Kosovo Agency of Statistics. 2015. LFS 2014 data

Youth with secondary vocational education attainment have the highest labour force participation rate.

About 43% of youth with VET school qualifications are either employed or unemployed and searching for work, compared to 27% of those with general secondary education and 7.9% of youth with tertiary education. Attendance at education might be the reason for the low participation rate of 20-24-year olds in the labour market (see Table 3.1. of the KAS LFS 2014).

A higher percentage of men compared to women consider educational attainment and training as more important than work.

More than three thirds of young women (70.6%) and men (82.8%) in Kosovo do not participate in the labour market because they are attending education or training. The remaining 10% of young women listed personal and family responsibilities as reasons why they do not search for employment, reinforcing

once again the prevailing cultural norms that women are the primary caretaker in the family. The percentage of discouraged workers among youth – that claimed that they do not search for work because they believe that no work is available – is similar between the two genders, at around 10% (LFS 2014 calculations).

A third of young women and men in Kosovo are not in employment, education or training (NEET),

detached from both the labour market and the education system that could help them develop skills and expand opportunities for future employment. The figure is higher among young women (34%) as compared to young men (26.6%) (KAS, 2015).

Determinants of young people's participation in the labour market: A desk review

Pieters in 'Youth Employment in Developing Countries' (2013), groups the **determinants of youth labour outcomes into three categories including labour demand, labour supply and labour market functioning:**

1. Labour demand: growth of productive, labour-intensive activities in the formal private sector and entrepreneurship.
2. Labour supply includes elements of equity in access, quality and relevance. Programmes of VET and apprenticeships, as well as informal training programmes are especially important for employment of the less educated and self-employment/entrepreneurship.
3. Labour market functioning involves availability and quality of information, transparency in hiring practices and labour market regulation, such as a dignifying minimum wages.

According to the same study, the performance of global markets is becoming increasingly important with the emergence of global value chains, especially in the services sector as a major employer of youth.

Looking into both macroeconomic and microeconomic factors that impact the NEET in Brazil and Indonesia, the Understanding Children's Work project (World Bank, 2013) finds that the NEET youth population is impacted to a larger extent by the economic performance of countries rather than youth-specific barriers.

The econometric analysis in the report shows that the size of youth NEET moves cyclically with the adult unemployment rate. Education attainment and marital status are also found to have a significant impact on the NEET rate in the two

countries. Primary education attainment was found to be positively associated with a lower chance of absence from school and the labour market, but simultaneously with a higher risk of unemployment. The number of children in the age group 0-4 years, on the other hand are found to negatively impact women's participation in the labour market.

The ILO report 'Global Employment Trends for Youth' (2015), attributes the increasing youth inactivity rates world-wide to an increasing number of young women and men in pursuit of more secondary and tertiary education. Household care responsibilities for children, elderly and people with disabilities, seasonality of work and discouragement were also listed as important in this regard.

Escudero and Lopez Mourelo in 'Understanding the Drivers of the Youth Labour Market in Kenya' (2013) use econometric analysis to identify the macroeconomic and microeconomic determinants of youth unemployment and inactivity. The regression analysis of the macroeconomic factors finds that aggregate labour market conditions, such as *labour market demand* represented through proxies of adult employment and unemployment rates, *have a greater impact compared to the size of the youth cohort.*

On a micro level, *gender, education attainment and having a network* were found to have a significant impact on the labour market outcomes of youth. While being a woman is positively associated with unemployment and inactivity, tertiary education and VET were found to have a negative association with unemployment and inactivity. In addition, the having an employed family member in the household, who is connected to the labour market, increases the probability of young member of the household to be employed.

Demographic determinants of young people's labour market participation: The case of Kosovo

In order to gain an insight to the demographic determinants of labour force participation among youth in Kosovo, a logistic regression analysis was conducted separately for inactive youth and youth NEET.

The results show that **being a woman, married, residing in rural areas, attending education or training, having no education, and being younger than 23 years old are positively associated with youth inactivity.** Using youth (15-24 years) inactivity as a dependent variable, the logistic regression analysis shows that being younger than 23 years is negatively associated with inactivity of youth, possibly related to attendance at secondary or university education.

Being a woman and married increases the likelihood of inactivity among youth, as does residing in rural areas. Education attainment also decreases the likelihood of inactivity among youth, to the greatest extent for those with tertiary education. For youth NEET, gender, marital status, residence and education attainment have the same effect, they are all positively associated with youth NEET.

Each subsequent/adjacent education level attained decreases the likelihood of being NEET at an increasing trend. Age on the other hand has a different effect on youth NEET; only being 23 or 24 years old increases the chance of being NEET, suggesting inactivity of youth after they have completed university education (See Table A7 and Table A8 in the Annex for the regression results).

Controlling for household and individual characteristics of the survey respondents – age, gender, education attainment, household size, years of remittance receipt, amount of remittances and expectations of the future remittance level – the UNDP Kosovo Remittance Study 2012 finds that remittances decrease the likelihood of recipients to search for work (UNDP, 2012, p. 47). As with the case for women, **remittances appear to also impact on youth increasing the likelihood of inactivity among recipient households and individuals.**



POLICY RECOMMENDATIONS

Based on the findings presented above, a number of policy recommendations are presented below for consideration.

PROVIDE SUBSIDIES FOR DAY CARE CENTRES, CHILDCARE AND PRESCHOOL EDUCATION AND EXPAND ACCESS TO PRE-SCHOOL SERVICES.

Both quantitative and qualitative research shows that affordable childcare (and other care) services are not available in Kosovo thereby inhibiting women's access to the labour market.²⁹ Ample evidence from around the world suggests that reducing the cost of child rearing through subsidies for day care centres, e.g. cash benefits until the child reaches the age of 3 years have had a significant impact on women's attachment to the labour market or re-integration as their children grow up.³⁰ Given the limited budget of the Ministry of Labour and Social Welfare for cash benefits in the social protection system, provision of subsidies for childcare and preschool education seems a more favourable option for Kosovo, especially considering the spill-over effects that early childhood development is proven to have on human capital development in the long run.

To this end, Kosovo's Ministry of Education, Science and Technology (MEST) could also take into account the recommendations of the 2012 UNICEF Kosovo study 'Joined Hands: Better Childhood' (UNICEF, 2012), which provided the framework of a Kosovo low-cost Early Childhood Education programme that would help expand the reach of educational services for all children in age groups 3-4 years. The total cost of the programme at the time was estimated at around €12 million a year, or around 10% of total expenditure in the education sector. Precisely because of its double impact on inclusion of women in the workforce and child development, the expansion in the reach and affordability of early childhood education services has been identified as one of the priority measures in the Human Capital pillar of Kosovo's Development Strategy (2016-2021). Kosovo would need to build on the identified policy priorities by moving towards the design and implementation of specific programmes in this area.



REVISE POLICIES FOR PARENTAL LEAVE TO ADDRESS WOMEN'S ACCESS TO THE LABOUR MARKET.

It is essential that the proportion of women employed in the private sector is increased. A reform of parental leave policies that alleviate the financial burden of maternity leave on the private sector, but simultaneously ensure that early childhood education and development are not compromised, is recommended. The World Bank qualitative study 'Maternity Leave and Women's Market Status in Kosovo' (2015) and the Kosovo Women's Network (KWN) (KWN, 2015) report 'Striking a Balance: Policy Options for Amending Kosovo's Law on Labour to Benefit Women, Men, Employers and the State' indicate that women face significant challenges to access jobs in the private sector - especially those of reproductive age - both in terms of gaining employment (due to discrimination in the recruitment process) and job security (provision of short-term contracts to women as well as contract termination while or immediately after return from maternity leave).



Furthermore, paternity and paternal leave that promote men's involvement in child care will not only have an impact on women's labour supply by slowly shifting the allocation of time within households to care activities, it could also potentially impact the social norms of traditional roles of women and men in society in the long run. Since a shift in traditional norms and values requires a significant amount of time to take hold, one of the means to tackle the unfair allocation of household responsibilities is through the adoption of a legislation on parental leave. One of the recommendations of Kosovo's Women's Network in this regard – during the latest discussions on revision of the Labour Law – includes a shared paid leave of three months each for both mothers and fathers in a total duration of six months (KWN, 2016, p.29).



PROMOTE FLEXIBLE WORKING ARRANGEMENTS FOR YOUNG WOMEN OF REPRODUCTIVE AGE. An ample amount of research shows that flexible working arrangements such as part-time work and working from home contribute to women's attachment to the labour market after childbirth. Extra hour allowances for breastfeeding up to a specific age of the child have also proven to be highly beneficial for both women's participation in the labour market and children's early development. The introduction of such measures in the Labour Law that is currently under discussion, and in other relevant legal provisions, could have a significant impact in reducing the inactivity of young mothers.



REVIEW MECHANISMS TO ENFORCE LABOUR LEGISLATION. Ultimately, revision of current policies and legislation related to maternity and paternity leave would be insufficient without also taking into account the need to strengthen enforcement mechanisms, notably labour inspectorates and courts, in order to make sure that policies and legislation are implemented and that challenges related to informality and discrimination during recruitment and in the workplace are addressed. The labour inspectorate, as with many other inspectorates, requires capacity development and increased funding to adequately fulfil its mandate. It is also critically important to strengthen the dialogue, through the Social Economic Council of Kosovo, between public institutions and social partners, especially employer and worker organizations. Civil society organizations and the Ombudsperson need to be more empowered and vocal in demanding accountability from institutions with regard to the implementation of labour legislation. Nonetheless, enforcement of the relevant legislative framework is beyond the reach of social policy alone being somewhat more related to lagging reforms in the judicial system, which is currently clogged by a case backlog and the time required to resolve cases (414 days on average to resolve a case). This discourages workers from bringing their case to court and creates an atmosphere of impunity for employers. Increased efforts to improve the efficiency and effectiveness of the judiciary, coupled with capacity development on implementation of the labour law, are essential to any meaningful enforcement of labour legislation.

THE “RURAL FACTOR” OF INACTIVITY COULD BE ADDRESSED THROUGH CONTINUED INVESTMENTS IN THE AGRICULTURAL SECTOR AS WELL AS IMPROVED AND LOWER COST OF PUBLIC TRANSPORT TO URBAN AREAS.

The econometric analysis in chapter 3 shows that region of residence has a significant correlation with participation of youth or women in the labour market. In particular, residing in rural areas is shown to be negatively associated with participation of youth in the labour market. Given that most of the jobs in Kosovo are concentrated in urban areas, continued investment in the agriculture sector (which has been substantial during the last years) could help increase the labour force participation of youth living in rural areas. In addition, considering Kosovo's population density and the proximity of most rural areas to urban centres (as well as a solid road network), improvements in public transportation links between rural and urban areas could also have a similar effect by making it easier and less expensive for residents of rural areas to access urban labour markets. Preferential treatment for women and youth with regard to transportation costs, through the introduction of travel vouchers, could further incentivize activity and employment in urban areas.



DEVELOP MEASURES TO IDENTIFY, TRACK AND SUPPORT YOUTH IN THE NEET CATEGORY.

Most of the existing programmes tackling the youth including, job-seek assistance and guidance, training, vocational trainings, internship opportunities, self-employment and so forth are targeted at unemployed youth who are registered in a Public Employment Office. Therefore, mechanisms need to be developed to cover inactive youth and those falling under the category of NEET, as lack of engagement in any educational or work activity puts them at high risk of long-term unemployment and depletion of skills. It is vital that youth NEET are identified and categorized early on through the Labour Market Information System. Public institutions could then track whether someone who has left an educational institution (MEST database) has joined the workforce (Tax and Pension Administrations databases), a social welfare scheme (MLSW database) or has “gone off the radar”, thus signalling the possibility of being categorized as NEET (or working informally). Identification of NEET youth could allow MEST and municipal education directorates to engage in awareness raising activities related to training opportunities and possibly career guidance. In addition, MLSW and Public Employment Offices could develop a separate programme of support for identified NEET youth that would provide financial incentives for their short-term engagement in the labour-market or trainings by developing individual “Activity Programmes” that reward activity.



Giving young people the chance to get their first employment experience is critical as the vast majority of NEET have never worked. First work experiences are known to have a positive impact on motivation and future employability. To this end, measures could be taken to stimulate young people's engagement in the workforce even before young people become NEET, by obliging and incentivizing education institutions (general gymnasiums, VET schools or higher education institutions) to engage students as much as possible (with a minimum set of hours mandated by law) in practical short-term experiences. In the case of VET, this entails the recommendation outlined in the National Development Strategy to implement the combined pilot system with elements of dual learning (combination of learning in schools and learning in the enterprises).



INVEST IN MODERNIZING GENERAL SECONDARY AND (ESPECIALLY) VET PROGRAMMES. There is general consensus that education and teaching methods in Kosovo need considerable improvement as they can be an effective tool to prevent school dropouts promoting further education attainment. Alignment of VET programmes in particular with current and future market demands – especially to sectors with potential – is essential for preparing young women and men with knowledge and skills to transition from school to employment.³¹ In this regard, Kosovo needs to develop a National Skills Forecast System that would guide career orientation services and curricula development and enable a better coordination of subsidy schemes with priority areas in the economy, thus ensuring a better integration of VET and other graduates into the labour market.



ADVOCACY AND “BEHAVIOUR MODELLING” TO ADDRESS THE SOCIAL NORM BARRIER TO WOMEN’S PARTICIPATION IN THE LABOUR MARKET. Social norms have a considerable influence on the engagement of women in the workforce which is evident in disproportionate representation of women in certain professions or managerial positions. While changing social norms through public policy is challenging and takes time to show results, experiences from other countries indicates that policies and measures that increase the presence of women in the public sphere (in the workforce, media, etc.) can in the long-run cause behaviour change and ensure acceptance of the role of women in the workforce. To this end, public institutions should take the lead in setting quotas for managerial positions in public institutions (to serve as an example for the private sector).

Public institutions, civil society organizations and business associations should develop specific incentives (fiscal, in the case of the state) or rewards (i.e. publicity) for private sector companies that have in place a corporate governance structure and policies and practices promoting inclusion of women in managerial or “non-conventional” positions. Civil society organizations have a critical role in raising awareness and advocating about the importance of women’s participation in the labour force for individual or family welfare, including (in the case of families) the benefits to men and women and the reduction of the financial burden on men as the sole breadwinners in the family.

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ANNEX OF TABLES AND FIGURES

Table A 1: Labour force participation rate by gender and age group

KOSOVO 2014	MALE	FEMALE	ALL
15-19	11.0%	5.5%	8.3%
20-24	51.0%	25.2%	38.9%
25-29	73.9%	30.9%	53.6%
30-34	81.9%	28.7%	55.0%
35-39	84.1%	24.7%	52.2%
40-44	84.8%	24.4%	52.6%
45-49	80.4%	24.5%	51.5%
50-54	75%	20.7%	48.1%
55-59	62.5%	18.3%	40.5%
60-64	47.9%	11.4%	29.0%
Total 15-64	61.8%	21.4%	41.6%

Source: Kosovo Agency of Statistics. 2015. Labour Force Survey 2014 data

Table A 2: Employment by education level and gender, 2014

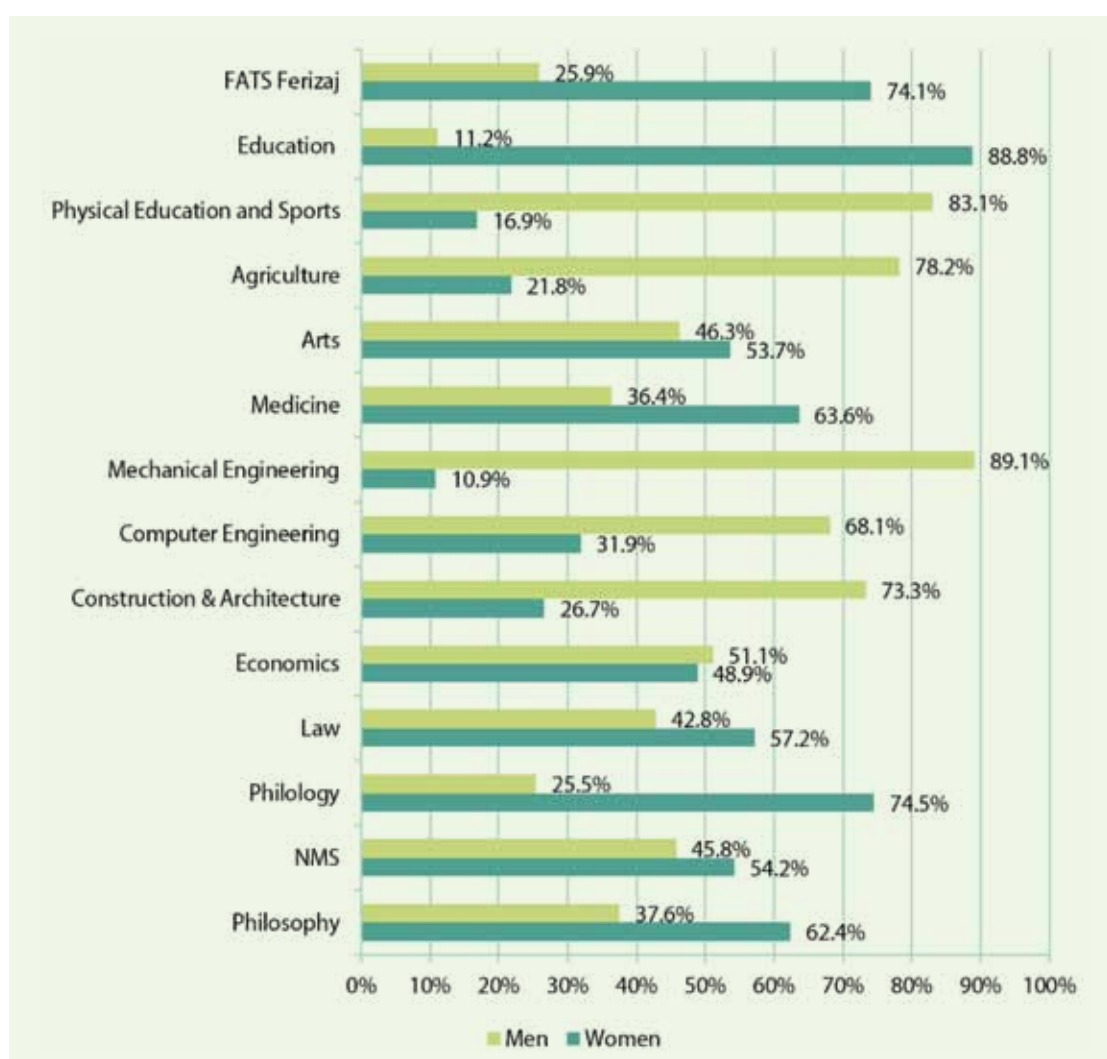
EDUCATION LEVEL	MEN	WOMEN
No school	0.2%	0.8%
Primary education (grades I to VIII) and (VIII to IX)	19.5%	19.5%
Secondary vocational education	41.1%	31%
Secondary general education	18.5%	11.9%
Tertiary education (undergraduate, post-graduate and doctorate)	20.7%	36.9%
Total	100%	100%

Source: Kosovo Agency of Statistics. 2015. Labour Force Survey 2014 data

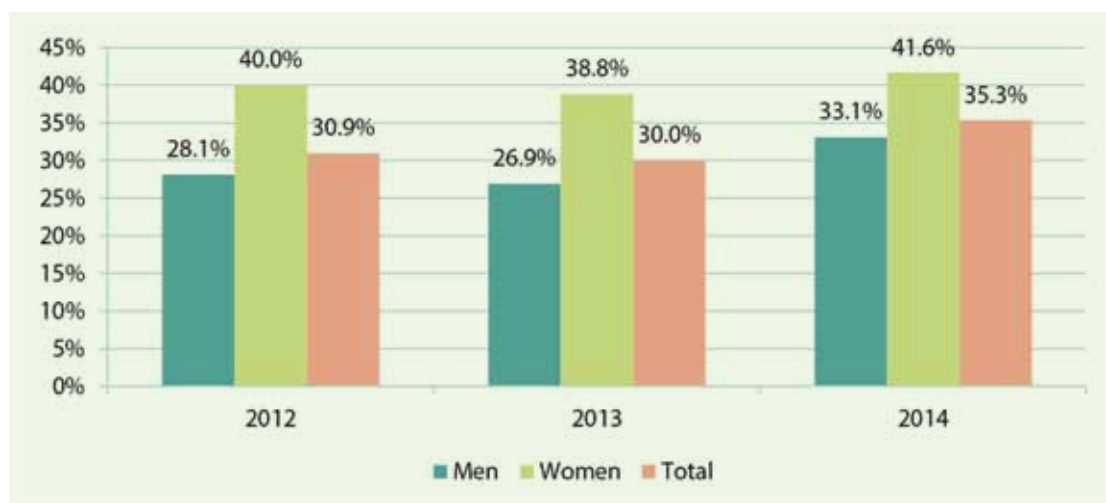
Table A 3: **Employment rate by age and gender, 2014**

AGE	MEN	WOMEN
15-24	13.4%	4.2%
25-34	48.8%	15.5%
35-44	60%	15.7%
45-54	58.7%	18%
55-64	47.2%	13.4%
Average 15-64	41.3%	12.5%

Source: Kosovo Agency of Statistics. 2015. Labour Force Survey 2014 data

Figure A 1: **Gender composition of students enrolled in university education, by major (2012-2013)**

Source: Kosovo Agency of Statistics, 2012-2013

Figure A 2: **Unemployment rate (2012-2014), by gender**

Source: Kosovo Agency of Statistics. 2015. Labour Force Survey 2014 data

Table A 4: **Labour force participation rate in Western Balkans, by gender**

	MEN	WOMEN	TOTAL
Albania	74.2%	51.7%	63.0%
Bosnia and Herzegovina	67.1%	42.1%	54.5%
Kosovo	61.8%	21.4%	41.6%
FYRoM	77.3%	51.5%	64.6%
Montenegro	66.1%	52.3%	59.2%
Serbia	69.7%	53.9%	61.7%

Source: World Bank Development Indicators and Kosovo Agency of Statistics. 2015. Labour Force Survey 2014 data.

For countries other than Kosovo, figures represent modelled ILO estimates.

Table A 5: **Labour force participation rate by education attainment and age group**

Share of the labour force (%)	No school	I-IX classes (Primary Education)	Secondary vocational	Secondary gymnasium	Tertiary
15-24	0.3%	22.3%	42.5%	27.0%	7.9%
25-34	0.6%	18.7%	38.1%	16.6%	25.9%
35-44	0.6%	27.7%	40.3%	16.6%	14.9%
45-54	0.9%	18.0%	43.6%	14.1%	23.4%
55-64	0.7%	17.9%	32.2%	11.4%	37.8%
Total 15-64	0.6%	21.4%	39.9%	17.3%	20.8%

Source: Kosovo Agency of Statistics. 2015. Labour Force Survey 2014 data.

Table A 6: **Determinants of women's participation in the labour market**

DEPENDENT VARIABLE	INACTIVE MARRIED WOMAN (15-64)	
	COEFFICIENT	MARGINAL EFFECT
Constant	-2.7** (0.69)	0.44
Age	0.16** (0.20)	0.04
Age squared	-0.002** (0.0003)	-0.0004
Years of education	0.06** (0.11)	0.02
Years of education squared	-0.016** (0.005)	-0.004
Children age 0 to 3 years	0.19** (0.08)	0.05
Residence: rural (dummy variable)	0.05 (0.06)	0.01
Receipt of remittances (dummy variable)	0.34** (0.07)	0.01
Number of observations: 6,031 Log likelihood: -3755 Chi-square: 792.1		

Notes: Standard errors in parentheses; ** denotes statistical significance at 5%

Source: UNDP Kosovo Remittance Household Survey 2011

Table A 7: **Determinants of youth inactivity**

DEPENDENT VARIABLE	YOUTH INACTIVITY (15-24 YEARS)
	COEFFICIENT
Constant	1.24** (0.35)
Gender	1.09** (0.05)
Married (dummy variable)	0.82** (0.09)
Residence (urban/rural)	0.30** (0.05)
Primary education (dummy variable)	-1.64** (0.34)
Secondary education (dummy variable)	-2.3** (0.34)
VET education (dummy variable)	-2.2** (0.34)
Tertiary education (dummy variable)	-1.57** (0.36)
Attending education or training (dummy variable)	1.8** (0.05)
Age 16 (dummy variable)	3.14** (0.39)
Age 17 (dummy variable)	2.37** (0.19)
Age 18 (dummy variable)	1.60** (0.14)
Age 19 (dummy variable)	1.33** (0.09)
Age 20 (dummy variable)	0.67** (0.09)
Age 21 (dummy variable)	0.378** (0.08)
Age 23 (dummy variable)	-0.23** (0.08)
Age 24 (dummy variable)	-0.55** (0.08)
Number of observations: 15,250	
Log likelihood: -5319.7899	
Chi-square: 4347.01	

Notes: Standard errors in parentheses; ** denotes statistical significance at 5%

Source: KAS, LFS 2014 data

Table A 8: **Determinants of youth NEET**

DEPENDENT VARIABLE	YOUTH NEET (15-24 YEARS)
	COEFFICIENT
Constant	1.04** (0.17)
Gender	0.31** (0.04)
Married (dummy variable)	1.71** (0.09)
Residence (urban/rural)	0.40** (0.05)
Primary education (dummy variable)	-1.47** (0.16)
Secondary education (dummy variable)	-2.53** (0.17)
VET education (dummy variable)	-1.76** (0.16)
Tertiary education (dummy variable)	-3.51 (0.19)
Age 16 (dummy variable)	-2.22** (0.14)
Age 17 (dummy variable)	-2.56** (0.11)
Age 18 (dummy variable)	-2.03** (0.1)
Age 19 (dummy variable)	-1.47** (0.09)
Age 20 (dummy variable)	-0.67** (0.078)
Age 21 (dummy variable)	-0.15** (0.07)
Age 23 (dummy variable)	0.04** (0.07)
Age 24 (dummy variable)	0.06** (0.077)
Number of observations: 15,250	
Log likelihood: -7430.1617	
Chi-square: 3075.43	

Notes: Standard errors in parentheses; ** denotes statistical significance at 5%

Source: KAS, LFS 2014 data

STATISTICAL ANNEX

The HDI is a composite index measuring average achievement in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living.³² Since 1990 the HDI has had three dimensions: a long and healthy life, knowledge, and a decent standard of living. The indicators used to inform each dimension have, however, changed over time. Currently, four indicators are used to capture the three dimensions: life expectancy at birth (long and healthy life); mean years of schooling of the population age 25 and over (knowledge), expected years of schooling for children (knowledge); and Gross National Income (GNI) per capita³³ adjusted by Purchasing Power Parity (PPP) (standard of living).³⁴ The knowledge dimension uses two indicators, while the others use just one.³⁵

The HDI, for this report, is computed as the geometric mean of the normalized indexes measuring achievements in each of these three dimensions.

Data sources

- Mean years of schooling index: World Bank, World Development Indicators, Kosovo 2014
- Expected years of schooling index: Remittance Survey, KAS, 2013
- GNI (per capita) was calculated as: $(\text{GNDI (per capita)} + \text{GDP (per capita)})/2$
- GNDI (per capita) and GDP per capita: IMF
- Life expectancy at birth: World Bank, World Development Indicators, 2014

Steps to calculate the Human Development Index

See Table A9 for goalposts in calculating the dimensions of the HDI.

Table A 9: **Goal posts for the Human Development Index in this Report**

DIMENSION	INDICATOR	MINIMUM	MAXIMUM
Health	Life expectancy (years)	20	85
Education	Expected years of schooling	0	18
	Mean years of schooling	0	15
Standard of Living	Gross national income per capita (PPP 2011 \$)	100	75,000

Source: Human Development Report 2015, technical note 1, p 2

Having defined the goalposts, the sub-indexes are calculated as follows:

$$\text{Dimension index} = \frac{\text{actual value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (1)$$

For education, equation 1 is applied to each of the two subcomponents, and then the arithmetic mean of the two sub-indices is created.

Because each dimension index is a proxy for capabilities in the corresponding dimension, the transformation function from income to capabilities is likely to be concave (Anand and Sen 2000). Thus, for income the natural logarithm minimum and maximum values are used.

The HDI is the geometric mean of the three dimensions' indices:

$$(I_{\text{life}}^{1/3} \times I_{\text{education}}^{1/3} \times I_{\text{income}}^{1/3})$$

Computing the HDI

KOSOVO

INDICATOR	KOSOVO
Life expectancy at birth (years) (WB, WDI, 2014)	71.1
Mean years of schooling (years) (Remittance survey, 2013)	10.7
Expected years of schooling (years) (Remittance survey, 2013)	14.2
GNI per capita (IMF, 2014) ³⁶	9,796

Life expectancy index:

$$\text{Life Expectancy Index} = (71-20)/(85-20) = 0.7846$$

Education index:

The first step is to calculate each sub-index using **Equation 1** with Kosovo's actual values:

$$\text{Mean years of schooling index} = (10.7-0)/(15-0) = 0.7133$$

$$\text{Expected years of schooling index} = (14.2-0)/(18-0) = 0.7889$$

$$\begin{aligned} \text{Education Index} &= (\text{Mean years of schooling index} + \text{Expected years of schooling})/2 \\ &= (0.7133 + 0.7889)/2 = 0.7511 \end{aligned}$$

Income index:

$$\text{Income Index} = \frac{\ln(9796.03) - \ln(100)}{\ln(75000) - \ln(100)}$$

Human Development Index:

$$\text{Human Development Index} = (0.7846 \times 0.7511 \times 0.69252)^{1/3} = 0.74175$$

ENDNOTES

- 1 The unemployment rate in Kosovo is the highest in the region, 35.3% (KAS, 2015).
- 2 UNDP ranking of countries and territories based on their HDI in a descending order shows that Kosovo's HDI is lower than that of Montenegro (0.802), Serbia (0.771) and FYRoM (0.747), while slightly higher than the HDI of Albania and Bosnia and Herzegovina (both at 0.733).
- 3 Consultation workshop held on Friday, 3rd June 2016, with the participation of representatives from the Ministry of Labour and Social Welfare (MLSW), MEST, Ministry of Trade and Industry (MTI), Kosovo Agency of Statistics (KAS), Kosovo experts of the private sector development and labour market, and other donor agencies operating in the field.
- 4 SDG 1, target 1.3. Implement nationally appropriate social protection systems and measure for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable; SDG 5, target 5.4. Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate; SDG 10, target 10.4. Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality (United Nations, Sustainable Development Goals).
- 5 Secondary school net attendance ratio (adjusted): Percentage of children of secondary school age currently attending secondary school or higher.
- 6 Retrieved from the World Bank DataBank: <http://data.worldbank.org/country/kosovo> (last accessed on 23 August 2016).
- 7 For further details, see the Labour Force Survey report 2014 at <http://ask.rks-gov.net/en/lm#> and the World Bank Databank: World Development Indicators: 2016 <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators> (last accessed on 23 August 2016).
- 8 See the Statistical Annex for the calculation methodology of the HDI (2015) in Kosovo.
- 9 See the global HDR (2015) for HDI ranking: http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf (last accessed on 23 August 2016).
- 10 Labour on Law No. No.03/L –212, <http://www.kuvendikosoves.org/common/docs/ligjet/2010-212-eng.pdf> (last accessed on 23 August 2016).
- 11 World Bank Group. Doing Business: Measuring Business Regulations, Kosovo. Available at: <http://www.doingbusiness.org/data/exploreeconomies/kosovo/> (last accessed on 23 August 2016).
- 12 World Bank. 2015. Country Snapshot.
- 13 Summarized from the UNDP (2014) Six sector profile publications, available at: <http://www.mti-ks.org/sq/Publikime> (last accessed on 23 August 2016).
- 14 KAS. 2011. Kosovo Population Census 2011.
- 15 Gender Parity Index is calculated as the upper secondary school net attendance ratio (adjusted) for girls divided by upper secondary school net attendance ratio (adjusted) for boys (KAS, 2015, p. vii).
- 16 The report uses LFS data from 2005 which is the most recent data available; it is generally understood that there has not been much significant change to school to work transition rates since then.
- 17 Six sectors have been selected by the Ministry of Trade and Industry (MTI) as a priority because of their potential for development and employment generation: Agribusiness – Food Processing and Packaging, Information and Communication Technology and Business Processes Outsourcing, Textiles and Leather, Wood Processing, Metal Processing and Tourism.
- 18 Labour and Employment 2015, MLSW, 2016 (not published). Data available at the Ministry of Labour and Social Welfare
- 19 The number of registered jobs, excluding active labour market programmes, was 10,210, marking a 55% increase compared to 2014.
- 20 Based on a review of literature on informality in developing countries, Kosovo Gender Profile (2014) report argues that more than half of working women in Kosovo are employed in the informal economy, namely providing private services like domestic services, caretaking or hairdressing.
- 21 Using evidence from 20 school-to-work transition surveys to assess the incidence and implications of youth employment in the informal sector, Shehu & Nilsson (2014) use two indicators to calculate the informal economy in a country: employment in the informal sector and informal jobs in the formal sector. The authors estimate an average 50% for the informal economy in the FYRoM, which is used as a baseline for Kosovo in the absence of Kosovo-specific data in the study.

- 22 A European Commission report calculates the informal economy in Kosovo at 27-35% of GDP for the period 2003-2006.
- 23 It is important to note that working on a farm (for own consumption) is not counted as employment in the KAS methodology for calculations. In 2014, 69% of this group was categorized as inactive and 31% as unemployed, while different sources of data, such as the Household Budget Survey demonstrate that agriculture is an important source of income for families in Kosovo and could change the rates of labour market outcomes. In several countries, including Albania, such differentiation is not made and all who worked on a farm (for own consumption) are considered employed in agriculture sector.
- 24 More than 56% of women who are inactive stated that they are not looking for work because they are looking after children or adult family members unable to work (due to old age, illness or disability) (3.2%) or because of other personal or family obligations (53.6%) (KAS 2015).
- 25 The UNDP Kosovo Remittance Survey (2011) was conducted during the July-August 2011 and interviewed a total of 8,000 households and 656 of their emigrant family members living abroad.
- 26 However, this variable was removed from the regression due to two-way correlation with both women's labour market status and receipt of remittances, that is, that women's inactivity and receipt of remittances impact the level of total household income.
- 27 The Labour Force Survey 2014 shows that 86.2% of the respondents aged 15-19 were attending education or training during the reference week of the survey.
- 28 LFS 2014 data and World Bank qualitative study Maternity Leave and Women's Market Status in Kosovo (2015)
- 29 Lefebvre et al. (2009) use a quasi-experimental methodology to assess the impact of subsidized childcare services in Quebec. Comparing the labour supply with nine other Canadian provinces where the policy was not introduced, demonstrated that the policy had a long-term impact on labour supply of mothers who had children younger than 6 years, and the effect was especially high for less educated mothers. Sanchez-Mangas & Sanchez-Marcos (2008) also find a positive effect on labour supply of mothers in Spain after provision of a €100 monthly cash benefit per child for women with children younger than 3 years.
- 30 The importance of closing the skills mismatch is also widely recognized by Kosovo institutions and has been included as a priority in the Kosovo National Development Strategy 2016-2021.
- 31 For more information about the calculation of the HDI, check the technical note: http://hdr.undp.org/sites/default/files/hdr2015_technical_notes.pdf 23 August 2016
- 32 GNI per capita is "(the) sum of value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad, divided by midyear population. Value added is the net output of an industry after adding up all outputs and subtracting intermediate inputs" (UNDP. 2010. p. 224).
- 33 Purchasing power parity (PPP) rates of exchange are used to take account of price differences between countries. Unlike market exchange rates (e.g. US\$1 = INR 63), PPP adjusts the exchange rate to consider variations in prices between countries. This is important because what a person can buy with US\$1 in the United States greatly differs from what INR 63 can buy in India. Through different methods, the exchange rate can be adjusted so that, in theory, 1 PPP dollar (or international dollar) has the same purchasing power in the domestic economy of a country as US\$1 has in the United States economy. The HDI figures on GNI per capita, adjusted by 2011 PPP, are taken from the World Bank's World Development Indicators (for an explanation of how this is calculated, see World Bank. 2014). The HDI is calculated for 187 countries and areas, all of which have very different price levels. To compare economic statistics across countries therefore, the data must first be converted into a kind of common currency. Adjusting the GNI per capita by PPP US\$ therefore better reflects the living standards of people in each country. However, there are important drawbacks and concerns with the method of adjusting prices by PPP, including problems with measuring the value of non-market services and its urban bias (see UNDP. 2008. p. 8).
- 34 All three dimensions use indicators which provide an approximate guide to the levels of development in each area. For example, the health data used in the health dimension are not intended to comprehensively cover all aspects of what would constitute a long and healthy life (such as data on different kinds of diseases). Rather, the indicators selected, such as life expectancy at birth, provides a useful "proxy" how well a country is doing in that particular dimension.
- 35 <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40810.0>

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