

Employment and Social Affairs Platform 2

Performance of Western Balkan economies regarding the European Pillar of Social Rights

2022 REVIEW ON KOSOVO*



RegionalCooperationCouncil



Funded by
the European Union

Employment and Social Affairs Platform 2

#ESAP2

Title: Performance of Western Balkan economies regarding the European Pillar of Social Rights
2022 Review on Kosovo*

Publisher: Regional Cooperation Council
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Date of publication: April 2023

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Acknowledgements

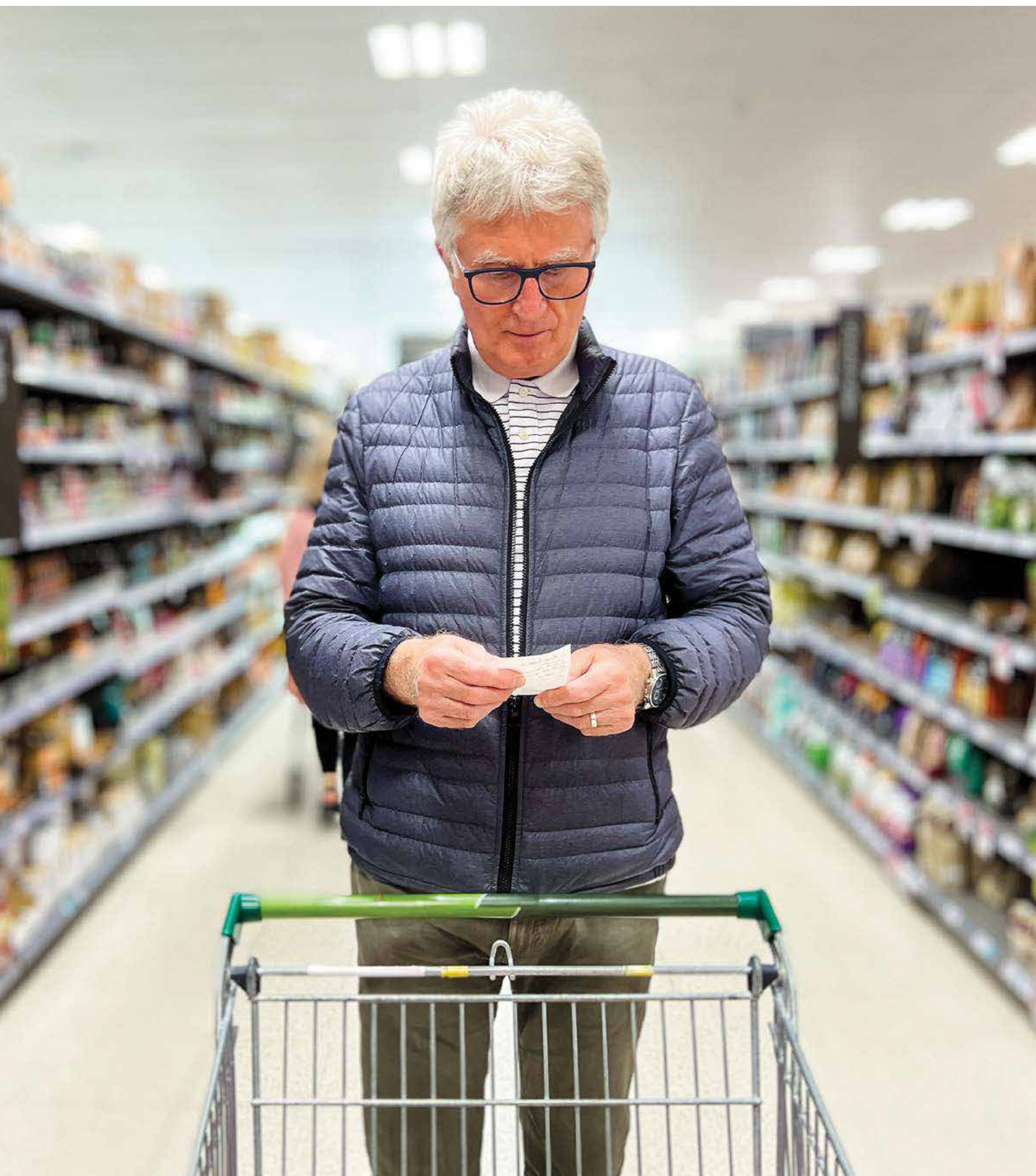
The Performance of Western Balkan economies regarding the European Pillar of Social Rights; 2022 review on Kosovo* report is prepared under the overall guidance of the Regional Cooperation Council (RCC) in the framework of the Employment and Social Affairs Platform (ESAP 2), a regional project financed by the European Union and jointly implemented by the Regional Cooperation Council (RCC) and the International Labour Organisation (ILO) in Western Balkan economies.

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Abbreviations

| | |
|--------------|--|
| AGE | Agency for Gender Equality |
| ALMM | Active Labour Market Measures |
| CBK | Central Bank of Kosovo* |
| EARK | Employment Agency of the Republic of Kosovo* |
| EC | European Commission |
| ECE | Early Childhood Education |
| ECEC | Early Childhood Education and Care |
| ERP | Kosovo* Economic Reform Programme |
| EU | European Union |
| EWCTS | European Working Conditions Telephone Survey |
| GRB | Gender Responsive Budget |
| HEWFC | House for Elderly without Family Care in Pristina |
| HIS | Health Information System |
| ICK | Innovation Centre Kosovo* |
| ILO | International Labour Organisation |
| IMF | International Monetary Fund |
| KAS | Kosovo* Agency of Statistics |
| KESP | Kosovo* Education Strategic Plan |
| KPST | Kosovo* Pensions Savings Trust |
| KWN | Kosovo* Women Network |
| LFS | Labour Force Survey |
| LSWS | Labour and Social Welfare Strategy |
| MESTI | Ministry of Education, Science, Technology, and Innovation |
| MFLT | Ministry of Finance, Labour, and Transfers |
| NDS | National Development Strategy |
| NEET | Not in Employment, Education, or Training |
| OECD | Organisation for Economic Cooperation and Development |
| OGG | Office of Good Governance |
| OHS | Occupational Health and Safety |
| OSH | Safety and Health at Work |
| PWD | People with disabilities |
| SAS | Social Assistance Schemes |
| SEC | Social Economic Council |
| TAK | Tax Administration of Kosovo* |
| VET | Vocational Education and Training |
| VTC | Vocational Training Centres |
| WB | Western Balkan |
| WSRA | Water Service Regulatory Authority |

I. Executive summary



After the economic decline in 2020, the Kosovar economy experienced a full recovery in 2021, supported by private consumption and record export growth (World Bank, 2022). The economy marked a significant GDP growth of 10.5% in 2021 (CBK, 2022; World Bank, 2022). As the COVID-19 pandemic showed signs of waning, measures undertaken to mitigate its effects were gradually subsided, resulting in a high diaspora influx, which in turn became an important catalyst for economic recovery. Confronted with a strong rebound in revenue, the fiscal balance improved, and public debt growth decelerated. The average annual inflation rate was 3.4%, with hikes in transport costs and food prices contributing the most to these numbers (CBK, 2022). In 2021, the Government launched the economic recovery programme with a total amount of EUR 420 million, or 5.3% of the economy's GDP. The goals of the programme included improved employment, with a primary focus on strengthening the role of women and youth in economy; improvement of production and the economy's trade balance; and enhanced provision of social assistance and the promotion of inclusion and well-being. Due to the spill over effects from the war in Ukraine, economic growth in Kosovo* has slowed down in 2022, with the IMF forecasting a 3% GDP growth for the year. Additionally, the war in Ukraine accelerated price increases in 2022, which led to an average inflation rate of 10.4%.

The trend of economic recovery has been accompanied by progress in some indicators of the European Pillar of Social Rights.

Some improvements have been evidenced in the formalisation of informal employment, minor improvement of the position of women in the labour market, slight decrease of youth NEET, as well as the decrease in the unemployment rate compared to previous years. However, taken in real terms, some of these results may not hold when considering the high level of outmigration of the population that has continued in the last year.

Only a very small percentage of children can access early childhood education (ECE). This is evidenced by the small number of public pre-school institutions, the lack of sufficient infrastructure for inclusion of children, and the lack of human resources for the provision of integrated welfare, healthcare, and education services for the overall development of children. The most vulnerable groups are also the most deprived of these education opportunities.

There is a persistent mismatch between education and skills development with labour market needs. In this context, some measures have been planned in the Education Strategy 2022-2026 and in the Programme for Economic Reforms 2022-2024, which include the building of new schools and kindergartens, adopting new curricula, training teachers, and supporting vocational education and training.

Equal opportunities and social inclusion are guaranteed in theory, but in practice, actions that are currently conducted are not enough. Women and youth are disadvantaged in the labour market. Only 22% of women are active in the labour market, while youth NEET rate is 32.1% (KAS, 2021). People with disabilities are the most discriminated in society as they lack adequate access to education, health, and social services. Roma, Ashkali and Egyptian communities lack access to education and the labour market. Due to the pandemic, their financial income worsened, as many members of these communities lost their jobs in the informal sector.

Adult education and lifelong learning mismatch labour market needs. This is also stated in the Education Strategy 2022-2026, where the most critical constraints highlighted are the lack of quality assurance in education, no proper alignment of vocational education and training (VET) with the labour market, the lack of data on trainings, inadequate training methods, and the lack of training for trainers. The Employment Agency, through its Vocational Training Centres

(VTCs), is the key public provider of vocational training. However, the agency lacks human and financial resources to provide appropriate training for candidates.

The unemployment rate remained high at 20.7% in 2021 (KAS, 2021). Women and youth are disadvantaged in the labour market. The main goal of the Labour and Social Welfare Strategy (LSWS) 2018-2022 was to increase employment, giving priority to the employment of women and young people. The operational plan of the strategy envisages the increase of employment and training through active labour market measures (ALMM), which are implemented by the Employment Agency. Due to the limited operational capacity of the Agency, not many services promoting employment have been offered to these groups in recent years. Similarly, the Government economic recovery programme aims to support employment with a focus on women and youth, however, currently existing funds are limited to address the high unemployment rate.

The economy is challenged by the labour force outmigration. Outmigration of labour force is driven by the lack of employment opportunities, low wages, lack of social protection, and disregard of labour rights. The trend of the labour migration will cause major obstacles for businesses and the economy in the mid and long-term.

The economy has made progress in adopting laws in compliance with EU Directives, however, implementation remains very weak, especially for the labour force in the private sector. Legal provisions allow for corrective measures to promote equal access of women, persons with disabilities and minorities, but the implementation of these provisions remains weak. The lack of implementation of the laws is likely to contribute to informal employment, a high turnover of employees, an unstable and unreliable labour market, difficult working conditions, a lack of safety and health at work and so forth.

Informal employment is widespread in the Kosovar labour market. Workers without contracts have insecure jobs, most likely work under poor working conditions, and lack safety and protection. On the one hand, informal employment relations limit the social rights of workers and the protection of employees and on the other, informality reduces the Government budget due to the non-payment of taxes and contributions.

A large share of workers holds temporary contracts. Short-term contracts keep employees under pressure of losing their job, with a higher risk for pregnant women and those on maternity leave. New modalities are proposed within the Draft Labour Law, such as re-adjustment of parental leave, recognition of home-based work, and the right to take up more than one part-time job.

Social dialogue functions on a tripartite and bipartite level, but it remains weak. In the private sector, trade unions are founded in very rare cases, mainly in large companies. The Economic Social Council is a tripartite body composed of representatives of employers' organisations, trade unions and Government, being responsible for labour issues, social protection, and economic policies. However, its activity is quite limited.

The Parliament is adopting a Law on Wages. The Law aims to ensure equality in the wages system where the responsibility and contribution of the workers in the public sector are assessed and levelled correctly. This law significantly improves the current compensation system for workers in the public sector. Wages of the health and education sectors and the police force will increase significantly, thus bringing hope for the stability and improved quality of these services. In the private sector wages are regulated at the company level rather than at the industry level.

The minimum wage does not reflect the current economic trends. The Labour Law



requires that the minimum wage is revised and adjusted based on socio-economic trends. However, no adjustments have been made since it was introduced in 2011. In June 2022, the Parliament approved an increase of the minimum wage from EUR 170 to EUR 264 in the first reading, though it has not yet been proceeded for the second reading.

The planned Social Insurance Fund has not been implemented yet. The Social Insurance Fund aims at reforming the pension system, work

invalidity, sick leave, and unemployment insurance. The reform foresees that the fund would be financed by equal contributions from both employees and employers.

The social assistance scheme has low coverage and stringent categorical eligibility criteria that exclude most of the poor. The current criterions of eligibility I and II give a priori exclusion of poor households and do not apply an equivalence scale that would give more leverage to larger households.

II. Introduction



The economy has been severely hit by the COVID-19 pandemic, especially affecting the livelihoods of vulnerable groups, low-income households, informal employees, and employees with short-term contracts. To overcome the consequences of the pandemic, the Government has taken several fiscal measures for enabling economic recovery and improving social protection. After experiencing a decline in 2020, the economy has recorded high GDP growth of 10.5% in 2021 (CBK, 2022; World Bank, 2022). This surge of economic activity was attributed to the ease of pandemic and supportive government financial and fiscal policies. The gradual easing of the pandemic control measures resulted in high diaspora arrivals, which proved to be an important catalyst in the economic revival. The increase in economic activity has been accompanied by a slight improvement in the labour market and social welfare. It should be noted that in 2021 there was an increase in the formalisation of jobs and a decrease in the unemployment rate. Still, levels of poverty, unemployment and of participation in the informal economy remain high.

Economic recovery has significantly slowed down due to the effects of the war in Ukraine. This has been manifested through the increase in prices, the weakening of purchasing power and the decline of optimism in the population. The economy has a very high trade deficit, where exports cover imports only by 16.1% (KAS, 2021). Likewise, the economy is more affected by the increase in prices in international markets. The inflation rate was predicted at 10.4% in 2022 (CBK, 2022).

There has been progress in adopting laws in compliance with EU Directives, however, implementation remains very weak. The Labour Law, the Law on Occupational Safety and Health, the Law on Gender Equality, the Law on Vocational Ability, Rehabilitation and Employment of People with Disabilities are some of the laws of the legislative framework that are in line with EU Directives but do not have satisfactory

application. This lacking implementation contributes to an unreliable labour market, poor working conditions, informal employment, and inequality.

Although relevant draft laws promoting social rights are conceived, they are often not adopted for a long time. The new Labour Law aiming to advance employees' rights was drafted in 2018. It was aligned with EU directives in the areas of work relations, social protection, wages, working time, and the protection of employees. This Law was approved in principle by the National Assembly in June 2019 but has not been adopted yet. Similarly, the Draft Law on Maternity and Parental Leave, the Draft Law on Wages, and the Draft Law on Public Officials were developed in 2018, but they have not been adopted either. Additionally, even those draft laws which have been adopted are often not implemented, such as the case of the Law on Health Insurance, adopted in 2014.

There are strategies and programmes for education, employment, equality, and social welfare in place. Namely, the Development Strategy-2030, the Education Strategy 2022-2026, the Labour and Social Welfare Strategy 2018-2022, the Strategy for Integration of Roma, Ashkali and Egyptian communities 2022-2026, the Programme for Gender Equality 2020-2024, and the Programme for Economic Reform 2022-2024 are all initiatives which envisage the advancement of education, skills, employment, gender balance and an equal society.

The economy does not have Social Insurance Fund yet. The law introducing social health insurance was adopted in 2014, however, its implementation has not yet commenced. Meanwhile, no other insurance institution has been created to provide protection against typical social risks such as unemployment, disability at work, sick leave and so forth.

Unavailability of data remains an obstacle to assessing progress. Although the Ministry

of Education, Science, Technology, and Innovation (MESTI) records information on the number of students, given the lack of data for different age cohorts and for vulnerable groups, it is not possible to clearly disaggregate participation rates in education, by age for all age groups, ethnicity, children with disabilities and other vulnerable groups. The Labour Force Survey (LFS) does not present the data for age groups as reported by Eurostat, and as a result, a comparative analysis with the EU is not possible. Similarly, the Survey on Income and Living Conditions contains less information compared to the same survey conducted by Eurostat for EU economies. Moreover, a Health Information System has not been completed yet. Overall, there is no progress in relation to data availability when compared to previous reports. This presents challenges for institutional coordination and is likely to negatively affect the design and implementation of programmes and strategies.

Women are disadvantaged in the labour market. According to the 2021 LFS, 78% of women were inactive, compared to 43.4% of men. Additionally, the Kosovar labour market is characterised by a very low female employment rate of 16.5%, compared to 45.9% for men (KAS, 2021). The majority of women are inactive, and there is an extreme gender gap in the labour market. The most common reasons that put women in disadvantaged positions in the labour market are the limited parental leave system, a lack of facilities

providing child care and care for the elderly, and social norms. The Law on Gender Equality guarantees, protects, and promotes equality between genders as a basic value of a democratic development of society. It grants a framework for equal treatment in employment and occupation. Furthermore, the Labour and Social Welfare Strategy (LSMS) 2018-2022, with the aim of increasing employment, gives priority to the employment of women and young people. In the framework of this Strategy, the Employment Agency has set women and youth as priority groups to be supported by ALMM. However, due to the limited operational capacities of the Agency, the number of candidates supported is too small compared to those who demand support to enter the labour market.

Youth are also disadvantaged in the labour market. Kosovar society has a relatively young population, which is an advantage of its labour market. Nevertheless, their potential is largely untapped. According to the 2021 LFS, the rate of youth NEET (not in employment, education, or training) is 32.1%, while unemployment rate for this population segment stands at 38% (KAS, 2021). The most common reasons that put youth in a disadvantaged position in the labour market are the mismatch of the education system and labour market needs, insufficient ALMM support, informal employment, the lack of quality employment, and a low minimum wage.

III. The Kosovo's* performance in the 20 principles of the European Pillar of Social Rights (Pillar) and Action Plan



A. Equal opportunities and access to the labour market

I. Education, training, and life-long learning

The economy inherited a fragile education system challenged by the lack of human and financial resources. The main identified weaknesses of the education system include a very low participation in early childhood education, underdeveloped vocational education and training, outdated curricula, a lack of teacher trainings and resources, and an insufficient number of kindergartens and schools in urban areas (MESTI, 2022). Hence, the education system does not sufficiently equip children and young people with basic skills such as math, applied sciences, and analytical and soft skills. Overall, there is a mismatch between education and labour market needs.

The new Education Strategy 2022-2026 is currently in place. The Education Strategy 2022-2026 and its associated Action Plan include a variety of interventions aiming to improve the education system through the establishment of five strategic objectives:

1. Increased inclusion and equal access to early childhood education
2. Improve the quality of pre-university education
3. Harmonization of vocational education and training with technology and labour market
4. Improve the quality, integrity and competitiveness of higher education
5. Digitalization to improve services and quality in education.

The education strategy aims to plan and adjust the education system to match labour market needs. This goal can be achieved through reforms implemented at each stage of education, starting from

the pre-school level. Digitalization has been included for the first time in the education strategy.

Only very small percentage of children can access early childhood education (ECE).

This is a result of the small number of public pre-school institutions (only 49 across the economy), of a lack of sufficient infrastructure for the inclusion of children, a lack of human resources for the provision of integrated welfare, and the inadequate provision of healthcare and education services for the overall development of children (MESTI, 2022). The rate of inclusion of children in preschool education 0-4 is 6.7%, whereas at the pre-primary level the situation is significantly better and the gross rate of enrolment of children is 88.1%. In general, 15.5% of children are included in all forms of preschool education. For children 0-2 years old, inclusion remains particularly low, as the education system counts with the enrolment of only 3.9% of children in the age bracket (World Bank, 2021). The most vulnerable groups are also most deprived from education opportunities. The lack of investment in infrastructure, the low income of families, and the high rate of unemployment of women are among the main causes for the very low level of participation of children in ECE.

Quality of education remains a pressing challenge.

The most accurate evidence of the very low quality of the education system are the results of the Programme for International Student Assessment (PISA), which measures the ability of 15-year-olds to apply knowledge in practice. In 2015 and 2018, this assessment ranked Kosovar students among the last three participating economies (MESTI, 2022). 15-year-old students continue to have low achievement in math, science and reading. A very high percentage of students did not reach the minimum level of basic competences in the different areas of knowledge assessed by PISA,

as illustrated by the proportion of students failing to reach the established benchmark: in reading, 78.7% of Kosovar students failed to reach the minimum level of basic competences, compared to the 22.7% in the OECD average. Rates remained high in mathematics, whereby 76.6% of Kosovar students did not reach the benchmark standard compared to 22.9% in the OECD average, and in natural sciences, where 76.6% of students failed to reach the established minimum level compared to 21.9% in the OECD average (OECD, 2019). The implementation of the Education Strategic Plan (KESP) 2017-2021 was far from achieving its objectives to ensure high quality education in line with international standards and best practices. After almost five years of implementation, out of the 48 targeted results within the 7 strategic objectives of KESP, only 2 have been fully achieved as planned (4%), 16 have been achieved only partially (33.5%), while 30 results remain far from being achieved as planned (62.5%). On the same line, out of 264 measures planned within the 7 strategic objectives of KESP, only 19 have been fully implemented as planned (7%), 87 have been only partially implemented (33%), while 158 planned measures remain far from being achieved as planned (60%) (Bajrami, 2021).

Rural-urban migration of the population has caused challenges for the education system. Internal migration has led to a rapid increase of the population in Pristina and thus the number of students enrolled in pre-primary, primary and high schools also increased. There are classes in the public schools in Pristina and Fushe Kosova attended by more than 35 students (Telegrafi, 2021; Dukagjini, 2022). On the other hand, in rural areas there is a small number of students in many schools with less than 5 students in the class, which also negatively affects teaching as there is a lack of teamwork. In 19 municipalities, there are at least 340 classes with five or fewer students (GAP, 2021). Similarly, Bajrami (2021) indicates that over 200 schools operate with less than 50 students, or roughly 4 students per class. Both cases where classes have either a small num-

ber of students or are overcrowded with them represent a challenge for the quality of education. Finally, in 2022 the municipality of Pristina started the construction of 3 new schools, which are expected to ease the load on existing schools as well as enhance the effectiveness of learning.

The school year 2021/2022 started late due to a prolonged strike in the education sector. The strike was organised by the United Union of Education, Science and Culture (SBASHK) with the main demand for an increase in teachers' wages by EUR 100 until the new Law on Wages is adopted. The Government and SBASHK have negotiated to end the strike and reopen schools and kindergartens. Nevertheless, they failed to reach an agreement. The strike has been suspended by SBASHK after 5 weeks, noting that it will be resumed in case the Law on Wages, which offers a significant increase in teachers' wages, is not adopted within a school semester.

There is a persistent mismatch between education and training and the labour market needs. The education system lacks adequate training to develop students' skills for the labour market. The lack of VETs alignment with the business community, outdated curricula, and the lack of technology in career centres are some of the obstacles that prevent the development of young people's skills to become more compatible with labour market needs. This lack of synergy between the education system and the demands of the labour market contributed to reaching a NEET rate of 32.1% in 2021 (KAS, 2021). To address these shortcomings, some measures have been planned in the Programme for Economic Reforms 2022-2024 and the Education Strategy 2022-2026, which include building new schools and kindergartens, adopting new curricula, training teachers, and supporting the development of VETs.

The Action Plan for the Youth Guarantee Scheme 2023-2025 has been approved. The youth guarantee scheme aims to secure a smooth transition from education to work. These schemes

have been successful in the EU economies by supporting the engagement of youth in the labour market (European Commission, n/d). The pilot project will start with the municipalities of Mitrovica and Ferizaj, which have been selected as these localities count with the largest number of youth NEETs in Kosovo*. The novelty of the plan is that it will be implemented in a more coordinated way among the different involved institutions, especially the MWLT and the MESTI, ensuring a strong involvement of employers and education and training institutions to develop the skills of young people in line with the current demands of the labour market. The plan will also involve the engagement of young recruiters in the field to approach, discuss and encourage youth NEETs to apply for jobs or training in hopes of enabling their access to the labour market. The operational process of engaging NEETs in the labour market will be carried out through the Employment Agency. In practice, young people will be encouraged to apply at the Agency's Offices in their respective municipalities, where they will be identified and profiled for targeted active labour market measures. The budget allocated for the realisation of this 3-year plan amounts to a total of EUR 19 million. These funds will also be employed for the conduction of investments to improve the infrastructure of vocational training centres and supply their VET initiatives with adequate equipment.

Adult education and lifelong learning are not compatible with labour market needs.

This is also stated in the Education Strategy 2022-

2026, which identifies the lack of quality assurance in education, the misalignment of vocational education training (VET) with the labour market, the lack of data on trainings, inadequate training methods, and the lack of training for trainers as critical constraints. A GIZ (2022) analysis suggest that one of the challenges of the VET system is the misalignment of the VET teaching curriculum and skill set demanded by the private sector.

The Employment Agency, through its Vocational Training Centres (VTCs), is the key public provider for vocational training. Currently, there are 8 VTCs across the economy that offer training services on 30 different professions. Trainings provided at VTCs are module-based and last from 3 to 6 months where 70% of the whole training programme consists of working practice. In addition to the institutional trainings provided at VTCs' facilities, there are also combined training modules organised in partnership with private businesses, where the theoretical modules of the training are provided by VTCs while practice sessions take place in businesses' facilities. The purpose of the joint trainings is to offer participants hands-on experience and to better equip them with practical skills which are in line with the labour market needs. However, trainings offered at VTCs are limited to basic levels and mostly provided by long-term civil servants. Hence, activities offered by the centres often do not provide adequate and up to date training in accordance with present labour market demands for youth (World Bank, 2022).

Table 1. Key Labour market indicators 2021

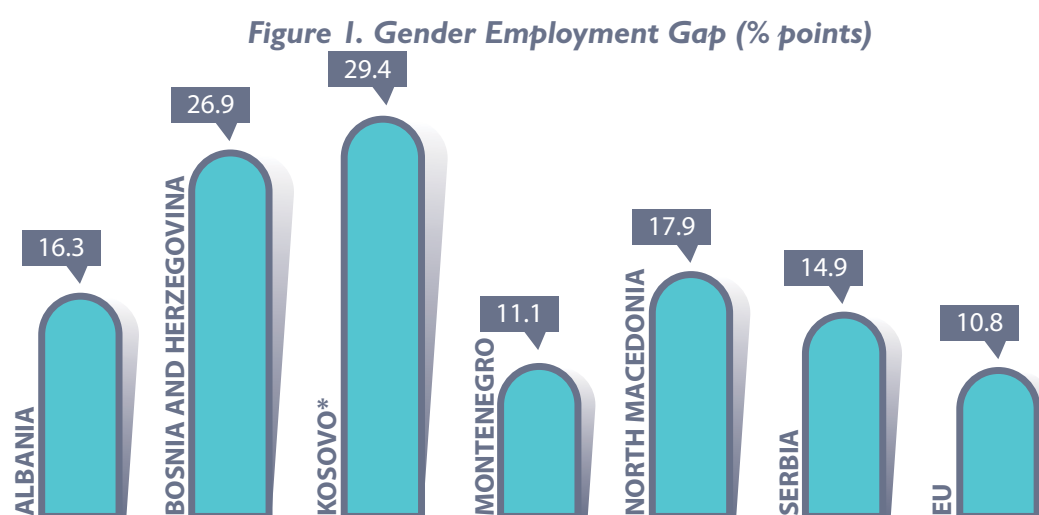
| Key labour market indicators (%) | Male | Female | Total |
|--|------|--------|-------|
| Labour force participation rate | 56.6 | 22.0 | 39.3 |
| Inactivity rate | 43.4 | 78.0 | 60.7 |
| Employment rate (20-64 age group) | 45.9 | 16.5 | 31.1 |
| Unemployment rate | 19.0 | 25.0 | 20.7 |
| Unemployment rate, youth (15-24 years old) | 33.7 | 46.5 | 38.0 |
| NEET rate (15-24 years old) | 31.8 | 32.4 | 32.1 |
| Percentage of volatile employment | 14.9 | 6.8 | 12.7 |

Source: Labour Force Survey, KAS, 2021

2. Gender equality

The labour market is characterised by an expressive gender imbalance. As demonstrated in Table I, according to the 2021 Labour Force Survey, 78% of women were inactive, compared to 43.4% of men. The Kosovar economy is characterised by a very low female employment rate of 16.5%, compared to 45.9% for men. Kosovar society has the widest gender gap in labour force participation among the Western Balkan (WB) economies. Women with incomplete secondary education or less are much more likely to be inactive due to family responsibilities than women with upper secondary education or above (EBRD, 2022). MESTI has approved the Adminis-

trative Instruction 136/2020 to support the education of students in deficient profiles and for girls and women in technical profiles in vocational education and training institutions. In this context, scholarships are allocated for girls attending vocational schools in the profiles of food technology and agribusiness, and for girls who enrol in technical courses in vocational schools. Through its economic recovery programme 2021, the Government allocated EUR 5 million to support the employment of women through the active labour measures administered by the Employment Agency. To close the gender gap, these policy actions should be more intensive to facilitate the engagement of women in the labour market.



Source: Social Scoreboard. RCC. 2021

As it can be noted from Figure 1, Kosovo* has the widest gender employment gap among the WB economies - it is almost three times wider than the EU average.

Unequal distribution of family responsibilities is the key causal factor for the disadvantaged position of women in the labour market. The most common reasons that place women in disadvantaged positions in the labour market are the limited parental leave system, a lack of childcare facilities, and practically non-existent institutions providing care for the elderly. These altogether put women under great pressure to take up care obligations, keeping them out

of the labour market (EBRD, 2022). Labour Law 03/L-212 grants women the right of 9 months of paid maternity leave and 3 months of unpaid leave, whereas men have access to 2 days of paid leave and 2 weeks of unpaid leave. The Draft Labour Law now proposes 10 days of paternal leave. Additionally, the Draft Labour Law anticipates shifting the burden of paying maternity leave from businesses to the Government (EBRD, 2022). In the 2021 LFS, 6.7% of respondents reported working part-time. Gender differences were observed showing that men work part-time more than women (7.2% of men compared to 5.6% of women). However, reasons for engaging with part-time work differed between the genders: women take a stronger role

in family care thus reducing the hours available for work, whereas the number one reason for men not working full time was the lack of availability of full-time work (KAS, 2021). In the absence of more comprehensive public services and other supportive family policy measures, Kosovo maintains a strong implicit familialistic policy with a weak potential to contribute to women's employment (Mustafa, 2021).

Engagement of women in entrepreneurship is very low. According to data from the 2021 LFS, the majority of women workers hold an employee status, with only 11.7% being self-employed, compared to 25.7% of men (KAS, 2021). The low representation of women is confirmed also by the recent report conducted by the KAS (2022b) discussing gender relations in the economy, reporting that in 2021 only 18% of micro-enterprises (1-9 employees) were owned by women, only 8.1% of enterprises with 10-49 employees were female owned, and as little as 4.2% of enterprises with 50 and more employees were owned by women. The representation has slightly increased over the years within all category enterprises (i.e. in 2018 women owned 10.5% of micro-enterprises, 5.7% of small enterprises, and 2.4% of medium enterprises). This low representation is related to a low access to finance and property, fiscal and market barriers, and to the Labour Law maternity leave provisions (Riinvest, 2022). According to the representative of the Ministry of Agriculture, Forestry and Rural Development, in 2020 only 5% of subsidy beneficiaries were women, while in 2021, only 5.4% were women (Hana, 2022). The Private Sector Development Strategy 2018-2022 of the Ministry of Trade and Industry affirmed the necessity of closing the gender gap in the private sector, as it indicated that only 10% of active businesses were female owned. Hence, the increase of female participation in entrepreneurship is of only 1.7 percentage points as compared to 5 years ago. According to the OECD, the score for women's entrepreneurship has slightly increased from 2.53 in 2019 to 3.22 in 2022, driven by the launch of the programme for gender equality, which includes

a set of actions for women's entrepreneurship (OECD, 2022a).

Data related to gender pay gap remains inconclusive, as there has been limited research addressing the issue. According to the 2020 LFS, gender differences were observed with a 0.4% higher pay for women, whilst the 2021 LFS reports a 1.2% higher pay for females than for males. Meanwhile, according to the joint research conducted by the Agency of Gender Equality (AGE) and UN Women in 2020 with reference to data collected in 2017, a gender pay gap does exist, where men earn higher wages than women across all education levels (Agency for Gender Equality, 2020). The difference among wages earned by women and men with post-graduate tertiary education was of 19%, with tertiary education of 14%, with secondary education of 17%, whilst for those with no education or only primary education, men received 24% more than women. Based on a sector analysis, studies indicate that in the private sector, women earn 20% lower wages than men, while in the public sector this difference is of 8% (Agency for Gender Equality, 2020).

3. Equal opportunities

The economy has a sound legal framework on protection against discrimination. Article 5 of the Labour Law No. 03/L-212 prohibits all forms of discrimination. Discrimination is prohibited in employment and occupation with respect to recruitment, training, promotion of employment, terms and conditions of employment, disciplinary measures, and cancellation of the contract of employment or other matters arising out of the employment relationship. Furthermore, Article 44 of the same law guarantees a special protection for employed women, employees under 18 years of age, and employees with disabilities. These safeguarding measures refer to working conditions and the type of work they should not perform.

Law No. 05/L-020 on Gender Equality prohibits discrimination based on gender and



sex. The Law guarantees, protects, and promotes equality between men and women. It applies to men, women and persons who have a protected characteristic of gender identity or sex determination and guarantees equal opportunity and treatment in public and private areas of social life, including political and public life, employment, education, health, economy, social benefits, sport and culture, and other areas set out by the above-mentioned law or other relevant legislation. The Law further guides the institutions to implement the Gender Responsive Budget (GRB) as a key strategy to improve gender equality.

Employment of people with disabilities is regulated by Law No. 03/L-019. Public administration bodies, employers of private and public sectors as well as non-governmental organisations are obliged to employ people with disabilities with appropriate conditions. Each employer is obliged to employ one person with disability for every fifty employees. Moreover, the Law determines that persons with limited abilities have the right to

training and rehabilitation in accordance with their physical and mental capacities. In certain cases, rehabilitation shall be provided in special schools and other institutions according to curriculums for vocational ability, whenever this is necessary due to burdens experienced by disabled employees that are relevant to the type of work conducted. The data regarding the employment and social inclusion of persons with disabilities is scarce.

Legal provisions regulate the employment of minorities in the public sector. Law No. 03/L-149 on Civil Service determines the representation of non-majority communities in public sector work. The same assurance is provided by the draft Law No. 06/L-114 on Public Officials. Law provisions provide that in central and local level institutions, at least 10% of positions must be reserved for persons who belong to communities that are not the majority and who meet the specific employment criteria. The Strategy for Inclusion of Roma and Ashkali Communities in society 2022-2026 has been developed as a replacement

of previously existing one for the period of 2017-2021. The Strategy aims to fill the gaps for Roma and Ashkali communities, in fields including but not limited to education, employment and social welfare, health, housing, and discrimination. This strategy is based in the premises of the EU Roma Strategic Framework for Equality, Inclusion, and Participation for 2020-2030.

Despite the existence of legal provisions, the implementation of initiatives tackling the exclusion of underprivileged groups remains weak. Women are underrepresented in the labour market, whilst slow progress has been made to improve gender equality. Persons with disabilities face barriers in finding employment and the same applies to members of ethnic minorities, particularly members of the Roma, Egyptian, and Ashkali communities. The Ombudsperson notes that despite some achievements, the Government strategy for 2017-2021 has failed to improve equality and inclusiveness. The financial income and the general material situation of the Roma, Ashkali, and Egyptian communities worsened in 2021, due to the COVID-19 pandemic, as many members of these communities lost their jobs in the informal sector (Ombudsperson, 2022).

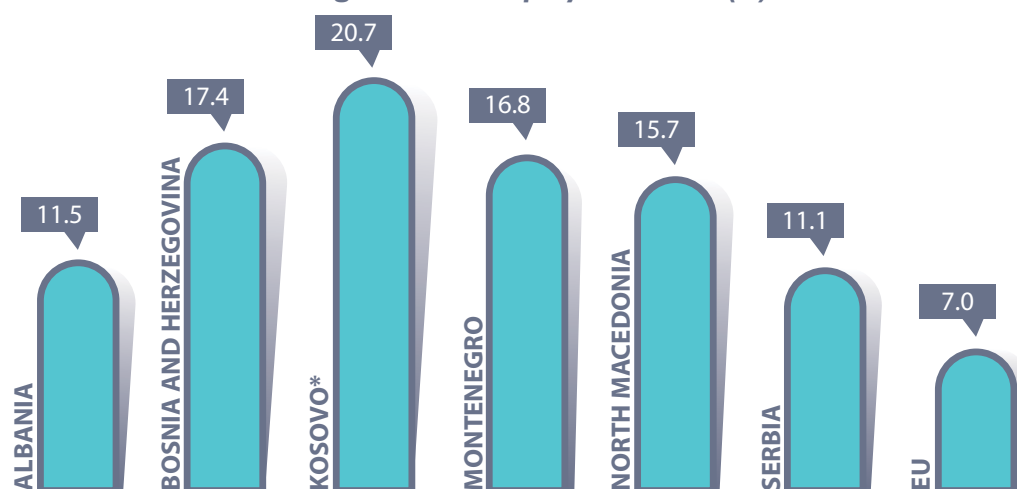
Women are underrepresented both in public institutions and the private sector. Currently, five ministries are led by a woman and there are no women mayors in municipalities. In 2020, 30% of management positions in central public institutions were held by women (KAS, 2022b). This represents a slight increase compared to 2018 when 28% of management positions were held by women. According to European Working Conditions Telephone Survey (EWCTS), in 2021 in the EU an average of 35% of workers had a boss who was a woman, while in WB economies 30% of employees worked under a female boss. Considering the range of the economies surveyed, at one extreme only 14% of workers in Kosovo* had a female superior, while at the other extreme nearly half of workers in Sweden (48%) had a female as a manager (Eurofound, 2021). According to Riin-

vest, the main reasons why women do not apply for decision-making positions in public institutions include the belief that women do not have enough time due to family obligations, the lack of vision of institutions to encourage women to apply for decision-making positions, and the lack of political support to enforce gender equality. In the private sector, the reasons include the belief that men are more suitable leaders, the belief that women do not have enough time due to family obligations, and the lack of vision of institutions to encourage women to apply for decision-making positions (Riinvest, 2022).

The implementation of the Gender Responsive Budget remains a challenge. The gender responsive budget consists of an approach to budget allocation that works for everyone by ensuring a gender-equitable distribution of resources and by contributing to providing equal opportunities for all. The Public Expenditure and Financial Accountability (PEFA) programme found that the 2020 annual report is not gender responsive, since it does not contain any information related to gender equality and it does not provide sex-disaggregated data on budgetary central Government employment. Similarly, the Government's budget proposal for 2021 did not include information on policy measures aimed at strengthening gender equality or on assessing of the impacts of budget policies on gender equality, neither information on Government priorities for improving gender equality or budget measures aimed at promoting gender equality, nor on assessing the impacts of budget policies on gender equality (PEFA, 2022).

4. Active support to employment

The labour market has been hit by the pandemic and the subsequent increase in prices. Government measures for economic recovery involved programmes which reduced the consequences of the pandemic and price increases, however, there was no sustained improvement in the labour market. In 2021, only 31.1% of the working age population was employed, while the

Figure 2. Unemployment rate (%)

Source: Social Scoreboard, RCC, 2021

unemployment rate was recorded at 20.7%. According to the LFS 2021, 70.8% of the unemployed were long-term unemployed.

Kosovo* experienced a decrease in the unemployment rate of 4.5 percentage points compared to the previous year. Nevertheless, as it can be noted from Figure 2, the unemployment rate remains the highest compared to the economies of the region, while it is three times higher than the EU average.

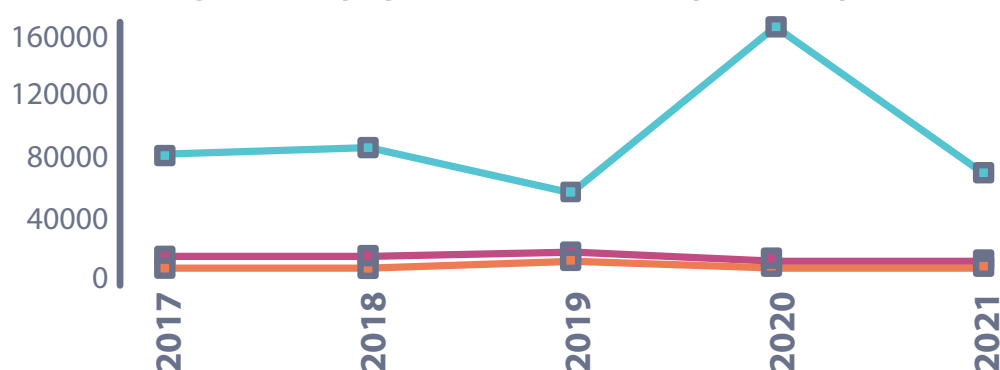
Young people on the age bracket of 15-24 are disadvantaged in the labour market.

The youth unemployment rate remains very high, standing at 38% in 2021, which is much higher than any other age group and the economy's average of 20.7% (KAS, 2021). Another striking feature of the experience of youth engaging in the labour market is the high rate of young people belonging to the NEET category, which has increased by 4.7 percentage points over the last five years (from 27.4% in 2017 to 32.1% in 2021). This increase indicates that the Government's action plan 2018-2020 for increasing youth employment has not managed to meet its goals.

The Employment Agency is the main institution providing employment support for the unemployed. In 2021, the number of registered unemployed persons reached 82,042, which represents a decrease of 51.4% compared

to the number of 168,980 registered unemployed workers in 2020. The high number of the unemployed for 2020 could be attributed to the Government's decision to establish an Emergency Recovery Package (No. 01/19) to mitigate the impact of the pandemic, offering EUR 130 to citizens in difficult social conditions, which required registration with the Employment Agency. According to the LFS 2020, 121,379 persons aged 15-64 years were unemployed, which is a significantly smaller number than those registered as unemployed in the Employment Agency. This indicates that a large number of informally working individuals have registered with the Employment Agency to benefit from the Emergency Recovery Package.

Through its Employment Offices, in 2021 the Employment Agency identified 10,743 job vacancies, which consists of a decrease of 3.8% compared to data from 2020. In 2021, 6,252 unemployed people were employed through the intermediation and support of the Employment Offices – reaching only 7.6% of the registered unemployed. According to the representative of the Employment Agency, activity of the Agency is constrained by the limited budget, which is not enough to supply the training centres with the necessary equipment and machinery for the training profiles, in addition to the fact that the procurement procedures for the supply of this equipment are bureaucratic, and that the Agency suffers from a lack of trainers in

Figure 3. Employment intermediation provided by EARK

Number of registered unemployed
Job vacancies identified
Employment intermediations

Source: Kosovo Employment Agency Report, 2021

some profiles. Meanwhile, the biggest concern is that many candidates who do receive training aim to out-migrate to foreign labour markets.

Only a small proportion of unemployed people are offered training. Due to the pandemic and protective measures against COVID-19, there was a decrease in the number of trainees for two years in a row. In 2020 the number of trainees was 3,436, while in 2021 it decreased to 2,923. The pandemic further led to a reduction of trainees from 3,346 to 2,923, consisting of only 3.6%

of the registered unemployed. The low coverage is the result of limited human and financial resources. Despite facing challenges, the Employment Agency has opened some profiles based on the demands of the labour market. The profile of electrical installations has been opened in VTC in Mitrovica as well as the profile of tailoring in VTCs in Mitrovica and Prizren. The welding profile has started in VTC in Gjilan and Mitrovica, while with support of the EYE project, the development of the curricula was kicked off for categories of masons, carpenters, electric installers, and accounting clerks.

Table 2. Employment services and Active Labour Market Measures

| ALMMs provided through Employment Offices | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------|--------|--------|---------|--------|
| Public works | 873 | 680 | 827 | 540 | 9 |
| Wage subsidy | 713 | 336 | 445 | 51 | 462 |
| Internship | 728 | 1,101 | 2,705 | 3,446 | 2788 |
| Self-employment | 35 | 390 | 214 | 96 | 10 |
| On-the-job training | 478 | 493 | 420 | 1,498 | 28 |
| Vocational training | 5,979 | 5,117 | 6,607 | 3,436 | 2,923 |
| Training in enterprise | 367 | 197 | 322 | 396 | 228 |
| Total ALMMs | 8,806 | 8,117 | 11,128 | 9,067 | 6,220 |
| Number of registered unemployed | 93,866 | 95,890 | 70,790 | 168,980 | 82,042 |
| Job vacancies | 12,511 | 14,847 | 15,647 | 11,166 | 10,743 |
| Employment intermediations* | 6,042 | 6,764 | 8,771 | 6,961 | 6,252 |

Source: EARK, 2021. *Intermediations include also ALMMs

The Employment Agency has set women and youth as priority groups. According to a 2021 report on employment and vocational training conducted by the Agency (EARK, 2021), 2,065 of people mediated were women, or 62.6% of those participating in active labour market measures, while men's participation amounts to 37.4% or 1,232 people mediated. Intermediation in active measures in terms of age shows a solid participation of people from the age group of 15-24 years, who represent 30.8% of all beneficiaries. Regarding professional trainings as an active measure, the participation of women is low at 29.6%, while the 15-24 age group has a relatively high participation of 40.8%. However, the number of candidates supported by ALMM and VTCs is too small compared to those who seek support for training and employment. The EARK has very limited human and financial resources to fill the gap of the unemployment rate and economic inactivity in working population. The ratio of agency recruiting staff to persons registered for employment is of 1:780. In comparison, the same rate in Slovenia stands at 1:136 (OECD, 2022). Due to human and financial constraints, the agency's activity mainly depends on the support of the international donor community.

The economy is challenged by labour force outmigration. The labour market is small and complex, in which young people face a lack of jobs (EC, 2022b). At the same time, businesses complain about a lacking labour force, especially in terms of qualified workers (EBRD, 2022). In general, migration is driven by the lack of employment opportunities, low wages, lack of social protec-

tion, and disregard of labour rights. In 2021, 43,728 citizens out-migrated (KAS, 2022a). The labour migration will cause major obstacles for businesses and the economy in the mid and long-term.

The Labour and Social Welfare Strategy (LSWS) 2018-2022 aims to increase employment, especially for women and youth.

The LSWS strategy was compatible with the Development Strategy 2016-2021 in defining and realizing objectives for employment and social welfare. As it can be noted from Table 3, the labour force participation rate decreased by 1.6 percentage points during the period 2018-2021. Youth unemployment rate has decreased during the same period by 4.2 percentage points. The NEET rate remains very high and has increased during the same period by 2 percentage points. The participation rate of women in the labour force has had a slight improvement of 3.6 percentage points during 2018-2021. Despite having reached its final year, the strategy did not have any significant impact on the improvement of employment.

The National Development Strategy (NDS) 2016-2021 aimed to upskill labour force and improve labour market outcomes (Office of the Prime Minister of Kosovo*, 2016). As noted from Table 3, during the period 2016-2021 the labour participation rate increased by 0.6 percentage points. Youth unemployment rate decreased by 1.2 percentage points, while the NEET rate increased by 1 percentage points during the same period. The participation rate of women in the labour force has had a slight increase by 3.4 percentage points during the period 2016-

Table 3. Employment indicators

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|------|------|------|------|------|------|
| Labour force participation rate, % | 38.7 | 42.8 | 40.9 | 40.5 | 38.3 | 39.3 |
| Youth unemployment rate (15-24), % | 52.4 | 52.7 | 55.4 | 49.4 | 49.1 | 51.2 |
| NEET rate (15-24), % | 30.1 | 27.4 | 30.1 | 32.7 | 33.6 | 32.1 |
| Female activity rate (15-64), % | 18.6 | 20.0 | 18.4 | 21.1 | 20.8 | 22.0 |

Source: KAS, LFS Surveys, 2016, 2017, 2018, 2019, 2020, 2021



2021. Overall, with some minor progress in some employment indicators and regression in others, employment in the Kosovar economy has stagnated, and the NDS strategy has not managed to fulfil the goal of improving labour market outcomes.

The National Development Strategy-2030 prioritizes equitable human development and the employment of women and young people. The strategy highlights that more chil-

dren will have access to early childhood education and care, especially children from families in need. Moreover, it postulates that schools will be equipped with modern technology to provide education that ensures better employment for all. Additionally, the Strategy established that special attention will be given to women and young people to better equip them with skills and knowledge that could enable them to find decent employment (Office of the Prime Minister of Kosovo*, 2022).

B. Fair working conditions

5. Secure and adaptable employment

The currently existing Labour Law has recognised part-time and full-time working hours. The Law establishes that employees working part-time are entitled to all the rights deriving from the employment relationship on the same basis as full-time employees and in proportion to the number of hours worked. Table 4 refers to evidence of under-employment, since in the period 2017-2021, the lack of a full-time jobs was a common reason for individuals working on a part-time basis. However, this is a more commonly cited reason for men, with 63% working on a part-time basis due to lack of other opportunities, whilst it is a reason for 43% of women. According to Riinvest (2019), 73% of young people would prefer to have full-time jobs, compared to 12% who prefer to have part-time jobs, 7% who would prefer to be self-employed, with the rest preferring some other arrangement.

There is a high rate of temporary employment in the economy. According to the LFS data, in 2021, 56.5% of employed individuals had a temporary contract, which consisted of a decrease of 0.9 percentage points from 2020. The lack of other options available was the reason pointed out by 67.7% of temporary workers for having such contracts. According to the Labour

Law, a contract for a fixed period may not be concluded for a cumulative period of more than 10 years, but it does not specify the minimum term of contract duration. Consequently, short-term contracts prevail, putting employees under pressure of losing their job periodically. This is a considerable risk particularly for pregnant women and those on maternity leave.

The Labour Law creates a legal loophole regarding the rights of interns at work. Although the Law states that interns have the status of an employee and hence enjoy the same rights and obligations arising from the employment relationship as other employees, internships are not considered as work experience by employers. Internships have an exceptional role of guiding young people in their careers and enabling their integration into the labour market. On the other hand, companies use internship programmes for talents acquisitions. The establishment of internship programmes is an excellent response to the dynamics of the labour market to develop the skills of youth and enhance opportunities to businesses. The Government of Kosovo* should follow the best principles of EU countries on internship legislation, drawing inspiration from efficient legislations such as the ones in place in France, Romania, and Croatia (European Youth Forum, 2022).

Table 4. Lack of full-time jobs as the reason for working on a part-time basis, %

| Could not find a full-time job | All | Men | Women |
|--------------------------------|-----|-----|-------|
| 2017 | 70 | 87 | 30 |
| 2018 | 80 | 90 | 46 |
| 2019 | 75 | 80 | 57 |
| 2020 | 67 | 73 | 48 |
| 2021 | 58 | 63 | 43 |

Source: KAS, LFS Surveys, 2017, 2018, 2019, 2020, 2021

Volunteer work is also not recognised as work experience and legislation on the matter is not comprehensive.

Volunteering activity is regulated by Law No.03/LI45 on Empowerment and Participation of Youth, which considers volunteering as an instrument for strengthening youth participation in decision making processes and promoting informal education. However, the economy does not have a special law on voluntarism and voluntary work is not recognised as work experience, even though it raises the chances of young people for employment (UNICEF, 2022). The environment for volunteering needs to be improved, including through efforts of putting in place an appropriate legislative framework, aligned with international standards, as well as allocating financial and human resources for youth volunteering programmes.

Informal employment is widespread in the labour market.

As it can be noted from Table 5, in 2021, 8.6% of workers had no employment contract, which is a result similar to that obtained in the previous year but lower compared to the period of 2017-2019. Similarly, 12.7% of workers were involved in vulnerable employment arrangements, a rate which presented a significant decrease compared to previous years. It should be noted that KAS data on informal employment is

in contrast with many surveys conducted by other research institutes. According to the Millennium Challenge Corporation Survey, in 2017 the prevalence of vulnerable employment and undeclared work amongst citizens was of 34.7% and 40.8%, respectively. According to Riinvest (2019), 36% of employees work without contracts. Similarly, SELDI (2022) indicate that 19% of workers in Kosovo* in 2021 worked without a written contract, while 18% received a remuneration higher than the value agreed upon signing the contract. The sectoral strategy of the former Ministry of Labour and Social Welfare in the period of 2018-2022 stipulated that fighting undeclared work can only be done through rigorous and consistent control. Informal employment is a complex phenomenon and widespread in low-income economies, since on the one hand it helps individuals to provide minimum income for survival, and on the other hand, it limits workers' social rights and protection (Zylfijaj et al., 2020). This implies that informal employees do not have the opportunity to enjoy their legally guaranteed rights and do not contribute to their pension fund as a source of income for the future. The conduction of comprehensive economic and social reforms and ensuring an efficient implementation of the law would encourage the formalisation of undeclared work.

Table 5. Vulnerable and informal employment

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|------|
| Share of vulnerable employment (self-employed without employees and unpaid family workers) (%) | 23.1 | 19.6 | 18.8 | 17.0 | 12.7 |
| Employed without contracts (%) | 21.5 | 14.0 | 13.3 | 8.5 | 8.6 |

Source: KAS, LFS reports, 2017, 2018, 2019, 2020, 2021

6. Wages

Relative to the rest of the Western Balkans, the average gross wage in the Kosovo economy remains the lowest in the region (World Bank, 2022). In the public sector there has been a slight decrease in the av-

erage salary from EUR 624 in 2020 to EUR 612 in 2021. In public enterprises, the value of the average gross salary did not significantly change from 2020 to 2021. In the private sector, there was an increase in the average gross salary from EUR 380 in 2020 to EUR 419 in 2021. The private sector wage increase may be influenced by the significant

increase of wages in the information technology sector, though this sector still represents a small share of the labour market. Unchanged public sector wages can be perceived as the Government's attempt to maintain financial sustainability. In this context, the Government proposed voluntarily job resignation for Kosovo* Telecommunication workers in addition to offering a compensation of

24 wages on the termination of the employment contract. This offer was not valid for the staff considered essential for the operations of the company, while roughly 300 workers have accepted the offer. There is an issue of overemployment in public companies, while they rely on the Government subsidies to maintain the continuity of services and wages.

Table 6. Wages, 2017-2021

| Year | Average salary | | Public Sector | | Private Sector | | Public enterprises | |
|------|----------------|-----|---------------|-----|----------------|-----|--------------------|-----|
| | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| 2017 | 431 | 390 | 532 | 474 | 356 | 324 | 699 | 620 |
| 2018 | 453 | 409 | 573 | 509 | 376 | 342 | 721 | 639 |
| 2019 | 477 | 430 | 584 | 519 | 411 | 372 | 766 | 677 |
| 2020 | 466 | 416 | 624 | 552 | 380 | 342 | 769 | 680 |
| 2021 | 484 | 432 | 612 | 542 | 419 | 376 | 768 | 680 |

Source: KAS, 2022a

There is a gap in average wages between the public and private sectors. As demonstrated in Table 6, the difference in the average wages of the public and the private sector is significant since the gross average wage in the public institutions is EUR 612 and in public enterprises EUR 768, while in the private sector it stands at EUR 484. This difference is considered unfair by the private sector unions, arguing that the budget for public sector wages is generated by taxes and contributions paid from the private sector. Moreover, private sector workers have less benefits and social protection in the workplace due to a lack of implementation of the Labour Law. The wage level is regulated in the public sector, although it is assessed as unequal since it does not offer the same wages for the same level of positions and responsibilities in different institutions within the public sector. Meanwhile, in the private sector the wage level is regulated at the company level rather than at the industry level.

The minimum wage does not reflect the current economic trends. A legally binding minimum wage has been in place since 2011. Currently, the monthly minimum wage is EUR 170. In December 2017, Social Economic Council (SEC) recommended an increase of the minimum wage to 250, but the suggestion was not adopted by the Government. The main reason is that the most expensive social scheme, that of war veteran's pension, is referenced to the minimum wage and as long as this is the case, an increase in the minimum wage would have significant implications for public finances (Riinvest, 2019). According to the IMF, the authorities aim to decouple war veterans' benefits from the minimum wage in order to maintain the sustainability of social transfers (IMF, 2022). In 2021, the minimum wage was equivalent to 35% of the economy's average gross wage (KAS, 2021). However, as recommended from the SEC and proceeded by the Government, in June 2022 the Parliament has approved an increase in the minimum wage at EUR 264 in the first reading, but it has not yet been proceeded for the second reading.

The draft Law on Wages in the Public Sector (Law No. 08/L-196) was approved by the Assembly. The purpose of this law is to create a uniform system of wages in the public sector, which includes the principles and rules for determining the salary in the public sector, as well as to create a transparent and manageable system of wages and bonuses where the main element is the basic wage. Initially, the Law on Wages in the public sector was prepared by the previous Government and approved by the Assembly in 2019. In December 2019, the Law on Wages was sent to the Constitutional Court by the Ombudsman for the assessment of its compatibility with the Constitution. In June 2020, the Constitutional Court declared the Law on Wages in the Public Sector invalid. The Law has been revised and carried out by the current Government, having since been approved by the Assembly and published in official gazette, while it is expected to enter in force as of 5 February 2023. The Law promises significant increase on wages for workers of the healthcare system, education system, and police officers. The Draft Law has been opposed by the Judicial Council as it potentially reduces the wages of the judicial system workers. Since 2017, judges and prosecutors have had an increase in wages, which are significantly higher compared to other public sector employees, based on a decision made by the previous Government. The alleged purpose of that Government decision was to increase the efficiency of the judicial system, although based on the reports of the Ombudsman, NGOs and international organisations, the Judicial System remains inefficient in the handling and execution of judicial cases.

7. Employment conditions and protection in case of dismissal

The Labour Law explicitly regulates the content of employment contracts. Employment contracts need to be formalized in writing and must be signed by both the employee and the employer (Article 10). The Law determines that the employment contract must at least contain the

following mandatory terms and conditions: details of the employer and the employee; job description; place of work; working hours; commencement date and end date of employment; salary and other allowances or incomes; and details of annual leave. If the employment contract contains no indication of the duration of employment, it is implied that the term of employment stands for an unspecified period. The Law determines that full time working hours must be up to 40 hours per week, counting with a 30 minutes break during the daily working schedule. It also provides 20 working days of annual leave, and up to 20 days of sick leave. For work performed in extended working hours, during official holidays, or night shifts, employees are entitled to extra allowances in compliance with Article 56. The Law stipulates that the employer shall pay men and women an equal remuneration for work of equal value covering the base salary and any other allowances.

The Labour Law also covers the conditions for contract termination. According to the Law, there are several instances in which the employer is entitled to terminate the employment contract, including if the termination is justified for economic, technical or organisational reasons; when the employee is no longer able to perform the job; if the employee has committed serious misconduct; when the employee's performance of work duties is unsatisfactory; if the employee is guilty of repeating a minor misconduct or a breach of obligations; or when the employee's performance remains unsatisfactory in spite of a written notice. The Law prohibits the termination of the employment relationship during pregnancy, maternity leave, and absence from work due to need to provide special care for a child, except in cases of a collective dismissal.

A prior notice and written decision must be provided to employees in case of termination. If an employee has a fixed-term contract, the notice must be given 30 days in advance, whereas for employees that have a permanent contract, the following notice periods are appli-

cable: for employees counting with between six months and two years of employment, 30 calendar days; between two and 10 years of employment, 45 calendar days; and for employees with more than 10 years of employment, 60 calendar days. In addition, the employer must serve the employee with a written decision on the termination of the employment contract, which shall include the grounds for dismissal.

In case of a dismissal, the employee is entitled to make a complaint to the employer or its relevant bodies. The employees may initiate internal procedures for resolving issues deriving from the termination of an employment contract if this is envisaged under the employment contract and the employer's internal policies. Moreover, if they are not satisfied with the decision of the employer or its relevant bodies, the employee may submit an appeal to the Labour Inspectorate and, as a last resort, take the matter to court. Depending on the decision of the respective body, the employee may return to their workplace or receive compensation. In practice,

the Labour Inspectorate is quite efficient in assessing complaints, but it is often the case that their decision is not respected by employers. Under these circumstances, employees may file a complaint in the relevant court, which usually takes a very long time. The fact that many workers in the private sector have fixed-term contracts and that their employment contract may not be extended without any justification remains a concern. On the same note, on an analysis conducted by Riinvest (2019), it was found that one of the reasons that surveyed individuals prefer to work in public sector over the private sector refers to the insecurity of jobs in the private sector.

The termination of the employment relationship for civil servants is regulated by the Law on Civil Servants. In these instances, disciplinary measures are applied gradually and in proportion to the consequences and damages caused by the behaviour of the civil servant. In case of a serious misconduct or violations, disciplinary measures include suspension from work, transfer to another location with similar duties



and withholding promotion for up to five years, and termination of employment. Employees who are dissatisfied with the decision of the Disciplinary Committee have the right to appeal to the Committee for the Resolution of Disputes and Complaints within the institution. If the decision is against the worker who submitted the appeal, the employee has the right to appeal to the Independent Supervisory Council for civil servants. If the decision of the Council is against the worker who submitted the appeal, the employee can appeal in the last instance to the competent Court. If one of the instances decides in favour of the employee, they have the right to return to the workplace and to receive compensation for lost wages.

In the case of a collective dismissal, the employer is obliged to make a severance payment to its employees who have a permanent contract. The Labour Law defines collective dismissals as instances when at least 10% of employees but not less than 20 employees are discharged within a six-month period. The severance payment amount varies depending on the period of employment with the company: for workers counting with two to four years of service, one month's salary; for those counting with five to nine years of service, two months' salary; for those who have between 10 and 19 years of service, three months' salary; for workers counting with 20 to 29 years of service, six months' salary; and for those whose years of service amount to 30 years and upwards, seven months' salary.

The Draft Law on Public Officials, which will replace the current Law on Civil Servants, has been approved in the Assembly. The purpose of this law is to establish the legal basis for the employment of public officials, namely through the determination of the rules and principles that regulate the acceptance, classification of positions, modification, termination of the employment terms, rights and obligations in relation to the employment terms as well other issues related to the employment terms of the public officials. The Law aims to increase transparency and improve

the efficiency of the processes of recruitment, management, and development of human resources in public institutions. This law has been opposed and a request for its annulment has been sent to the Constitutional Court by the opposition parties, namely the Democratic League and the Democratic Party. The current Law on Civil Servants grants indefinite contracts for low and middle management positions, while the Draft Law on Public Officials grants four-year term contracts for managerial positions. Both parties that opposed the Draft Law claimed that through this Law the Government aims to control the public administration.

8. Social dialogue and involvement of workers

The Law for organising trade unions was adopted in 2011. This Law aims to regulate and determine the rights and freedom of employees to establish a Trade Union and to voluntarily become organised in Trade Union organisations in the public and private sector. In the private sector, trade unions are found in very rare cases, mainly in large companies. The lack of trade unions in the private sector represents a major obstacle to address the social, economic, legal and professional rights of employees.

Social Dialogue functions on a tripartite and bipartite level in the economy. At the bipartite level, dialogue is conducted between employee organisations (trade unions or employee representatives) and employers' organisations such as the Chamber of Commerce and sectoral associations. The involvement of social partners in the design of employment and social policies and in policy and law-making is ensured by the Law No. 04/L-008 of the Social and Economic Council. The Council was established in 2011, as the highest tripartite body composed of representatives of employers' organisations, trade unions and the Government. The Council leads consultations and submits recommendations to competent bodies on labour and employment issues, social protection, and other issues related to economic policies.

However, despite its important role to promote social dialogue and to serve as conciliatory mechanism between Government, the private sector, and social partners, its activity is quite limited in practice, focusing primarily on the issue of the minimum wage (Kavasa, 2021). According to the OECD (2021) the economy has the lowest score of all WB economies for tripartism and social dialogue in the labour market governance, amounting to a score of 1.5. Furthermore, interviews conducted with women indicate that they do not trust that Labour Unions really do something to protect their labour rights (KGSC, 2021).

Public consultations in the drafting of legislation and policies are mandatory in Kosovo*. This is regulated by Regulation No. 05/2016 on Minimum Standards for the Public Consultation Process adopted in 2016, whereby the Office for Good Governance/Office of the Prime Minister is obliged to create and maintain an online platform to be used by all public authorities to identify relevant stakeholders to develop public consultations. Documents that are subject to the public consultation process based on this Regulation include annual draft plans of public authorities; annual draft plans of strategic documents; the Government's legislative draft plans; secondary legislation draft plans; concept documents draft list; draft concept documents; draft normative acts; draft strategies; and all other documents that must be accompanied with an explanatory memorandum or which require public consultations. Since 2020, this online consultation platform has also been used by municipalities to conduct localized public consultations, following the same procedures as central-level institutions.

The Office for Good Governance (OGG) has launched a framework for improving the implementation of minimum standards for public consultations for the period of 2021-2025. In this framework, the performance of the 2017-2021 strategy has been reviewed and recommendations have been provided to improve the quality of public consultations. The OGG's re-

ported statistics show a high rate of submission of documents for public consultation through the online platform. The total number of documents approved by the Government in 2017 was 245, whereby 90% of documents were published online for public consultation, continued in 2018 where 96% of the 237 documents underwent processes of public consultation, in 2019, 100% of the 274 documents approved by the Government were published online for consultation and in 2020, 98 % of the 184 documents underwent the process. However, public participation in the legislative process is limited and inputs provided by civil society are not systematically reflected in public consultation reports (European Commission, 2022). In this context, some of the recommendations of the OGG framework include the promotion of the consulting platform in all media, such as TV, radio, social media, etc. Ministries and municipalities should announce the start of public consultations on the Internet, e.g., through their social media in order to offer stakeholders the opportunity to prepare for the consultation. This framework also aims to increase inter-institutional cooperation, the organisation of conferences, and staff training to improve public consultations. In line with the EU Directive on Web Access, the OGG in 2022 has made the public consultation platform accessible and for persons with disabilities.

9. Work-life balance

Due to the unstable dynamics of the labour market, achieving a work-life balance remains a challenge. The data from EWCTS (2021), indicates that the proportion of workers whose working hours fitted in very well with their family responsibilities was only 23%, the lowest compared to other WB economies and the EU. The Kosovar economy was one of the economies with the lowest financial sustainability, as illustrated by the fact that the share of workers who had difficulty making ends meet was 57%, while the EU average was 26%. Nearly 25% of workers reported that they have a strained job, while in the EU average, 30% of workers reported the same.

Table 7. Work-life balance

| | Kosovar economy | EU average |
|---|-----------------|------------|
| Workers whose working hours fitted in with family and social commitments outside work well or very well | 23% | 35% |
| Financial sustainability of work-difficulty making ends meet | 57% | 26% |
| Working in strained job | 25% | 30% |

Source: EWCTS, 2021

As Table 7 indicates, the Kosovar economy scores very low in two indicators which precisely measured the work-life balance. However, this issue is even more complex when taking into account the high rate of informal employment, where around 36% of workers operate without contracts, and labour relations with short-term contracts, where 43% of workers claim they have a fixed term contract with an average duration of 11 months (Riinvest, 2019).

The inefficient implementation of legal provisions causes job insecurity and an emotional burden for workers. Although the Labour Law stipulates that an employee should work 40 hours per week, while in extraordinary cases employees may work up to 8 hours of additional overtime when requested by employers, on an arrangement regulated by special payment rates, this is largely neglected. Data from the LFS 2021 reveal that 13.1% of workers have worked longer than 48 hours per week, while 77.9% of workers work between 40-48 hours per week. The lack of legal provisions implementation and the very high rate of workers who work more than 40 hours a week indicate that overtime pay, as mandated by law, is often neglected. Workers have reported working extended hours without pay in the private sector (KSCG, 2021).

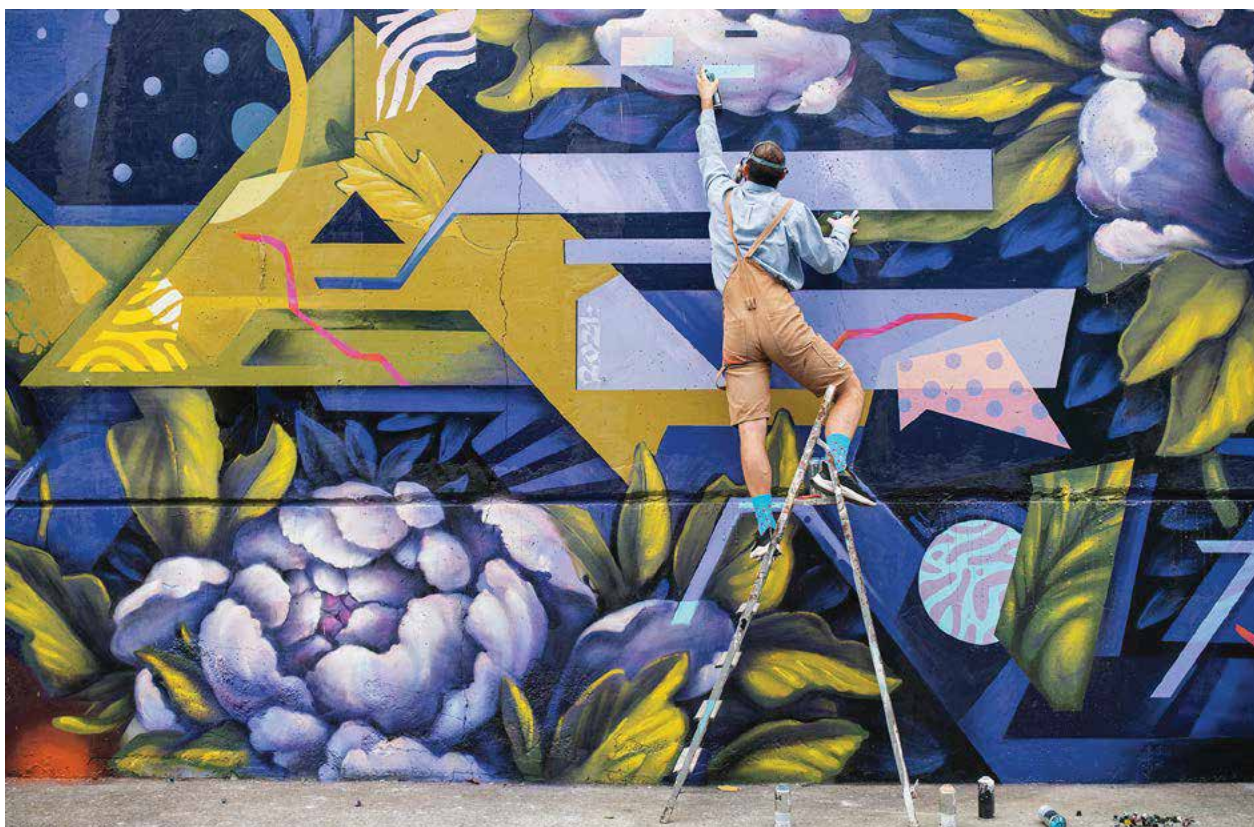
Achieving work-life balance is more challenging for women. Some of the reasons why women face difficulties in the workplace lies on the fact that the Labour Law is not adequate in terms of parental leave and that labour rights are often not respected. Violations of labour rights in

both public and private sectors vary from working informally without a contract and a lack of social benefits and pension contributions, to working on weekends; working for longer hours without pay; the lack of leave policies, breastfeeding breaks, and annual leave; termination of employment, unpaid statutory leaves; and the neglect of gender and non-majority ethnicity communities' quotas (KSCG, 2021). On average, women spend roughly 7.2 hours of their days attending to family obligations, in contrast to the 2.5 hours spent by men (Riinvest, 2022).

10. Healthy, safe, and well-adapted work environment and data protection

Workers in the economy are challenged with poor working conditions. Informal employment, employment with short-term contracts and overtime work are very frequent in labour market, as documented in various reports (Riinvest, 2019; KSCG, 2021; LFS, 2022). These forms of employment are in most cases associated with inappropriate working conditions and lack of access to labour rights, being frequently accompanied by psychological insecurity for the labour force.

Legislation protecting the health and safety of workers is in place. The Law on Safety and Health at Work (OSH) was adopted in 2013 (04/L-161) in line with Directive 89/391/EEC. It covers all workers, including those who are self-employed and who practice undeclared work. According to Article 5 of the Law on Safety and



Health at Work, every employer is obliged to carry out a detailed risk assessment for all workplaces in order to prevent the risks of exposing employees during the working process, and establishes that each employee must be informed and trained on safety and health at work. It also specifies that all employees must have a medical report that proves their working abilities. Furthermore, the Law stipulates that the employer is obliged to appoint one or more employees to carry out safety and health at work activities. According to the EWCTS survey (2021) only 26% of workplaces in the Kosovar economy have a health and safety representative, which is the lowest figure compared to the EU and other WB economies. According to the Law, the employer is obliged to carry out the necessary measures for first aid, fire extinguishing and evacuation of employees. In this context, companies are obliged to have internal policies in place and provide training for individuals who will carry out evacuations, rescues, extinguish fires and provide first aid. The OSH Law states that an employer is obliged to provide medical examinations for employees at institutions licensed for the provision of

occupational health in the following situations: before appointing an employee to a workplace under special working conditions; at least once in three years for all employees; at least once a year for employees working under special conditions; and whenever necessary, depending on the employee's health condition.

The implementation of occupational safety and health is ineffective. As listed by the ILO (2021) the challenges the economy currently faces regarding its OSH situation include the limited capacities of labour inspectorates; a lack of reliable statistics on occupational accidents and diseases; limited health surveillance; a lack of a social security coverage against employment injuries; insufficient social dialogue; a lack of OSH programmes; and insufficient research. These shortcomings result in frequent cases of serious work accidents and occupational diseases, particularly in the construction sector. The available data shows a rate of fatal work accidents of 2 cases per every 100,000 workers, which is close to the EU average (1.8 cases per every 100,000 workers). How-

ever, there are good reasons to assume that the available data strongly underreports the incidence of fatal work accidents. A look at non-fatal work accidents provides reasons to believe that official data is incomplete. The economy reports 17 cases per 100,000 workers while the EU average is of 1,660 cases (ILO, 2021). In 2021, the Labour Inspectorate reported 188 accidents at work and 9 fatal work accidents. The implementation of the Labour Law, the implementation of OSH legislation, and the framework for the work of labour inspectorates remain deficient, and no progress has been made to improve the work of labour inspectorates (OECD, 2021).

There is also no specific legislation regarding the collection of data in the fields of occupational health or occupational accidents (ILO, 2021). Data collection is worse concerning occupational diseases where the systems of notification, investigation, diagnostics and reporting for occupational diseases are missing. There is no official list detailing what diseases con-

stitute occupational diseases, and no clear rules on how such cases should be reported and how the medical reports should be kept.

The legislation protecting personal data is in place. Protection of personal data is safeguarded by Law No. 06/L-082 on the Protection of Personal Data, approved in 2019. The purpose of the Law is to determine the rights, responsibilities, principles, and measures with respect to the protection of personal data, in addition to setting up an institution responsible for monitoring the legitimacy of data processing. The Agency for Information and Privacy supervises the implementation of this law, provides advice to public and private bodies on issues related to data protection, decides about complaints submitted by data subjects, and carries out inspections regarding the implementation of this law. Administrative Instruction (GRK) No. 02/2022 aims to determine procedures of issuance, formatting, and use of identification cards for the Inspecting Officers of the Information and Privacy Agency.

C. Social protection and inclusion

II. Childcare and support to children

Access to early childhood education and care (ECEC) remains very low. Available data indicates a worrying scenario for the current situation of early childhood health, development, and well-being. Many children, especially those from vulnerable communities, lack adequate caregiving, as well as support for education early in life. Only 7.6% of children ages 0-5 attend any form of early childhood education and care. For the youngest children aged 0-2, this figure is even lower, standing at a meagre 3.9%. This is partly due to a scarcity of preschool services in all areas of the economy (World Bank, 2021).

Pre-school education is regulated under relevant legislation since 2006. During 2021-2022, the MESTI has reviewed the legislation, and the Draft Law on ECEC was approved at the Government level in June 2022 and in principle it was adopted by the Parliamentary Committee on Education in September 2022. The draft law on ECEC establishes that pre-primary education must be mandatory for children aged 5-6, starting from the 2023/2024 school year. As an attempt to further address the difficulties currently experienced by Kosovar children in accessing early childhood education and care, the MESTI is in the process of developing a core curriculum for ECEC (MESTI, 2022).

Children from the Roma, Ashkali and Egyptian communities face challenges to access education. Compared to the economy's average, their inclusion in all levels of pre-university education remains low. This difference is most noticeable in preschool education, as only 7.6% of children in these communities have access to these educational services, as opposed to 15% of children in the general population. These disparities are also reflected in access to upper

secondary level education, where only 31% of Roma, Ashkali and Egyptians students are enrolled, compared to the figures of 86.8% amongst the total population (UNICEF, 2020). The Education Strategy 2022-2026 aims to support inclusion for the Roma, Ashkali and Egyptian communities by providing scholarships for students, supporting learning centres, coordinating a process of harmonising educational programmes, and promoting an economy-wide expansion Roma language teaching. The MESTI has opened a call for awarding scholarships for all students from Roma, Ashkali and Egyptian communities who enrolled at universities in the academic year 2022/2023 for the first time. Under this initiative, every student from these communities who enrolls for the first time at the university will receive a scholarship of EUR 1,000.

The inclusion of children with disabilities in the education system remains a challenge. The latest data for the 2021/22 school year show that a total of 3,965 children with disabilities are included in regular classes, in addition to the inclusion of 291 disabled children in resource centres (KAS, 2022a). Compared to data from the previous school year 2020/2021, this represents a slight increase in the number of students with disabilities enrolled in regular classes (departing from the 3,939 enrolled students in 2020) and a decrease in the number of children included in the resource centres (307 children in 2020). Although the Law on Social and Family Services provides children with disabilities access and participation in early childhood development services, obstacles still remain, being expressed in the form of limited access to appropriate education, health care and rehabilitation services, and a barrier-free access to public facilities and services. However, the Governmental decision to increase the number of assistants for children with special needs through the recruitment of 100

assistants per year, at least by 2024, represents a positive development. The recruitment of 100 assistants in 2021 was finalised and budget for the recruitment of 100 assistants for 2022 was allocated (European Commission, 2022). There are gaps in the provision of services for children with disabilities throughout their lifecycle, starting with early identification during pregnancy and infancy, and classification, care, and support programmes for those aged 0-6. At the primary school level, they face challenges with access to transport, including reaching the upper floors in school buildings and having access to disability-friendly toilets. Children with disabilities often are only identified when they reach school age and try to enrol in school, which is already too late to enable any potential interventions to have an impact on their development (MESTI, 2022).

Repatriated children face challenges upon their return, but there is progress in facilitating their integration. The regulation No. 22/2020 on the repatriation of persons includes

provisions for the inclusion of repatriated children. These children are entitled to education within relevant institutions with equal rights to other children. As stated by the regulation, the systematization of the repatriation process falls under the joint responsibility of parents, education institutions, municipalities and MESTI, according to their relevant functions and duties. The Government provides the necessary budget for the implementation of activities to achieve the objectives of reintegration. Municipalities are responsible for creating mechanisms to identify repatriated persons, assess their needs, and support reintegration. In recent years, 240 repatriated students were included in supplementary classes in 16 municipalities. To facilitate the integration of the returned children, the MESTI has drafted Administrative Instructions No. 86/2020.44, and ensures that special textbooks are provided for repatriated students (MESTI, 2022).

In addition to the low participation of children in ECEC, the quality of these ser-



vices is also inadequate. The quality of ECEC is hindered by the lack of spaces and equipment, inadequate methodologies of teaching, a lack of training for the teachers, outdated curricula, and a lack of appropriate learning materials. Furthermore, pre-primary programmes in public schools have the short duration of 2 to 2.5 hours per day, reaching a maximum of up to 12.5 hours per week.

The provision of ECE is concentrated in urban areas. Children under 5 years old in rural areas are involved in ECE three times less than their peers in urban areas, because these services in rural areas are almost non-existent. In urban areas, 25.5% of children are included in ECE programmes, whereas in rural areas only 7.9% of children are included in these services (World Bank, 2021).

The engagement of psychologists in schools is very low. Administrative instruction No. 34/2014 guides schools to provide psychological services and instructs school psychologists to play a special role in organising educational work. According to the MESTI, there are currently 100 psychologists recruited to serve at schools, which indicates that most of the schools do not count with the presence of these professionals. The need for psychologists in schools is even more necessary in challenging situations such as the pandemic. Furthermore, the presence of psychologists in schools is a necessary measure to address the prominence of aggressiveness and bullying, as this is a widespread phenomenon in schools which must be prevented (Krasniqi, 2019).

Due to COVID-19, with the closure of all educational institutions, preschool and pre-primary levels of education were also affected. Remote education was organised for ECE by launching the first online platform 'Distance Education - Care, Development and Early Childhood Education for 0–6-year-olds'. Through this platform, all children aged 0-5 years, with the help of parents and educators, have been provid-

ed access to early education services, which could be easily implemented in the home environment. Based on the data from the local UNICEF office, there are over 2.5 million clicks/visitors in this platform, and over 223,000 unique user profiles have been created. The platform provides over 1,000 daily activities, updated and classified by age-groups (0-2, 3-5) in the Albanian, Serbian, Turkish and Roma languages (MEST, 2022). At the time of lockdown, online learning was practiced due to protective measures against COVID-19. Students and teachers were trained to use the internet platform for e-learning 'Shkollat.org'. By the end of 2021, around 200,000 students had access to e-learning at 'Shkollat.org' platform.

Children allowances have been introduced in Kosovo*. In September 2021, the Government designed an universal child benefit scheme which allowed for children aged 0-2 to receive EUR 20 per month, while children aged 2-16 receive EUR 10 per month. The implementation of the programme continued during 2022 based on age grouping, while as of January 2023 all children up to the age of 16 were included as beneficiaries. The child allowance scheme will cost around 0.8% of GDP. To improve the impact of the scheme, social benefits should be more targeted, and particularly benchmarked to household incomes in order to preserve budget sustainability, and close the inequality gap.

12. Social protection

There is still no public health insurance in Kosovo*. In 2014, Kosovo* adopted the Law No. 04/L-249 on Health Insurance. Article 7 of this Law stipulates that, regardless of health insurance status, the following services must be provided: emergency health care services, health care services for children, and essential health services for pregnancy and childbirth. The Draft Law foresees the establishment of a health insurance scheme, which will be financed by the employee and the employer with equal contribution shares. However, this scheme has not yet been implemented.

Discussions regarding its application have been ongoing for years, but due to a lack of professional capacities and its budgetary implications, the public health insurance fund is not yet in place.

The majority of workers are not covered by health insurance. As stipulated by Article 5 of the Law on Safety and Health at Work, if workers are not insured with an insurance company, employers should bear all medical treatment expenses for employees who have suffered an injury at work, but this obligation is not implemented in cases of occupational illness. Moreover, the compensation system for non-fatal and fatal accidents in the workplace is not yet in place.

Sick leave benefits are limited to 20 days and are largely covered by employers. According to the Labour Law (Nr.03/L-212, Article 89), employees are granted a 100% salary replacement for up to 20 days a year for sickness leave. However, workers in the private sector may be disadvantaged in accessing these benefits compared to workers in the public sector. Due to the associated financial burden for employers, labour rights are in many cases disregarded. This is the most likely to happen in micro, small and medium enterprises, as they commonly face great obstacles to survive. Micro, small and medium enterprises constitute 99.84% of all enterprises in the economy and employ 75.5% of total employment (OECD, 2022a).

There is a lack of social protection schemes in cases of work-related diseases. In articles 76 and 78 of the Labour Law it is stipulated that in cases of professional sickness employees' wages are reduced to 70% of their total value for a period of 10-90 days. Meanwhile, the General Collective Agreement (Article 89.2) establishes that employees have a right to 100% of their salary for 90 days in cases of injury or professional sickness, rather than the values established by the Labour Law. Moreover, the Law does not provide support to persons who become disabled in the workplace due to occupational diseases.

This results in extraordinary difficulties for individuals who become disabled at work due to the high costs of health services, being it that the support from social schemes is too small to cover the costs of health services and living expenses.

The current system is both inequitable and inadequate in its coverage of disability risk, leaving the partially disabled at risk of poverty. Work-related disability pensions are only awarded for those who are medically assigned as fully disabled and are set at the basic pension rate (EUR 90 per month). For those who are permanently disabled due to non-work-related reasons, the disability pension is set at 53% of the minimum wage (EUR 75 per month), which consists of an inadequate amount to replace the lost income. Partially disabled workers are not entitled to any pension prior to the age of 65 even if they also lose the ability to work (World Bank, 2022).

13. Unemployment benefits

Current financial support to the unemployed mainly comes in some form of social assistance. To receive financial support, households must fall into one of two eligibility categories: Category I, which requires that all adults are 'dependent' (not required to work); or Category II, in which one adult may be registered as unemployed and caring for a child under five years of age or an orphan under 15 years of age. Households falling into these categories then must pass a means test and undergo a verification of assets and living conditions. The verification of assets and living conditions is conducted through home visits, and is a subject to the discretion of social workers. To continue receiving the benefits, approved households must recertify every 12 months for Category I and every 6 months for Category II (World Bank, 2022).

The maternity benefit for unemployed women is paid for six months. The Government made a decision in June 2021 to sup-

port maternity for the unemployed for 6 months through the provision of EUR 170 per month, in accordance with the minimum wage. The criterion defined in the decision states that this support applies to women who are listed as unemployed in Tax Administration of Kosovo* (TAK) for at least 12 months before the day of the child's birth. In June 2022, this decision was amended, specifying that maternity benefits apply for women who are listed as unemployed in the TAK system for at least 9 months in the previous 12 months.

The main form of support to the unemployed comes in the form of Active Labour Market Measures implemented through Employment Agency. However, the budget allocated to the EARK in 2021 was 0.15% of GDP, which is a low figure in comparison to most WB economies and the EU27 average, though comparable to the budget allocations of Albania (World Bank, 2022). The provision of services largely depends on funding by international organisations and non-Governmental organisations.

The Government has addressed employment and social assistance through the economic recovery programme. The latest economic recovery programme, conducted in 2021, allocated EUR 50 million to support employment, and EUR 50 million to support families in form of social assistance. The programme targets employment and the formalisation of the economy, with a special focus on strengthening the role of women and youth.

14. Minimum income

The Social Assistance Scheme (SAS) is the only poverty-targeted programme in place. The SAS has a low coverage and stringent categorical eligibility criteria that exclude most of the poor. Between 2009 and 2020, the number of SAS beneficiaries declined from over 40,000 to roughly 25,600 households. Only about 7% of the total population benefits from the SAS, whereas the economy's officially declared poverty rate

is closer to 20% of the population (World Bank, 2022).

The SAS eligibility criteria are not data-driven. For instance, the SAS Category II criterion establishes that the youngest child in a household must be younger than five years of age, which results in the exclusion of poor families with school-age children. This rule seems counterintuitive as there is no reason to believe that these households would escape poverty once their children turn five years of age. On the contrary, poverty incidence among households increases with the number of children in a household, regardless of age. Furthermore, under Category I, once a child turns 19 years of age, the family loses eligibility even if the child is still in education (World Bank, 2022). Unfortunately, low payment for some jobs, and the low value of the minimum wage serve as incentives for people benefiting from SAS to remain as beneficiaries of social assistance or to enter the informal sector.

The number of households receiving social assistance in Kosovo* in Q3 2022 was 23,100, while the total number of beneficiaries was 91,263 (KAS, 2022e). In 2017, three-quarters of SAS benefits reached the bottom quintile of the consumption distribution pyramid, placing its targeting performance among the best in the WB economies. Nevertheless, it is important to emphasize that the relatively accurate targeting is due to the low coverage and restrictive categorical criteria rather than to adequate beneficiary identification (WB, 2022).

The SAS benefit is a flat rate that slowly increases with family size but as a result, it covers a lower share of the consumption needs of larger families compared to smaller ones. The benefit amount currently ranges from EUR 70 for a one-member family to EUR 250 regardless of the number of family members and children (KAS, 2022e). Indexation of the benefit is ad hoc and discretionary despite existing legal rules. Although there has been no formal inflation

indexation of the SAS benefit, discretionary increases in the value of the benefit have more than offset benefit erosion and led to an increase in the real value of SAS (WB, 2022).

Kosovo* has high rates of population at risk of poverty.

The share of the population at risk of poverty after social transfers in the Western Balkan economies ranged from 21.6% in North Macedonia to 27.9% in Kosovo*. In 2020, the rate of risk at poverty rate in the EU was 17.1% (EUROSTAT, 2021). The report of the household survey in 2020 demonstrate that 12.7% of households in the economy experience great difficulties acquiring funds to make necessary payments, 16.9% reported having difficulty, while 52.7% have experienced some difficulties (KAS, 2020a). This situation can be further aggravated when considering that in 2022 Kosovo* experienced a slowdown in economic growth in addition to hikes in the inflation rate, amounting to roughly 11%, accompanied by an increase of the prices of products and services. The large increase in the prices of basic products and services will very likely push households with low incomes towards poverty.

15. Old age income and pensions

The pension system in Kosovo* was established in 2002. It is based on a fully funded defined contribution scheme and a universal basic pension. The main components of old-age benefits in the pension system are the following:

- I. **Basic Pension:** Provision of an universal benefit to all citizens 65 years old or older residing in Kosovo*, regardless if they have been employed or not.
- II. **Mandatory savings:** Consisting of the most sustained pension scheme, mandatory savings are comprised of a 10% contribution rate into individual accounts administered by an independent Kosovo* public body, the Pensions Savings Trust (KPST). The contribution is paid equally by employers and employees. If the

savings of a pension's contributor in KPST at the time of retirement are smaller than or up to EUR 3,000, the full amount will be transferred to the contributor's account. If the balance is over EUR 3,000, and less than EUR 20,000, the contributor can withdraw 20% of the savings immediately and benefit from a EUR 200 monthly pension until the account is depleted. Individuals with more than EUR 20,000 receive a pension calculated at 1% of their balance at retirement until account depletion. At the end of 2021, the value of funds managed by KPST reached more than EUR 2.3 million. In 2020, due to the crisis caused by the COVID-19 pandemic and in accordance with the Law on Economic Recovery, the Government decided that every citizen who had savings in the KPST could withdraw 10% of their savings. This allowed for the withdrawal of nearly EUR 200 million by more than 420,000 pension contributors. In March 2022, another initiative was made to withdraw funds from the KPST, allowing for the withdrawal of up to 30% of savings. Due to the increase of the prices of basic products and services, the parliamentary group of the Democratic Party of Kosovo* submitted to the Assembly the proposal to amend the law on the Pension Savings Fund, which would enable the withdrawal of funds. The Draft Law was not supported by the majority in the Assembly and did not pass. The withdrawal of funds from the Trust has also been opposed by the IMF. In a study conducted by the GAP Institute, an analysis of the withdrawal of funds from the Trust indicated that this process would lead to issues such as an increase in prices, since most of the funds are dedicated to consumption, while frequent withdrawals from the Trust would damage its credibility in financial markets (GAP, 2022).

- III. **Age contribution-payer pension:** This modality refers to the benefits for citizens who are 65 years or older and contributed for at least 15 years in the former Yugoslav system. Since January 2016, the value of age con-

tribution-payer pensions has been amended, establishing that pensions should be paid according to a categorization based on the level of educational attainment, as follows:

- First category: pensioners with no education or primary education are eligible for a pension amounting to EUR 182;
- Second category: pensioners with secondary education are eligible for a pension amounting to EUR 198;
- Third category: pensioners with higher education are eligible for a pension amounting to EUR 214;
- Fourth category: pensioners with university education are eligible for a pension amounting to EUR 265.

Beneficiaries of this scheme also receive benefits from mandatory savings, in case they have paid contributions for the KPST. More than 48,000 beneficiaries incurred a total costs of around EUR 118 million for 2021. In this context, the criterion of 15 years of work experience as determined in Article 8 of Law no. 04/L-131 on Pension Schemes has been contested as discriminatory at the Constitutional Court. In 2022, the Court decided that this criterion is against its principles and basic human rights, while simultaneously ordering that all former workers who were dismissed during the period of 1989-1999 have the right to participate in the pension scheme. The court has assessed that the dismissal of workers in these cases took place according to discriminatory laws and circumstances, while according to the legal provisions for equal treatment, this category of former workers will enjoy the inclusion in the pension schemes. Furthermore, due to legal and financial implications the Court assigned a reasonable time of 6 months to the Assembly and the Government, respectively, to undertake the necessary actions to amend Article 8 of the Law on Government-Funded Pension Schemes.

IV. Early retirement schemes: These schemes are a separate programme of early retirement benefits with different rules that apply to Trepca miners, Kosovo* Protection Corps (KPC), and Kosovo* Security Force (KSF).

In addition to these schemes, the Government has introduced pension benefits for war veterans, former employees of the education system during 1989-1999, and for individuals who are permanently disabled, blind, paraplegic, and tetraplegic.

16. Health care

The health system in Kosovo* guarantees universal access to health care in theory, but services are not free of cost. The system is predominantly tax funded with the Government acting both as the purchaser and provider of healthcare services. Healthcare services are not free at the point of use: a small user fee (co-payment) is required from all patients, except for vulnerable population groups who are exempt by law, including households that receive social assistance. A large share (40.5% in 2018) of health-related expenditure is paid out-of-pocket, which exceeds the recommended WHO threshold of around 20% of total health expenditures being privately paid (European Commission, 2022). The health sector in Kosovo* faces major challenges and insufficient funding. Health care expenditures are 1.6% of GDP, which is the lowest in the region, representing only about 40% of the annual demand for public health care (MFLT, 2022).

Health care needs are largely unmet. Financial protection for vulnerable categories of the population to cover costs for prescribed inpatient and outpatient care is lacking due to a very low budget of EUR 24 million for the reimbursement of medicines. Nearly 10% of the population in Kosovo* reported unmet healthcare needs in 2018, placing the economy among the worst performers in the Western Balkans (European Commission, 2022). It is estimated that 18% of inhabitants cannot afford to access primary healthcare



as they live in extreme poverty. Since 2017, with the support of donors, the Government has set up home visits to counter these issues, but the supply is insufficient to cover the needs (MFLT, 2022). There is a gap in the health services provided in the public sector. A programme promoting treatment outside public health institutions (in the economy or abroad) is in place to address these issues, but its allocated funds are only EUR 6.5 million, which does not cover the high expenditure on treatment undertaken abroad (European Commission, 2022).

The outmigration of health professionals weakens the already fragile system. Low wages and poor working conditions are the main causes of the departures of health professionals. Additionally, health professionals often leave the public sector to seek employment in the private health sector which usually offers higher salaries. The number of health workers emigrating is increasing in recent years. The president of the

Medical Chamber of Kosovo*, said in an interview to Kosovo*-online that the trend of doctors leaving the economy increased by 35%, adding that mostly anaesthesiologists and paediatricians left Kosovo*. He has specified that 205 young doctors left in 2022, and 159 in 2021. If this trend continues, the economy's healthcare system will face a major crisis. Although several dozen doctors and over 200 nurses were hired in 2021, health workers continue to emigrate, which has a detrimental impact on the health system (European Commission, 2022).

A basic health information system (HIS) in primary healthcare was inaugurated in 2018-2020 and it has been extended to 29 municipalities and 14 specialist ambulances. In parallel with this development, the extension of hardware was completed in primary healthcare institutions, regional hospitals and University Clinical Centre, but due to the COVID-19 pandemic, its extension to other primary health-

care institutions was interrupted (MFLT, 2022). Regarding the Programme for Implementation of the Stabilisation and Association Agreement (NPISAA) 2021-2025, the Kosovar Government stated that HIS will be functional in mid-term, but currently lacks information on how to set it up. The Government budget for 2022 allocated EUR 4 million for the development of the HIS in a period of 3 years. HIS is very important to improve healthcare, decision making, and coordination within the sector.

Enhancing the functionality of the health insurance fund is the solution to improve social and health services.

The Government strategy 2021-2025 has set the functionalization of the health insurance fund as a mid-term priority, including the development of a legislative framework and the collection of premiums through the fund. However, there are still no concrete steps to fulfil this objective. The fund would be financed by the equal contribution of employees and the employers in the share of 3.5% of the gross salary. A well-designed health insurance fund within the socio-economic context of Kosovo* will be a key determinant for improving health services and social protection. At the same time, spending abroad for health services will be greatly reduced.

17. Inclusion of people with disabilities

Persons with disabilities (PWD) lack adequate access to education, health, and social services. It is estimated that 8% of children in the economy have a functional difficulty in at least one domain. Only 10% of children with disabilities benefit from health, education, and social services (UNICEF, 2021). Kosovo* currently has two special schools and five resource centres for children with disabilities. The lack of personal assistants for children with disabilities and inadequate learning tools undermine PWD's access to the public education system. The EU Kosovo* 2022 Report indicates that PWD remain among the most discriminated groups in the economy, as they lack access to physical infrastructure, quali-

ty education, proper medical care and healthcare services, and employment opportunities (European Commission, 2022).

The legal provision for employing one PWD per every 50 employees is not being implemented.

According to USAID (2018), none of the central and local level institutions that were monitored adhered to this mandatory quota. In the meanwhile, based on a survey conducted with 210 businesses, the UNDP (2019) has found that 65% of the interviewed businesses are not even aware of such requirements being imposed by the law.

Limited social benefits are provided to families with disabled children.

The MFLT provides a monthly cash support of EUR 100 to permanently disabled children (aged 0-18 years who are completely incapacitated of carrying out daily activities) and their families, in recognition of their additional needs. Overall, these benefit schemes are small in size, and with limited impact, making them inadequate and ineffective. The social assistance scheme excludes children with milder disabilities whose conditions could potentially improve if supported with cash benefits and with medical and social services (World Bank, 2022).

In 2021, the programme for economic recovery offered support to persons with limited abilities for training and employment during the pandemic.

EUR 5 million have been allocated to the programme of economic recovery to support the employment of persons with disability. Through this measure, an on-the-job training programme was designed for persons with disabilities for a period of 3-6 months. During this period, the trainees would be supported with EUR 170 per month, while the business or organisations that offers on-the-job training were supported with EUR 100 per month. After the end of the training period, if the trainee was offered a job, their salary would be supported for another 6 months in the amount of

EUR 270. The placement and selection of beneficiaries and businesses was conducted in cooperation with NGOs working in this field.

The MESTI has launched the framework for the inclusion of students with special educational needs in high schools. The framework aims to provide equal opportunities for students with disabilities. Hence, the framework guides higher secondary schools to provide access and quality education and to make all the necessary adaptations for students with disabilities. This obligation and the legal framework are regulated by Law No. 04/L-032 on Pre-University Education (2011) and by the Law on Education and Vocational Training No. 04/L-138.

18. Long-term care

The provision of long-term care is anchored in the Law. Article 12.3 of the Law No. 02/L-17 on Social and Family Services states that children over 18 must provide financial support and care for their parents, especially if parents are not in possession of the minimum income and/or if they require long-term care. In contrast to the Law, most of people in Kosovo* perceive that providing care for the elderly at home by family members is an obligation and the most appropriate way of helping them.

There are few publicly provided long-term care services. Residential elderly care is provided in the main House for Elderly without Family Care (HEWFC) in Pristina and in the three community-based housing facilities in the municipalities of Skenderaj, Gurakoc/Istog, Gracanica and Novoberde. The HEWFC is managed by the MLFT, while community-housing centres are managed by municipalities. In Q4 2021, there were 62 residents in the Pristina House for Elderly without Family Care, which has a capacity of 110 individuals, 7 residents in Gracanica community-housing, which has a capacity of 10 individuals, 16 in the community-housing in Gurakoc, which counts with a capacity for 20 individuals, 23 in community-housing in

Skenderaj, with a capacity of 17 individuals, and 9 in community-housing in Novoberde, with capacity of 15 individuals (KAS, 2022e).

Public residential care institutions are available for people over 65 and without family care. According to AI 10/2014, to be eligible for public residential care, applicants must be Kosovo* citizens, over 65 years of age, without biological or adopted children (placement in housing services is not precluded if the client has a married daughter), be in good mental condition, and have no infectious diseases. All costs are covered by the MFLT. Three categories of people are placed in such homes: dependent, semi-dependent, and independent persons. Housing of elderly persons without family care in Pristina and Community-Based Housing offer the following services: food, clothing, health care, work therapy and physiotherapy services.

The quality of services in residential care centres is still low. The report of the Office of Ombudsperson (2019) revealed that based on the earlier recommendations of the Ombudspersons' Office, some improvements have been made to the infrastructure and inventory in the HEWFC in Pristina. The record keeping for the elderly regarding injuries, illnesses, health conditions, sexual abuses, and deaths has been improved. The staff have received some specific training for the treatment of residents. Nevertheless, an ambulance for the needs of the elderly is still missing. Meanwhile, the report of the Office of Ombudsperson (2020) revealed that community-based centres had good internal infrastructure and provided enough medications for the residents but the services of doctors, psychologists, and physiotherapists were limited.

Public day care services are limited to small number of municipalities. The Pristina municipality runs 4 public day care centres for the elderly. Centres offer food and recreational activities for socialisation free of charge. These establishments have a great attendance of the elderly,

and due to the high demand for the services offered, the Municipality plans to open other centres. There is day-care centre available for elderly in Ferizaj. In 2021, Prizren and Vushtrri Municipalities have started to build a public day care service for the elderly.

Private day-care and residential care centres are available. Private services are mostly found in urban areas and offer varying services, from basic day-care to quality residential care. However, their activity needs to be monitored regularly by local and central authorities. In one of the private centres for elderly care in Peja, an instance of physical violence occurred against an elderly woman in 2022. The first investigations of the authorities have concluded that mental and physical violence against the elderly woman had been systematic for a long time. Therefore, the authorities have ordered the withdrawal of license and the closure of the centre, while legal actions were taken against 4 workers for mistreatment and violence against the elderly.

Mobile health care is provided for dependent elderly people. Health care teams are based at the family medicine centres and respond to calls from patients and their families. Mobile teams target the those requiring regular care but who are unable to visit the clinic for medical treatment. Home-care visits are offered in most of municipalities; however, only the municipalities of Pristina, Suhareka, Ferizaj, Fushe-Kosova, Prizren, Vushtrri have a well-developed system for home visits (Haxhikadrija, 2021).

According to the KAS demographic projections (2013), the category of the elderly population will increase in the future. The population will undergo a drastic change in its age structure, manifested through the reduction of the young population (from 0-14 years old) from 24% (2021) to 20% (2031) and 13% (2061). At the same time, the participation of the 65+ age group in the population structure will increase from 9% (2021) to 13% (2031) and 27% (2061). The reason

for the shift in the age structure lies in the declining trend of birth rates and the outmigration of youth. Taking into account the structural changes this will entail, the Government should undertake the appropriate reforms to improve long-term care and the social welfare system in general. The Population Census planned to be held in 2021 was postponed due to the pandemic and will be carried out in September 2023. Due to the increased trend of outmigration during a last decade, the results of the demographic trends may be very different from what was predicted in the 2011 Census.

19. Housing and assistance for the homeless

Housing assistance is targeted at different vulnerable groups. The assistance targets households receiving social assistance, displaced persons, returnees and repatriated persons, and women who are victims of domestic violence. Interventions, therefore, are fragmented and do not address the housing needs of all residents.

Access to social housing is limited. The Law on Financing Specific Housing Programmes (Law No. 03/L-164) was adopted in 2010, aiming to provide access to adequate housing for those in need who are unable to afford it. The legal framework establishes a points system, whereby potential beneficiaries are awarded points across several categories, including housing status, income/employment, family structure, health condition, and disability. Priority is given to the families of martyrs in the former conflict, single-parent families, families caring for orphans, and families receiving social assistance.

The housing sector currently faces challenges. According to the legislation, the provision of social housing is a municipality-level responsibility. Municipalities are required to design a three-year housing program based on housing needs and the identification of available land for construction, and subsequently to request a financial contribution from the central govern-

ment or donor community to implement it. The lack of comprehensive and dis-aggregated data at the municipal level hence prevents local- and central-level institutions from establishing a clear and accurate picture of the scale of social housing needs (IOM, 2022). However, only 51 residential buildings have been built across Kosovo* to date, with a total of 1,178 social housing units – a number far below the needs of the population for adequate housing (Haxhikadrija, 2019). The development of an economy-wide database on social housing will support the implementation of adequate plans to tackle housing problems of vulnerable groups. The collection of accurate data will facilitate the withdrawal of grants and soft loans from the donors' community, which would overcome financial shortcomings of the Government.

Roma, Ashkali and Egyptian communities still face poor housing conditions. In 2018 the Government allocated EUR 2.4 million to build social housing for Roma and Ashkali communities and other vulnerable groups. In the following year, the MESP started the programme of the construction of 273 houses in 20 municipalities. This project started with the construction of 30 houses for Roma and Ashkali communities in Peja. The Strategy for Inclusion of Roma and Ashkali 2022-2026 states that housing continues to be a major problem for the Roma and Ashkali communities who live in settlements and houses without essential and adequate infrastructure, including regular access to drinking/running water, electricity, and other basic equipment. The strategy addresses key challenges and aims to improve the housing problems faced by these communities.

The Government has initiated a feasibility study for the construction of 4,000 affordable housing units. The 2021-2025 Government Programme plans to expand social housing for vulnerable groups and to support housing for low- and middle-income families. In February 2022, the MESP signed an agreement with the International Financial Corporation (IFC) for the

conduction of a feasibility study of the project for the construction of 4,000 affordable houses. According to the IFC, the project will support the Government in scaling up affordable housing, helping to improve lives for residents and boost inclusive long-term development. Some of the challenges to implement social housing projects are the lack of data which should be provided by municipalities, the lack of institutional coordination, property rights, the absence of a strategy for social housing, and financial shortcomings.

The Social Development Bank for Europe (CEB) approved a EUR 25 million soft loan for social housing projects. This loan, approved in 2022, aims to support Kosovar authorities in their efforts to implement an adequate Social Housing Programme and to establish a long-term sustainable social and affordable housing system in the economy. The final beneficiaries include low to middle-income populations, with a focus on socio-economic vulnerable groups, targeting women-headed households, the unemployed, and dependent low-income women in particular. In 2022, the Government has also received a grant of EUR 2.08 million from Western Balkans Investment Framework (WBIF) for the development of social housing projects.

The EU funded social housing projects in the municipalities of Shterpce and Gracanica. From 2016 to 2022, the EU invested EUR 6 million into the construction of social housing to provide housing for displaced persons living in collective centres in the Shterpce and Graçanica municipalities. A total of 119 families in Shterpce and 34 families in Gracanica benefited from these social housing projects.

The Kosovar diaspora and the donor community provide assistance for the development of social housing. Although there is a lack of data, the media often reports on cases where people or charitable associations from the diaspora support poor families by renovating and building houses. It is assumed that the number of

social houses built by members of the diaspora and charitable associations is higher than those built by the authorities.

20. Access to essential services

Electricity is widely accessible. In terms of affordability, beneficiaries of social assistance receive an energy cost assistance. Every year, the Government allocates EUR 4.5 million for energy cost assistance to families that receive social assistance, and it continues covering electricity costs for North Mitrovica. The maximum monthly amount allocated per household is EUR 20. The KAS report for Q4 2021 indicates that 23,661 families benefited from this assistance.

As part of the ongoing dialogue, Kosovo* signed the Guideline for the Implementation of the Energy Agreement with Serbia in Brussels. According to this agreement, signed in June 2022, the Serbian company, Elektroserver, will bill the power supply for northern municipalities. Based on this agreement, Elektroserver has

been licensed by the Government authorities to supply and bill the power supply of the four northern municipalities. Additionally, the Kosovar Government will be discharged from the obligations to cover the energy costs of the northern municipalities. In 2022, the Government has allocated EUR 11 million to cover electricity debts for the northern municipalities. However, the operationalization of this agreement prevents the misuse of electricity by local residents and ensures the equal treatment of all consumers in compliance with the Law.

As a result of the war in Ukraine, an increase in the price of electricity bills by up to 60% has been predicted. The increase in the price of energy in the international markets affects local prices, since the economy does not generate enough to cover domestic needs. Almost all electricity is generated by two old and unreliable coal power plants (EBRD, 2022). The Ministry of Economy has launched a public campaign to save electricity. In this context, the Ministry has offered subsidies for households that invest in efficient en-



ergy equipment as well as in alternative renewable energy generation systems.

96.8% of population has access to water supply systems (KAS, 2022c). According to the Kosovar Institute of Public Health, the quality of water provided by water systems is appropriate. During 2021, a total of 20,366 water samples were tested, of which 98.1% are in accordance with drinking water quality standards (WSRA, 2022). Water supply provision for the majority of customers (around 94%) in 2019 has been appropriate, i.e. without interruptions, whilst only 6% have reported they experienced restrictions. Furthermore, in areas with a regular supply, 1.7% of customers have experienced interruptions in the water supply due to low water pressure, mainly during peak water consumption periods (WSRA, 2020).

Connection of households to a sewage system has significantly improved. In 2020, the rate of residents in households connected the sewage network was of 96.8%, which is an increase of 41.6 percentage point compared to 2013, when connection to the network stood at only 55.2% (KAS, 2022c).

Wastewater is mostly untreated. The only plant for the treatment of urban wastewater is the plant in Skenderaj. The discharge of wastewater takes place directly into rivers and is one of the main surface water polluters (KAS, 2022c). Wastewater treatment coverage remains very low, with only 2% of collected wastewater being

treated currently (WSRA, 2020).

Internet penetration and usage is high. In 2022, 97.9% of households had an Internet connection from a device at home (KAS, 2022d). Internet usage is also intensive, with 96.1% of individuals reporting using it every day in the last three months. The report includes information on the usage of the Internet for e-Government, e-commerce, and personal reasons.

The number of railways passengers is decreasing, while the railway network lacks investments. There are 333 km of railways in total. The number of passengers has been constantly falling since 2012, from 366,000 in 2011 to 60,360 in 2021 (KAS, 2022d). There is a direct railway connection to North Macedonia and Serbia, while there is no direct connection to Albania and Montenegro. A feasibility study for a new railway for a connection with Albania, namely Pristina with Durres Port, is currently ongoing.

Roads and airport infrastructure have been improved. There is a total of 2,432 km of road infrastructure, whereby 6% fall in the category of roads and motorways, 31% are internal roads, 61% are regional roads, and 2% are connecting routes. In terms of air transport, the number of flights in 2021 was 8,397, compared to 6,947 in 2012. There was a constant increase in number of flights over the past ten years, except in 2020, due to the pandemic, when there was a decrease in flights by 50% compared to 2019 (KAS, 2022d).

IV. Conclusions

The economy has been hit by the COVID-19 pandemic. In addition to the many other damages caused by the pandemic, the crisis has influenced the slowing down of the reforms related to the development of the private sector. It has also led to economic decline and especially the decline in foreign investments. The Government has undertaken programmes for economic recovery through which it has succeeded in mitigating the challenges of businesses and the population. The support provided through fiscal measures was conducted on a large scale, but with a focus on helping the poor, families with low incomes, and people who have lost their jobs. Middle-income families have also benefited from these measures. Still, the limited funds granted cannot guarantee a sustainable trend of employment growth. It should be noted that the Government's support measures during the pandemic have had a positive impact on the formalisation of jobs.

The trend of economic growth has slowed down very quickly due to the spill over effects of the war in Ukraine. This has been manifested in the increase in prices, and the weakening of purchasing power. The IMF has forecasted an economic growth of 3% for the Kosovar economy, while the inflation rate is predicted at 10.4%. These macroeconomic indicators are likely to be associated with a reversal in the trend of employment and social welfare. Government subsidies for vulnerable groups should be focused in generating a positive impact on the economy. As an example, the effects of subsidies should be linked to the primary sector and social enterprises, to increase production and sustained social protection.

Only a very small percentage of children can use ECE. In general, 15.5% of children are included in all forms of preschool education. The most vulnerable groups are also the most deprived

of these education opportunities. The lack of investment in infrastructure, the low income of families, and the high rate of unemployment of women are among the main causes for the very low level of participation of children in ECE. The inclusion of children in ECE could ensure greater development of human resources and an improved gender balance in the future.

Youth education and skills mismatch the labour market needs. The lack of VETs alignment with businesses, outdated curricula and the lack of technology in VET centres are some of the obstacles that prevent the development of young people's skills to be compatible with labour market needs. The Employment Agency has limited human and financial resources. Trainings offered in the VETs only cover the most basic levels and often are not aligned with businesses. The budget for VETs and VETs should increase since these centres can play a key role in improving the skills of young people in accordance with the labour market needs. In 2021, the NEET rate was 32.1%. Although the youth is the greatest resource of the economy, their potential remains untapped.

Women are in a disadvantaged position in the labour market. The majority of women are inactive, and there is an extreme gender gap in the labour market. The most common reasons that put women in such a disadvantaged position in the labour market are the limited parental leave system, a lack of childcare facilities and facilities for care of the elderly, and social norms. The Law on Gender Equality, the Programme for Gender Equality 2020-2024, and other strategies and programmes mentioned earlier aim to enhance the role of women in the labour market, yet progress is very slow. The draft Labour Law should be adopted to improve the parental leave system in addition to other provisions. Moreover,

the investment in facilities to increase the inclusion of children in ECE and of the elderly in residential cares should be prioritized.

PWD lack adequate access to education, infrastructure, health, and social services.

They remain among the most discriminated, as they lack access to physical infrastructure, quality education, proper medical care and healthcare services, and employment opportunities (European Commission, 2022). Only 10% of children with disabilities benefit from health, education, and social services (UNICEF, 2021). The legal provision for employing one PWD per every 50 employees is not being implemented. Therefore, inclusiveness and treatment of this vulnerable group is extremely lacking. Adequate mechanisms or institutions dedicated to ensure the rights of people with disabilities should be established to increase their inclusion and allow for a dignified treatment of their needs.

Roma, Ashkali and Egyptian communities face challenges to access education and the labour market. Only 7.6% of children in these communities attend pre-schools. The financial income and the material situation in general of the Roma, Ashkali and Egyptian communities worsened in 2021, due to the COVID-19 pandemic, as many members of these communities lost their jobs in the informal sector (Ombudsperson, 2022). This implies that more focus is needed on the implementation of the Strategy for Integration of Roma, Ashkali and Egyptian Communities 2022-2026.

Social dialogue functions on a tripartite and bipartite level, but it remains weak.

In the private sector, trade unions are founded in very rare cases, mainly in large companies. The Economic and Social Council, a tripartite body composed of representatives of employers' organisations, trade unions and Government, is responsible for attending to labour issues, social protection, and economic policies. However, its activity is quite limited. A greater involvement of

the private sector in the processes social dialogue would enable the design of higher quality policies and increase the likelihood of their implementation. Likewise, it would be very useful to encourage the involvement of youth in social dialogue.

A health insurance fund has not been established yet. The Government strategy 2021-2025 has set the functionalization of the health insurance fund as a mid-term priority, including developing a legislative framework and enabling the collection of premiums through the fund, but there are still no concrete steps to fulfil this objective. A well-designed health insurance fund designed to be compatible to the socio-economic context would be a key determinant of improving health services and social protection.

The social assistance schemes is recommended to be reformed, especially eligibility criteria needs to be re-adjusted for inclusion of some categories as beneficiaries.

For example, under the SAS Category II, once the youngest child turns five, it results in exclusion of poor families with school-age children. Practically, there is no reason to believe that these families will escape poverty once their children turn five years of age. Under Category I, once a child turns 19 years of age, the family loses eligibility even if he/she is still in education. This criterion could prevent young people from poor families to continue their higher education at the university. Furthermore, SAS excludes children with milder disabilities whose conditions could potentially improve if supported with cash benefits and with medical and social services.

The labour market is characterised by a high level of informal employment and envelope wage payment. This implies that informal employees do not have the opportunity to enjoy the guaranteed social rights and protection, while they do not contribute to their pension fund as a source of income for the future. The continuation of comprehensive economic and social reforms will contribute to reducing the level of in-

formal employment. Reforms should support the increase of benefits in the formal sector alongside the increase of costs in the informal sector to support formalisation. In this context, strengthening citizens' trust in government institutions will be essential to encourage the formalisation of jobs.

Reforms in the long-term care, health-care, and pension systems are necessary to strengthen social protection.

The Kosovar population will undergo a drastic change in its age structure manifested through the decrease of youth segments and the increase of the elderly. The age group for those who are 65+ in the population structure will increase from 9% (2021) to 13% (2031) and 27% (2061). The reason for this change in the economy's age structure lies in the declining trend of birth rates and in the outmigration of youth. In this respect, the establishment of the social insurance fund, the completion of the health information system and the construction of residential care facilities for the elderly will contribute to the improvement of the system in the future.

The key strategies and programmes for education, employment, and social welfare, have not reached their intended objectives. There is a stark gap between the established goals and the achieved outcomes. Namely, the Education Strategic Plan 2017-2021, the Development Strategy 2017-2021, the Strategy for integration of Roma, Ashkali and Egyptian communities 2017-2021, the Government's action plan

2018-2020 for youth employment, the Economic Reform Programme, and the Labour and Social Welfare Strategy 2018-2022 have not performed well. Therefore, gender imbalance, informal employment, poverty, and unemployment rates especially among women and youth remain very high. The design of strategies and policies consider the specificities of the Kosovar socio-economic context, while maintaining its compatibility to the obligations associated with the EU integration process. Implementation must be ensured through regularly conducted efforts for the monitoring and evaluation of key performance indicators. Likewise, both design and implementations should be data-driven.

The outmigration of youth and professional staff in some sectors will cause major obstacles for the labour market in the future.

Institutions should continue to adopt laws in accordance with the EU directives, but more importantly, they must ensure the adequate application of the labour laws. In sectors experiencing a deficit of professionals, particularly the health and engineering sectors, more investment should be made and priority should be given to the training and development of young professionals to fill the gap. The departure of youth is inevitable for several years to come, therefore the private sector acquires employees from other low-income economies. In this respect, a national strategy for adequate integration of foreign labour force should be designed.

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Annex Social entrepreneurship in Kosovo*

Introduction

Kosovo* faces complex challenges and barriers to sustainable development. Despite its efforts, economic activity remains low, accompanied by high rates of unemployment and of participation in the informal economy, difficult working conditions, inequality, and a high poverty rate. Over the past two decades, during the transitional process, the authorities established basic institutional, financial, and regulatory dealings with small and medium-sized enterprises (SMEs). However, the Government has not yet succeeded in creating a friendly business environment that would strengthen SMEs potential for employment and economic growth. Vulnerable groups such as the long-term unemployed, people with disabilities, and minorities face great difficulties to integrate into the labour market. At the same time, during this period the society has regressed in terms of environment protection, as illustrated by the increased rates of deforestation, air and river pollution. Therefore, addressing sustainable development alongside the agenda of Sustainable Development Goals of the United Nations 2030 represents a vital mission for the future of society, although it consists of a major challenge for the economy.

Social enterprises are proven to play an important role in addressing social, economic, and environmental challenges, fostering inclusive growth, increasing social cohesion, nurturing local social capital, supporting democratic participation and delivering good quality services (OECD, 2022). Social enterprises seem like a promising sector to support vulnerable groups and protect the environment. Nevertheless, the Government has not managed to properly incorporate this sector into its development agenda.

Definition of social enterprise

Many definitions of social enterprise exist together with many organisational models and legal forms that can vary from economy to economy. The OECD defines a social enterprise as an operator in the social economy whose main objective is to have a social impact rather than create profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives (OECD, 2017).

The Law No. 06/L-022 on social enterprises adopted in November 2018 regulates the organisation, operation, principles, and the ways of gaining and losing the status of a social enterprise. It also defines the conditions and criteria that must be met to gain the status of a social enterprise. The Law defines social enterprise as a legal entity, regardless of the way in which it is structured and established, which contains in its founding act social objectives, performs economic activities, manufactures goods, and provides services in the general interest of society, integrating into their work people from vulnerable groups. In this respect, social enterprise activities aim to serve the general social interests, in the form of providing social goods and services that increase the quality of life, strengthen social cooperation and encourage the integration of vulnerable groups.

The abovementioned Law divides social enterprises into two categories: A and B. Social enterprises of category A offer services that guarantee the inclusion of marginalised people to improve their well-being and develop activities in the areas such as: social assistance and housing support; family assistance and family care; health services; home nursing care; and so forth. Category B Social enterprises are enterprises that

employ at least 30% of employees from vulnerable groups and are engaged in providing useful services for society, or in growing, producing, and processing products for sale.

In order to acquire the status of social enterprise, the legal entity must submit a request and a social business plan to the relevant department of the Ministry of Finance, Labour and Transfers. The social business plan consists of a brief description of the social problem or problems that the social enterprise intends to address and the means proposed for tackling the issue at hand.

Regulation No.18/2020 obliges social enterprises to report on the achievement of social objectives. Every social enterprise is obliged to prepare and submit an annual report on the achievement of social objectives in the Division for Social Entrepreneurship of the MFLT.

Commitment to the UN's Sustainable Development Goals (SDG) agenda

The Sustainable Development Goals are a global call to action to end poverty, protect the earth's environment and climate, achieve gender equality, improve the provision of quality education, and ensure that people everywhere can enjoy peace and prosperity.¹ In the EU, social entrepreneurship is receiving strong support as their role is recognized in social and environmental protection. This will better enable social entrepreneurs to successfully lead the transition to a more socially inclusive and green economy, gender equality, and to increased care for environment in line with the achievement of the UN SDG by 2030 (European Social Enterprise Monitor, 2022)

Although it is not a signatory of the Agenda 2030 and the Sustainable Development Goals at the UN General Assembly due to its status as a non-member, the Kosovar Government decided to join global efforts to embrace sustainable development and the SDGs. The implementation of Agenda 2030 and the SDGs, which has been voluntary in this context, is ensured through the National Assembly's adoption of a parliamentary resolution endorsing the SDGs in January 2018, supported by the local UN Team.

Kosovo* has undertaken some positive steps on Agenda 2030, notably through the establishment of the National Council for Sustainable Development (NCSD), which is responsible for coordinating SDG action and the preparation of the National Development Strategy 2021-2030. However, concrete actions in achieving the SDGs remain rather limited.

Citizens take part in planning and implementing the environmental goals of the SDGs in different ways, such as through public participation in the development of environmental strategies, plans and programmes. In addition, civil society organisations (CSOs) are involved in the work of the NCSD, whilst non-governmental organisations and donors are active in implementing sustainable development projects. Key challenges regarding SDG actions with an environmental dimension are the lack of specific strategies and programmes, as well as lacking finance and institutional capacities (European Environmental Agency, 2020)

The National Development Strategy (NDS) 2030 emphasizes that sustainable development remains one of the economy's main challenges. The NDS objectives will be linked to the European Integration Agenda, the Sustainable Development Goals (SDGs) and the Green Deal. Its implementation and monitoring will be done through sectoral strategies and institutional plans to ensure better linkages with the public budget

¹ More information on the progress of the SDGs in Kosovo* can be found here: <https://kosovoteam.un.org/en/sdgs>

(Office of the Prime Minister of Kosovo*, 2020). The NDS 2030 consists of four goals: sustainable economic development, equitable human development, safety and the rule of law, and good governance.

The National Programme for Implementation of the Stabilisation and Association Agreement (NPISAA) 2021-2025 set as a one of its medium-term priorities the support of the licensed non-governmental sector and social enterprises registered with subsidies and grants for the provision of social and family services and the involvement in the employment of vulnerable groups (Office of the Prime Minister of Kosovo*, 2021).

Stakeholders of social enterprises

Public Institutions: Ministry of Finance, Labour and Transfers, Ministry of Culture, Youth and Sports, Employment Agency-Vocational Training Centres, Vocational Education and Training Centres, Municipalities.

International Organisations: European Commission, UNICEF, UNDP, USAID, American Chamber of Commerce, Embassy of Sweden - Department of Social Services, German Chambers, Austrian Development Cooperation, GIZ, Danish Refugee Council.

Social Enterprise Support Organisations: Caritas, Helvetas, KWN, SPARK, ICK, Kosovar Social Enterprise Foundation, CEED, Rea Pristina, LENS, KSEF - Kosovar Social Enterprise Foundation, Jakova Innovation Center, Balkan Green Foundation, Kosovaldeas, Forumi për Iniciativa Qytetare, Open Doors, CSR Network.

Support programmes for social entrepreneurship

UNICEF supports youth upskilling through several projects, the most successful one being the 'UPSHIFT' programme, which teaches entrepreneurship and social innovation. 'UPSHIFT' was recently accredited by the Ministry of Education, Science, Technology, and Innovation to be included in the curriculum in three municipalities. UNICEF, in communication with professors, has proven that students became more active, innovative and creative in designing and implementing concrete projects through the 'UPSHIFT' programme. The programme has provided support for young people to found numerous social enterprises to enhance social inclusion and the protection of environment.

Since 2019, the Innovation Centre Kosovo* (ICK), in partnership with UNICEF, has founded 15 social enterprises through the 'Startup Social Venture' programme. Young entrepreneurs (18-24) were provided grants, incubation services, training and mentorship. The programme is powered by Austrian Development Cooperation and the Embassy of Sweden in Pristina.

The UNDP supported the Ministry of Finance, Labour and Transfers in drafting the Law on Social Enterprise and provided financial and technical support for the piloting and presentation of social entrepreneurship concept among local non-profits (Anjelic, Petricevic, 2020).

The USAID supported the KSEF to implement the Advocacy for Regulation on the Registration Procedures of Social Enterprises in Kosovo*. The KSEF supports the development of social entrepreneurship with the aim of alleviating poverty and unemployment for vulnerable groups through the provision of resources and expertise. Additionally, the USAID also has a project called 'Up to Youth', which supports social entrepreneurship initiatives coming from youth (Anjelic, Petricevic, 2020). The project works with vulnera-

ble youth aged 16-24 that are exposed to social exclusion, by mobilizing and empowering them to effect positive change. The project targets marginalised youth, particularly focusing on young people who are under-served by current and past youth-focused initiatives grappling with unaddressed stress and trauma, or vulnerable to developing risky behaviours.

The Danish Refugee Council has been implementing the project 'Supporting Social Entrepreneurship and Promoting Socio-economic Empowerment in Minority Communities', a project funded by the Swedish International Development Cooperation Agency and represented by the Embassy of Sweden in Pristina.

The research on social entrepreneurship is limited. One of the first researches in this field (Kartallozi & Xhemajli, 2017) studies the experience of social enterprises, including the socio-economic context in which they are developed and the existing Draft Law on social enterprises. This research concludes that the Law provides a narrow definition for social enterprises, which limits creativity and an entrepreneurial approach. The second recommendation of this study is to support the upskilling of social entrepreneurs. The potential for the development of social enterprises is very high in regard to creating jobs and various opportunities for young people (Loku et al., 2018). Moreover, Dervishi (2020) argues that there are misconceptions about how social enterprises work from both the public and the Government. The most prevalent misconceptions were that social enterprises were linked with operations of not-for-profit organisations or corporate social responsibility activities. In this respect, social enterprises are not doing enough to spread out their message to the public. However, this study finds that people were more willing to buy a certain product or service upon knowing that the product is contributing back to the society. Until now, research in the field of social enterprise is limited, however, the studies draw similar conclusions about the importance of social enterprises and the need for greater support from the Government.

Evidence of social and environmental issues and entry points for social enterprises

The economy faces serious challenges on social inclusion and environment protection. Only 10% of children with disabilities benefit from health, education and social services (UNICEF, 2021). The Labour Law provisions for an inclusive approach in employment is not being implemented. The participation rate of women in labour market is only 22%, and rates of youth not in employment, education or training is 32.1% (KAS, 2021). The healthcare system is not developed enough to cover the needs of citizens, while there are very few residential care centres for the elderly. Poverty rate remains high at 19.4%, while extreme poverty rate is 7% (World Bank, 2022).

There are evidences of increased deforestation, air and river pollution. Discharge of wastewater takes place directly into rivers and is one of the main surface water polluters (KAS, 2022c). These negative trends reveal a lack of care for the environment and social inclusions. Therefore, the Government should support social enterprises whose main goal is inclusiveness, equality, and care for the environment.

Conclusions

Social enterprises have an important position between the Government and profit based enterprises, playing a balancing role in the developmental process of addressing the many social and environmental challenges currently experienced in Kosovo*. However, there is a lack of awareness with regards to social enterprises, which represents a challenge for them to get recognition from the public and support from the Government.

International organisations play a major role on delivering and nurturing social entrepreneurship projects. The 'UPSHIFT' programme conducted by UNICEF and the USAID's 'Up to Youth' project stand out as success stories for supporting social entrepreneurship. Further recommendations for authorities to improve the environment for social enterprises in the economy include the need to promote and publicize the potential contributions of social enterprises for achieving an equitable society and protecting of environment; increasing the amount and values of subsidies destined for these initiatives or consider the possibility of supporting the hybrid model of enterprises with a dual approach on social objectives and profit maximization; and support training, particularly for young people and women as an attempt to upgrade their entrepreneurial skills and awareness for sustainable development.

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