

# Social Exclusion and Labour Market Challenges in the Western Balkans

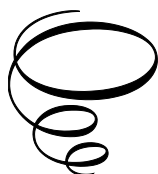


# Social Exclusion and Labour Market Challenges in the Western Balkans

Edited by

Will Bartlett, Vassilis Monastiriotis  
and Panagiotis Koutroumpis

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## PREFACE

This book covers the challenges facing Western Balkan countries in their efforts to deal with social exclusion and social inequality while making progress in their reform efforts to join the European Union. The book highlights and integrates the practical policy issues of labour market policy, migration, the transition from school to work, and the role of social protection in mitigating some of the worst features of social exclusion in the region. It is timely in that renewed energy is being infused into the Western Balkan countries' EU accession agenda through the initiatives of the Berlin Process, designed to bring the accession process back on track after the hiatus caused by the global financial crisis and the disturbance to EU integration posed by the eurozone crisis and Brexit.

The chapters of the book were all presented at a conference of the LSEE Research Network on Social Cohesion held in Skopje in April 2017. They represent the latest work of the members of the research network, which brings together leading scholars from the region, from a variety of disciplinary backgrounds, who are working on issues related to social cohesion with a focus on political economy and social policy. The conference was organised under the auspices of the LSEE research unit (LSE Research on South Eastern Europe) of the European Institute, London School of Economics and Political Science, in collaboration with the National Bank of the Republic of North Macedonia. LSEE was launched at the start of the 2009–2010 academic year, drawing on the strength of academic expertise on the region at the LSE, and complements the work of the Hellenic Observatory and the Contemporary Turkish Studies Programme. LSEE provides a significant platform for high quality, independent research and facilitates public dialogue and dissemination of information on the region.

As part of this effort at engagement in the region, the Skopje conference was the fourth in a series of conferences that LSEE's Research Network on Social Cohesion has organised in various locations in South Eastern Europe since 2011. The research network promotes independent research into the fundamental issues of social cohesion in the region by supporting collaborative activities in the form of conferences, workshops, and research projects jointly organised by LSEE and local researchers. The promotion of regional cooperation in research activity and the investigation of the benefits

of regional cooperation in practice is a key motivation of the network. The Research Network covers policy themes such as employment policy and job creation, skills mismatch, education and vocational training, health systems, pension systems, poverty and social protection policies, social entrepreneurship, ethnic minority and Roma inclusion, and decentralisation and spatial inequality, all with the aim of providing original and relevant research evidence to support effective policy responses to the difficult social situation. The recent corona virus pandemic has had a significant social impact and made the analysis of appropriate policies of social inclusion all the more relevant.

In preparing the book for publication the editors were ably assisted by Myrsini Fotopoulou, Emilia Nesheva, Aleks Stankova, and Areti Chatzistergou who were in continual communication with the authors and assisted with the editorial process. We are grateful for their excellent support and for the active participation and patience of all the contributing authors while waiting for the book to reach completion.

## LIST OF ABBREVIATIONS

BHAS	Bosnia and Herzegovina Agency for Statistics
BiH	Bosnia and Herzegovina
CAQA	Commission for Accreditation and Quality Assurance
CESOS	Centro di Studi Economici Sociali e Sindicali
COE	Council of Europe
DCM	Decision of Council of Ministers
EASO	European Asylum Support Office
ECTS	European Credit Transfer System
ETF	European Training Foundation
EU	European Union
EU-28	European Union 28
EURES	European Employment Service
FLFP	Female Labour Force Participation
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
GNDI	Gross National Disposable Income
GNI	Gross National Income
HBS	Household Budget Survey
HEI	Higher Education Institution
HRM	Human Resources Management
HSS	Humanities and Social Sciences
ILO	International Labour Organization
INSTAT	Albanian Institute of Statistics
IPA	Instrument for Pre-Accession Assistance
ISCED	International Standard Classification of Education
ISCO	International Standard Classification of Occupations
KMO	Kaiser-Meyer-Ohlin Test
LFS	Labour Force Survey
LSMS	Living Standard Measurement Survey
MHRR	Ministry of Human Rights and Refugees
MISSCEO	Mutual Information System on Social Protection of the Council of Europe
MoSWY	Ministry of Social Welfare and Youth
NELM	New Economics of Labour Migration
NEET	Not in Employment, Education, or Training
NES	National Employment Service

NSDI	National Strategy for Development and Integration
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Co-operation in Europe
OSI	Open Society Institute
RCC	Regional Cooperation Council
SDG	Social Development Goal
SILC	Survey on Income and Living Conditions
SIPD	Social Inclusion Policy Document
SSO	State Statistical Office
STEM	Science, Technology, Engineering, and Mathematics
SWTS	School to Work Transition Survey
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
USA	United States of America
VET	Vocational Education and Training
WHO	World Health Organization
WiiW	Vienna Institute for International Economic Studies



## CHAPTER ONE

### INTRODUCTION: THE CUMULATIVE CAUSES OF SOCIAL EXCLUSION IN THE WESTERN BALKANS

WILL BARTLETT  
AND VASSILIS MONASTIRIOTIS

#### ABSTRACT

This chapter reviews the literature on social exclusion in the Western Balkans and summarises the contribution of the various chapters of the book to the debate on social exclusion and labour market challenges in the region. It is organised around four key themes: labour markets and international migration, gender gaps and female labour force participation, youth labour markets and social exclusion, and the failure of social protection systems to address the changing nature of labour markets. It shows how the authors of the various chapters contribute to the emerging literature on the dimensions and causes of social exclusion in the region.

**Keywords:** labour market, migration, female labour force participation, youth, social protection

## Introduction

The Western Balkan region<sup>1</sup> has been through a difficult period since the global financial crisis of 2009. It experienced a slow and faltering recovery, and the labour markets in the region are characterised by some of the highest unemployment and lowest employment rates in Europe (Kovtun et al. 2014). According to Labour Force Survey data, in 2018 the unemployment rate of 15–64 year olds was 21% in North Macedonia, 15.5% in Montenegro and 13.1% in Serbia, compared to just 7.0% in the European Union (EU). A recent study by the European Foundation for the Improvement of Living and Working Conditions found that in a 2016 social survey, self-reported life satisfaction was lower in Albania and North Macedonia than in any other European country (Eurofound 2019). These countries scored 4.9 and 5.1 on a ten-point scale compared to an average of 7.1 in the EU. The situation was not much better in Montenegro and Serbia, which each scored 6.3, only marginally above Bulgaria, Greece, and Turkey. Part of the reason for the low level of life satisfaction is the poor job prospects and high levels of inequality and social exclusion, a situation which fuels migration, especially of young people.

External migration has been a characteristic feature of the Western Balkan economies for several decades, in the past because of the social conflict and military confrontations of the 1990s and early 2000s, but these days primarily for economic reasons (King & Oruč 2019). Not surprisingly, the issue has received much attention from scholars interested in this characteristic of what may justifiably be called “labour export economies.” The experience of emigration has been particularly felt in Albania and Kosovo and this is where most academic research has been focused. Migration tends to be carried out by male members of the family, leaving “left-behind” women with the burden of household duties and often leading to their withdrawal from the labour market (Mendola and Carletto 2012).

While migration may have some benefits for the home economy when it is associated with a flow of remittances, several of the Western Balkan countries have become dependent on remittance inflows to balance their international payments. Most of these remittance inflows are spent on consumption and relatively little on productive investment that might boost exports and contribute to economic development (Duval and Wolff 2015, 2016); they function as “informal” social protection, boosting family income in the absence of a well-designed system of social assistance to alleviate poverty (see more on social assistance below). However, the

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<sup>1</sup> The Western Balkan region consists of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia.

distribution of remittances is highly unequal and typically fails to reach the poorest households. Migrants tend to come from wealthier families that in turn are the chief recipients of remittances and are therefore better off than those that do not receive such payments, creating a self-reinforcing cycle of migration and remittance payments that fails to provide real social protection to the poorest in society (Markov 2012; Dimova and Wolff 2015). Some research has examined the issue of return migration, which has mainly been associated with positive contributions to the home economy, as returning migrants bring new skills back with them and have a propensity to establish new businesses (Piracha and Vadean 2010; Gashi & Adnett 2015). All these issues are taken up and explored further in Part I below on labour markets and migration.

Both the process of economic transition and the economic crisis have had unfavourable impacts on the position of women in the labour markets of the Western Balkans. In Albania the state-owned enterprises used to provide many jobs for women, which were lost when they were privatised or collapsed after the centrally planned socialist economy was abandoned (Miluka 2013). These factors, along with large structural changes within the economies, led to widening of gender gaps in both employment and wages. This was exacerbated by the reappearance of traditional cultural norms and a re-traditionalisation of the role of women in society—a step backwards from the relatively egalitarian gender policies that had been developed in the former Yugoslavia, at least in urban areas (Allcock 2000: 355–359). While employment rates overall are extremely low, there are enormous differences in the labour market experience of men and women. For example, in 2018 the overall employment rate was just 51.7% in North Macedonia, but women fared much worse than men: the employment rate for females was just 41.7%, compared to 61.4% for males.<sup>2</sup> A similar gender gap can be observed in other countries in the region; for example, in Kosovo the female labour force participation rate was just 18% in 2016 (Brodman & Hempel 2018). This negative experience is exacerbated by the existence of significant gender wage differentials. Evidence for their existence over and beyond that which could be explained by the usual economic factors such as education and age has been identified throughout the region—see, for example, Angel-Urdinola (2008) for North Macedonia, and Krstić & Reilly (2000), Kecmanović & Barrett (2011), Blunch & Sulla (2014), and Anić (2019) for Serbia. Gender gaps and differentials may be due to labour market discrimination and an absence of policies that could reduce discrimination against women (Vladisavljević et al. 2015). Thus, the position of women in the labour market in the Western Balkans is

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<sup>2</sup> According to Eurostat online data 2019.

characterised by multiple sources of disadvantage. These issues are taken up in detail in this volume in Part II below on gender gaps and female labour force participation.

Young people are also disadvantaged in the labour market. For example, in 2018 the employment rate for 20–24 year olds in North Macedonia was 29.0%, compared to 53.3% in the EU (according to Eurostat data). Youth employment rates were only marginally better elsewhere in the region, with a youth employment rate of 36.6% in Montenegro and 34.7% in Serbia. Correspondingly, youth unemployment rates are extremely high, ranging from 42.6% in North Macedonia in 2018 to 29.9% in Montenegro and 27.1% in Serbia (while it is just 14.0% in the EU). The experience of unemployment in the early years of a career can be extremely damaging to a young person's future life chances and job prospects. A long spell of unemployment may lead to a depreciation of skills and disengagement with social networks, exacerbating the low level of social capital that often besets young people from disadvantaged families. This process is known as scarring and has been analysed in the case of North Macedonia by Petreski et al. (2017). They find that long periods of unemployment reduce the chances of young people finding a job, although the experience of unemployment does not seem to reduce future wage prospects. Similar negative effects of youth unemployment are found in Montenegro and Serbia (Mojsoska-Blazevski et al. 2017). Even when young people do find a job, they may experience severe skills mismatches and be employed in jobs that require skills far below their level of qualification. This issue is taken up in the chapters of this book which address the issues around youth and social exclusion.

In the face of widespread poverty and social exclusion, social protection systems have been neglected in the region, and the welfare state is less developed than in the EU. Research on social assistance programmes for the poorest has shown that broadly speaking, two types of social protection system have emerged (Gotcheva & Sundaram 2013). Four of the countries (Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia) have preserved the essential features of their prior systems with a focus on social insurance to cover the social risks of ill-health and old age (through contributory state pension schemes), with limited social transfers in the event of unemployment and poverty. By contrast, Albania and Kosovo have overhauled the former systems with entirely new social protection schemes. Social assistance schemes that have either evolved or been newly designed have two elements, a categorical element and a means tested element. In the Western Balkan countries other than North Macedonia the categorical element is the larger of the two and mainly involves benefits for war

veterans. The latter have been severely criticised as unequalising. Social assistance to alleviate poverty is minimal and is provided in all the countries in the form of means-tested benefits. While the targeting of last-resort social assistance is relatively high in three countries (Kosovo, Montenegro, and Serbia), with 70% or more being distributed to the poorest quintile of households, elsewhere targeting is relatively weak, with less than half of benefits distributed in this way (Gotcheva & Sundaram 2013). Moreover, the coverage of social assistance benefits is very low, with only 20% or less of the poorest quintile receiving social transfers in Albania, Bosnia and Herzegovina, Montenegro, and Serbia. Kosovo has the highest coverage, but even there only 40% of the poorest quintile of households is covered. With the exception of Montenegro, social assistance benefits lack generosity, being less than 15% of the minimum wage. Within the broad category of the poor, the chapters in this book show that several groups of people are essentially excluded even from the minimum levels of social assistance that are available, including those in non-standard employment, young people, and Roma people.

The remainder of this introductory chapter outlines the individual contributions in the book, structured along the four key themes described above: labour markets and international migration, gender gaps and female labour market participation, youth labour markets and social exclusion, and social protection. In the concluding chapter of the book (chapter 14 below) we summarise the key findings that emerge from the research carried out by the book's contributors and draw out the implications for policy makers working on issues related to labour markets and social exclusion in the countries of the Western Balkans.

## **Labour markets and international migration**

Part I of this book contains three chapters dealing with aspects of the labour market and migration. In Chapter 2, Mihail Arandarenko and Dragan Aleksić look at the employment statistics of Western Balkan citizens. They begin with the proposition that the Western Balkan economies can be characterised as labour-export economies and examine the consequences of this for the measurement of the labour force, identifying a “citizen labour force” comprising citizens of each country who work either within or outside the country. They measure the “citizen employment surplus,” which consists of migrant citizens employed abroad. Migrant remittances are often thought to provide informal social protection for migrants’ families at home. However, Arandarenko and Aleksić show that there is little correlation between the size of the citizen employment surplus and the extent of

remittances received by the emigrants' families. In Chapter 3, Esmeralda Shehaj and Ardian Hackaj investigate the determinants of migration from Albania to Germany. In particular, they focus on the huge spike in the number of migrants in 2014 and early 2015, many of who made asylum applications, almost all of which were unsuccessful. This led to a large wave of return migration to Albania in the following year. The authors study the push and pull factors that led to this phenomenon and identify a combination of factors, among which poor living conditions in Albania were a major causal influence. Continuing with the theme of migration from Albania, in Chapter 4 Ertila Druga looks at the labour migration of doctors and nurses from that country. In the context of a critical level of understaffing in the Albanian health service, Albania has experienced a brain drain of highly skilled health professionals. She reports the findings from a survey of health professionals that reveals that over half of Albanian doctors and nurses would like to migrate in the near future, mostly on a permanent basis.

### **Gender gaps and female labour force participation**

Part II below focuses on gender gaps and female labour force participation. In Chapter 5, Nermin Oruč and Amela Kurta look at gender differences in the effect of migration on labour market participation in Bosnia and Herzegovina, a country that recently lost around half of its population to migration and displacement. Previous studies of the effects of migration have found conflicting effects of migration. While some studies found that time spent working abroad tends to increase the labour force participation of returning female migrants due to its potential positive effect on economic empowerment, other studies found that returning migrants lack the social capital required to access the domestic labour market. Using household budget survey data, Oruč and Kurta estimate a model of labour force participation with migration experience as a key independent variable. They show that migration experience reduces the labour force participation of women but not of men. These results reveal that the experience of migration has a lesser impact on female labour force participation in Bosnia and Herzegovina than previous studies have suggested. Esmeralda Shehaj and Mimoza Agolli further explore the dynamics of women's participation in the labour market in the case of Albania in Chapter 6. Basing their analysis on household survey data, they show that female labour force participation is influenced by the extent of social capital, cultural factors, measures of social protection, and family-friendly policies. Their analysis also shows that the economic downturn had a negative effect on female labour force participation, especially in coastal and central regions and among younger

and more highly educated women. In addition, large families and those with a high number of dependent members were negatively affected by the economic crisis, which further reduced women's participation in the labour market. In Chapter 7, Nikica Mojsoska Blazevski, Marjan Petreski, and Dominika Stojanovska investigate female labour market inactivity in North Macedonia, where rates of unemployment are exceptionally high, female employment and participation rates are low, and there is a large gender wage gap. The authors argue that women are excluded from the labour market due to their economic dependence and subordinate decision-making position in the household. They explore the reasons for low female participation in the North Macedonian labour market with a focus on culture and its potential negative impact on female activity rates. Their analysis shows that female labour market inactivity increases with both age and marriage and declines with education, while women from poorer households and with unemployed husbands have a greater risk of falling into a vicious cycle of poverty, unemployment, and inactivity. They also find that the presence of traditional, conservative culture and beliefs reinforces the low level of female labour force participation.

### **Youth labour markets and social exclusion**

North Macedonia is also the focus of Chapter 8 by Tijana Angjelkovska, Viktorija Atanasovska-Noveski, and Jorge Davalos, which sets the stage for Part III of the book. They investigate unemployment spells and skills mismatch among young workers, for whom unemployment has long been a major challenge despite active workfare policies. They show that the duration of unemployment spells has a negative effect on the labour market mismatch of young jobseekers, but that such effects depend on the level of education. In Chapter 9, Jadranka Kaluđerović and Milika Mirković address the puzzle that a larger proportion of VET students continue on to university education after secondary school graduation in Montenegro than in other Balkan countries. They examine the factors underlying secondary VET school students' choice of school and intentions after leaving school. Using surveys of secondary school students, they find that parental influence plays a strong role in the decision of whether to attend a VET school or a gymnasium. They also find that VET students' intentions after leaving school are heavily influenced by the learning environment and student experience: students with higher initial expectations of proceeding to university, better educational performance, and better-quality education are more likely to go on to university. These students tend to come from better-off homes and follow four-year programmes at VET school. Students from

more disadvantaged families tend to follow three-year programmes, have lower expectations, and are more likely to go directly into the labour market. However, due to the high unemployment rate their life chances are more limited, and they are therefore more likely to suffer from social exclusion. In Chapter 10, Milica Uvalić and Will Bartlett look at the transition from university to labour market of young graduates in Serbia and identify the high degree of social exclusion facing young graduates as they transition from university to the world of work. Their analysis shows that despite a large increase in the number of young people passing through the higher education system, many experience problems of skills mismatch and skill gaps. Young people are attracted to enrolling in university courses due to the limited job opportunities available to school leavers and to the higher wages attained by university graduates. Even though having a university degree provides some protection against unemployment, the unemployment rate of recent graduates is high. Moreover, graduates who do manage to find a job often find that it fails to match their degree qualification. The chapter begins with an exploration of the structure and quality of the higher education system in Serbia before presenting findings from a graduate survey that identifies the problems facing graduates in their search for a job and analyses the extent and causes of skills mismatch in the graduate labour market. Finally, the findings of an employer survey reveal widespread employer dissatisfaction with the quality of the graduates they recruit and the skill gaps that graduate employees bring with them to the world of work.

## **Social protection**

Part IV of the book focuses on social protection issues. In Chapter 11, Maja Gerovska Mitev looks at the exclusion from social protection of people in non-standard employment in North Macedonia. She explores the rights of self-employed, part-time, and temporary workers and their degree of access to the social protection system. As the name suggests, non-standard employment contracts are not a prominent feature of the labour market. However, many of these workers are at risk of poverty and social exclusion, a situation experienced by one-third of the self-employed, one-quarter of part-timers, and one-in-fifteen employees with a temporary job. Gerovska Mitev identifies legal barriers to and gaps in the access of such workers to the social protection system. She shows that while the self-employed contribute to the pension system and the disability and health insurance systems, they are excluded from compulsory contributions and protection from unemployment insurance. In addition, those on temporary contracts that receive net pay below the minimum wage are not included in the













