



EU Funded Project and Managed by the
European Union Office in Kosovo



EMPLOYMENT AND SOCIAL WELFARE POLICIES IN KOSOVO

ASSESSMENT REPORT



EMPLOYMENT AND SOCIAL WELFARE POLICIES IN KOSOVO

ASSESSMENT REPORT

December 2017

Author: Agron Demi

Design: *envinion*

Content

List of abbreviations:	6
List of tables	8
List of figures	9
Executive Summary	11
1. Introduction	16
2. Macroeconomic Context	20
3. Government Agenda in the Field of Employment and Social Welfare	22
3.1. Employment and Social Welfare with the National Development Strategy 2016-2021.....	22
3.2. Employment and Social Welfare with the Stabilisation - Association Agreement	24
3.3. Employment and Social Welfare with the European Reform Agenda	26
3.4. Employment and Social Welfare with the Economic Reform Program.....	27
3.5. Employment and Social Welfare with the Government Program 2017-2021....	29
3.6. Legislative Program of the Government.....	30
3.7. Institutional Structure	32
4. Labour Market	40
4.1. Participation of women in the labour market	43
4.2. Employment of youth	46
4.3. Functioning of Employment Agency	49
4.3.1. Functioning of Vocational Training Centres	51
4.3.2. Employment mediation	55
4.4. Safety at Work.....	56
5. Social Welfare	58
5.1. Social schemes of poverty versus social schemes based on categories	58
5.2. Social assistance.....	61
5.3. Pensions of KLA war veterans	68
5.3.1. Budget for veteran pensions	70
5.3.2. Manipulation with veteran lists and budget challenges.....	72
5.4. Pensions of victims of torture and sexual violence.....	75
5.5. Social Services	76
6. Pensions	80
6.1. Age and Contributory Pensions	83
6.2. Pension Savings.....	87
7. Social Dialogue	90
8. Conclusion	94



EU Funded Project and Managed by the
European Union Office in Kosovo

This report was drafted with the support of the European Union funded project “Kosovo Education and Employment Network – KEEN”, managed by the European Union Office in Kosovo. The Project is implemented by Kosovo Education Centre (KEC) in cooperation with Employment Promotion Agency of Kosovo (EPAK), Balkan Sunflowers Kosovo (BSFK), Academy for Training and Technical Assistance (ATTA) and Stichting SPARK. The content of this publication shall in no way be considered as a reflection of the stance of European Union.

List of Abbreviations

ALMM	Active Labour Market Measures
CBK	Central Bank of Kosovo
CSW	Centres for Social Work
DFMWICV	Department of Families of Martyrs, War Invalids and Civilian Victims
DPP	Department of Labour and Employment
EARK	Employment Agency of the Republic of Kosovo
EMIS	Education Information Management System
EISM	Employment Management Information System
ERA	European Reform Agenda
ERP	Economic Reform Program
EU	European Union
FRIDOM	The project of Functional Review and Institutional Design of Ministries
GDP	Gross Domestic Product
IMF	International Monetary Fund
KAS	Kosovo Agency of Statistics
KCC	Kosovo Chamber of Commerce
KLA	Kosovo Liberation Army
KPC	Kosovo Protection Corps
KSF	Kosovo Security Force
LFS	Labour Force Survey
LI	Labour Inspectorate
MEST	Ministry of Education, Science & Technology

MLSW	Ministry of Labour and Social Welfare
NDS	National Development Strategy
NPISA	National Program for Implementation of Stabilisation and Association Agreement
NQA	National Qualification Authority
SAA	Stabilisation and Association Agreement
SAS	Social Assistance Scheme
SEC	Social and Economic Council
SLSW	Strategy of Labour and Social Welfare
TAK	Tax Administration of Kosovo
Trust	Kosovo Pension Savings Trust
UITUK	Union of Independent Trade Unions of Kosovo
UNDP	United Nations Development Program
VTC	Vocational Training Centres

List of tables

Table 1: Key Labour Market Indicators and Social Cohesion according to NDS Draft-Roadmap	23
Table 2: Actions envisaged in the area of social policy and employment according to the NPISAA	25
Table 3: Employment measures according to ERA.....	26
Table 4: Activities of ERP in the field of employment and social welfare.....	28
Table 5: Draft-laws sponsored by MLSW in legislative programs 2013-2018	31
Table 6: Number of employees in some of the MLSW units (2009-2018).....	37
Table 7: Courses provided by Vocational Training Centres	53
Table 8: Monthly amount of compensation according to the number of family members 2003-2017.....	62
Table 9: Monthly compensation for families in SAS with the announced increase of 20%.....	67
Table 10: Projections of veteran pensions 2018-2047.....	73
Table 11: Veterans beneficiary in more than one pension scheme	74
Table 12: Number of pensioners, monthly pension rate and annual budget for age pensions.....	83

List of figures

Figure 1: Participation of MLSW in inter-ministerial groups	33
Figure 2: Budgetary projections for 2018 by ministry	34
Figure 3: MLSW Budget 2009-2020	35
Figure 4: MLSW Budget 2009-2020 by scheme.....	36
Figure 5: Categorization of appropriations according to the Ministry of Finance for 2016.....	38
Figure 6: Labour force participation, unemployment rate and employment/population ratio 2012-2016	40
Figure 7: Relation between the working age population, the labour force and the employees 2012-2016.....	42
Figure 8: Unsustainable employment 2012-2016	43
Figure 9: Inactive women in the labour market 2012-2016.....	44
Figure 10: Women employment rate 2012-2016.....	45
Figure 11: Youth unemployment rate 2012-2016.....	47
Figure 12: Migrants by age.....	48
Figure 13: Organigram of the Employment Agency	49
Figure 14: Budget of the two most important divisions of the Department/Employment Agency (2009-2020).....	50
Figure 15: Number of beneficiaries by type of active labour market measures (2015-2016).....	54
Figure 16: Budget for social schemes as a percentage of GDP	60
Figure 17: Number of households and their members in SAS by municipalities.....	63
Figure 18: Number of households and their members in SAS by municipality.....	64
Figure 19: Families in SAS by number of members	64
Figure 20: SAS budget in relation to total state budget spending 2003-2020.....	65
Figure 21: SAS coverage versus poverty line.....	66
Figure 22: SAS coverage against the poverty line after the announced increase of 20%.....	68
Figure 23: Chronology of verification of war veterans.....	69
Figure 24: Budget for veteran pensions.....	71

Figure 25: Veterans by age group	71
Figure 26: Pensions of veterans compared to GDP.....	72
Figure 27: Annual Expenditures for Different Pension Categories.....	81
Figure 28: Number of beneficiaries under social schemes.....	82
Figure 29: Population over 65 years versus age pension beneficiaries.....	84
Figure 30: Changes in the Age of Population 2012 - 2017.....	85
Figure 31: Changes in the Age of Population 2012 - 2017.....	86
Figure 32: Minimum salary in the countries of the region*.....	91

Executive Summary

Unemployment, especially the unemployment rate concerning women and youth, is one of the biggest problems in Kosovo. The data of the first six months of 2017 show that the unemployment rate is 30.6%, while unemployment among young people of the age of 15-24 years old is 60.2%. Disturbing issue remains the high inactivity rate of women, where 80% of working age women are not active in the labour market. The high level of unemployment and at the same time the highest level in Europe, has an impact on the social welfare too. Poverty in Kosovo has been identified mainly among the unemployed, those who depend on social assistances as well as children.

There is no comprehensive strategy for fighting poverty. Despite that the employment and social welfare are included in the programs of political parties, government programs, legislative programs and international agreements (SAA and “Stand-by” arrangement with the IMF”), until now the policies are developed in ad hoc bases, influenced by the groups of interest and not harmonised.

After the salaries and perdiems, social subsidies constitute the largest part of the budgetary allocations. Approximately 20% of the budget projected for 2018 will be managed by the MLSW, and according to the classification of the allocations which shall be published by the Ministry of Finance, every year for social protection is spent about 22.5% of the budget.

Despite relatively high budget spending, a great part of the social transfers are schemes based on categories, rather than schemes to tackle the population with the aggravated social situation. Government decision-making regarding social transfers is influenced by the groups of interest, especially those related to the categories deriving from the war. While the social assistance scheme, as a scheme oriented to reduce poverty has slightly increased over the past few years, the schemes based on categories such as war veteran pensions, pensions of former political prisoners, pensions for families of martyrs, have had the largest increase since 2008 and onwards.

The Government has not yet approved the new Strategy on Employment and Social Welfare. Employment and Social Welfare are an important part of the strategic documents and agreements of Kosovo with international stakeholders, including: The National Development Strategy 2016-2021, the Stabilisation and Association Agreement and the National Plan for the Implementation of this Agreement, European Reform Agenda, Economic Reform Program, Government Program 2017-2021, Legislative Program 2017.

The level of the implementation of these strategic documents in general and measures related to the policies of employment and social welfare, in particular, is extremely low. This is for the reason that strategic documents, legal acts and institutions lack sufficient budget and human capacities to implement activities and achieve their goals.

National Development Strategy 2016-2021 (NDS), which entered into force in January 2016, is the key document in the field of economic development. The main pillar of this strategy is the human capital, within which are measures envisaged concerning a better alignment between the educational system and the labour market, as well as addressing the informal employment and creating conditions for work. Despite the fact that NDS foresees that within three months after the approval, to draft and approve the Roadmap, which sets out the steps required for implementation of each measure, it hasn't still taken the approval of the Government. As a result, lack of this roadmap negatively affects the coordination of the institutions, respecting deadlines and the achievement of objectives.

National Program for the Implementation of the SAA for the period 2017-2021 (NPISA) provides amendment in the primary and secondary legislation in the field of employment and social welfare for the purpose of transposition of EU Directives. Most of the laws foreseen for amendment and supplementation, or approval of new laws has not yet taken place. Out of ten sub-legal acts in the field of safety and health at work, so far seven have been approved.

European Reform Agenda (ERA), approved by the Government in November 2016, contains two year short-term activities. One of the three priority areas in ERA is also employment and education. In terms of employment, ERA envisages three measures to be fulfilled in the period 2016-2017, such as the approval of the Sector Strategy, the drafting of an action plan to address the youth unemployment and making the Employment Agency operational. In addition to the latter, which is now partly operational, the first two measures have not yet been implemented.

Economic Reform Program (ERP) represents government priorities in the fulfilment of the obligations from the Stabilisation and Association Agreement with the EU in the field of economy and is approved by the Government every year. The main obligations of Kosovo since 2016 are related to increase of participation of women in the labour market, increase the employment opportunities for the youth, establishment of the Employment Agency and reducing the social expenditures of the budget based on categories. As with other strategic documents, the Government has taken insufficient steps to implement measures foreseen by the ERP. In this regard, there is still no special strategy to increase the employment of women and youth as two categories with the highest unemployment rate; premiums for health insurance have not started to be collected, whereas the social budget spending based on categories has increased.

Legislative programs over the last five years include draft laws which are transferred from year to year. Thus, the Labour Law, which has been part of the legislative program since 2013, has not yet been amended. Similarly, the Law on Economic and Social Council has not been amended, despite its inclusion in the legislative programs since 2015. The same also happened with the amendment and supplementing the Law on Labour Inspectorate and for Pension Schemes Financed by the State.

The Employment Agency of the Republic of Kosovo (EARK) was established by the Law on EARK, which entered into force in January 2015. The director of the Agency was appointed in April 2017, whereas the Board has not yet been appointed. Not all acts foreseen to be drafted within six months from the entry into force of this law have been issued.

Budget and the staff of EARK for year 2018 will be the same as that of the Department of Labour and Employment for the previous years. The budget for labour and employment in 2020 will be significantly lower than the budget that these two divisions had in 2011 or 2013.

Eight Vocational Training Centres (VTC) operate within EARK, providing 26 different courses of practical training. But only five of these profiles are accredited by the National Qualifications Authority (NQA). In 2016, 6,736 participants

attended trainings, which is an increase of 66% compared to 2015. Even though according to European Reform Agenda, an assessment of the market needs is required, an official assessment has not yet taken place. In addition, the connection of Employment Information System Management (SIMP-EISM), which is managed by the MLSW, with the Education Information Management System (EMIS), which is managed by the MEST, has not been completed yet. The budget for expanding active labour market measures still remains low and is insufficient to address needs effectively.

In addition to high unemployment, the employed also face numerous problems regarding the observance of contracts, receiving salaries in time, standards of safety and health at work. The number of inspectors and logistical capacities in the Labour Inspectorate are not sufficient to ensure proper implementation of legal acts in the field of safety and health at work. The Labour Inspectorate has a total of 49 inspectors divided by regional centres, whose number in 2017 is lower than that of 2011 when they were 51 inspectors. The Inspectorate has available only 12 vehicles, two more than in 2011. System for Management of Information System in Labour Inspectorate is not yet operational.

The law on Health Insurance, which entered into force in January 2015, has not started yet to be implemented. At the end of 2016 a decision was issued to start with the collection of premiums as of 1 January 2017, which was postponed for 1 July 2017, but that is not expected to start before the second half of 2018.

Social policies in Kosovo are characterised by high monetary transfers and low social investment. Central institutions do not have active programs for the elderly, such as recreational and socialising centres. Kosovo has only one home for the elderly throughout the country, which faces severe conditions in the absence of investment and care. Throughout these years, very little has been invested in social services and Centres for Social Work (CSWs) distributed in Kosovo municipalities face lack of space and insufficient budget to handle all the disadvantaged cases. In the absence of substantial social investment, monetary transfers do not help overcome long-term unemployment, poverty and do not provide practical assistance to people with disabilities.

Social Assistance Scheme is a scheme designed to target poverty, but, the amount of monthly compensation and coverage of families in poverty is too low. Despite the increase of budget revenues and expenditures as well as the increase in inflation, social assistance for families has remained almost the same. In 2017, household payments range from 50 to 150 Euros, which is not enough to bring an individual or family out of poverty. Thus, over 70% of households dependent on first category of social assistance continue to be in poverty. If we refer to 2015 poverty data, according to which 17.6% of the population lives in poverty with less than 1.82 euro per day, or expressed in absolute numbers about 317 thousand people, it appears that the social assistance scheme covers only 34 % of the poor population.

The management of the scheme of KLA war veterans' pensions best describes the phenomenon of pressure from interest groups in social policies. The war veterans' verification process, which commenced in April 2010, has not yet been completed. The number of veteran beneficiaries has so far reached over 35,000 people, while veteran certificates have been obtained by over 46,000 people. Lists can increase in number because the process is still open. Despite the limitations that payments will not be tolerated higher than 0.7% of GDP, in 2017, over 1% of GDP was spent on veteran pensions. Despite the fact that all institutional leaders admit that the veterans' lists are inflated, no one has stopped this process until the lists are verified. Moreover, at least 2,221 veterans have received the pensions illegally, since they have been working or were benefiting from at least two pension schemes. If we model the pension budget for the next 30 years, based on the current rate of pension, the number of beneficiaries, their age and inflation, by 2048 will be spend around 2.5 billion Euros in veterans' pension schemes.

From 2018, payments for pensions for victims of torture and sexual violence will begin. The verification process will last for five years from the day of commission's establishment and is expected to end in 2022. With the Draft Budget for 2018, one million Euros has been budgeted for the pensions of victims of sexual violence. In November the government also defined the pension amount of 230 Euros. Based on budget appropriations, the Government does not expect the number of victims of sexual violence that will receive a pension to exceed 350 people. If only half of the victims of sexual violence apply for pension, the annual budget for this category will be around 28 million Euros.

Age and contributory pensions account for 60% of the allocated budget for social schemes, or 3.25% of the country's GDP. Although the law provides for an indexation of the pension rate depending on the movement of consumer prices, such an automatic indexing does not exist, but it is done on an ad hoc basis. Older pensioners, who have no other income, face a more aggravated social situation. The 75 Euro pension for the elderly is sufficient to cross the poverty line in consumption, but insufficient if medical expenses and housing costs are taken into account. Pension beneficiaries should be permanent residents of Kosovo, but according to official data there are more beneficiaries than populations over the age of 65.

Budget for retirement pensions will continue to grow in the coming years, because on the one hand, the life expectancy of the population is increasing, thus increasing the number of citizens who will reach the retirement age, while on the other hand, birth rate in Kosovo is declining. The number of working age people who support a pensioner will drop from 10 as it is today to only 4 in 2050.

The Second Pillar of the pension system consists of mandatory pension savings. In 2016 there were 312,672 active contributors, whose average age was 40.7 years. Due to low wages, pension contributions are not enough to provide a sufficient pension for a long period of time. The average balance of contributions is € 2,795, while for active contributors € 3,979. On average, the contributors have less than 4,000 Euros in pension savings, or income of 200 Euros for 20 months after retirement. After 20 months everyone will depend on the old-age pension that the government shares.

Social Dialogue takes place within the Economic and Social Council (ESC). ESC has approved the minimum wage in 2011, which is 130 Euros for persons up to 35 years old and 170 Euros for persons over 35 years old. The minimum wage is the lowest compared to the countries in the region. ESC has failed to find concordance to increase the minimum wage. The collective agreement signed at the end of 2014 has been suspended because it is not in compliance with the Labour Law, while the new ESC Law has not been approved yet.

BASED ON THESE FINDINGS, THE REPORT RECOMMENDS:

- ✓ Approval of the Strategy for Employment and Social Welfare 2018-2022;
- ✓ Approval of the Roadmap for the implementation of the National Development Strategy 2016-2021 and the publication of a report on the implementation of measures related to employment and social welfare for 2016-2017;
- ✓ The 2018 Legislative Program should include all legal acts envisaged by the National Plan for the Implementation of the SAA, and to adopt sub-legal acts in the field of safety and health at work envisaged by the NPISAAA;
- ✓ Approval of the Action Plan for addressing youth unemployment;
- ✓ MLSW to draw up an Action Plan to undertake measures to increase women's participation in the labour market;
- ✓ Making the Employment Agency of the Republic of Kosovo (EARK) fully operational, by appointing the Advisory Board, drafting the by-laws provided by the Law on the EARK, increasing staff in employment offices and vocational training centres and increasing the budget for active labour market measures;
- ✓ EARK to draw up an official document for labour market needs;
- ✓ Increase the number of labour inspectors and logistics capacities in order to oversee the implementation of laws in the field of labour;
- ✓ Allocate a specific grant for social services for the municipalities;
- ✓ The government to limit the annual amount of veterans' pensions to 0.7% of GDP;
- ✓ MLSW to develop a concept paper that foresees gradual merger of social schemes based on categories, into a single social scheme, which will have the social status as the basic criterion.

1. Introduction

Employment and social welfare are part of the portfolio of the Ministry of Labour and Social Welfare (MLSW). According to job descriptions, MLSW creates labour and social welfare policies and designs and implements legislation in these areas. MLSW also tracks employment and social welfare trends and proposes adequate active measures to promote employment and reduce unemployment, as well as adequate passive measures to meet the needs of social assistance for citizens in need. MLSW sets standards for employee safety and protection and supervises their implementation; provides and supervises vocational training programs for unemployed and jobseekers, encourages and promotes dialogue among social partners. MLSW administers and supports the development of the social security system, including the pension system and unemployment benefit.¹ But employment and social welfare are also in the portfolio of many other ministries, inter-ministerial groups and municipalities.

In order to address the problem of unemployment, safety and health at work, combating poverty and providing social support, important strategic documents, legal and sub-legal acts have been drafted, institutions have been established and international obligations are made through signed documents. One of the commitments given in the field of employment and social welfare is the approval and implementation of the Employment and Social Welfare Strategy 2017-2021 (ESWS). Since this document has not yet been approved by the Government, although the ESWS draft has been finalised, this report assesses employment and social welfare policies based on the objectives set out in other strategic documents such as the National Development Strategy 2016-2021 (NDS), The European Reform Agenda (ERA), the Economic Reform Programs (ERP), the Government Program 2017-2021 and the Legislative Program.

The second part of the report provides an assessment of recent developments in the field of employment and social welfare, particularly employment of women and young people, as the two groups with the highest unemployment rate in Kosovo, the functioning of the Employment Agency in the Republic of Kosovo (EARK) and active measures in the labour market.

In the area of social welfare, the report analyses in detail the social assistance scheme, the coverage of poor categories with this scheme, the sufficiency to bring them out of poverty; as well as the war veterans' pension scheme as a category-based scheme. The chapter on social welfare also analyses the work of the Economic and Social Council and social dialogue in general, social and family services and the compensation scheme for victims of torture and sexual violence. The report also gives an estimation of the pension scheme, particularly age and contributory pensions, by analysing budgetary impact, pension adequacy, to bring out of poverty elderly persons and problems with the implementation of the scheme. In regards to the pension contributions in the Pension Savings Trust, the report gives an overview of the contributions so far and their sufficiency to provide a long-term pension.

In the end, in order to address the identified problems, the report also provides some recommendations to the relevant institutions.

In addition to analysing strategic documents and legal acts, this assessment has also taken into account the reports of other local and international organisations that have evaluated different aspects of work and social welfare. Among them are the European Commission reports on Kosovo, the World Bank reports on unemployment, the International Monetary Fund's reports on social schemes and the "stand-by" agreement between the Republic of Kosovo and the IMF, reports and research of local organisations, Millennium Challenge Corporation assessments. Interviews were conducted with relevant stakeholders, mainly leaders of various divisions within MLSW.

Based on the official data of local institutions as well as the data provided through requests for access to public documents, the report contains projections of long-term budget effects that may arise from policy changes, especially social schemes. This report was prepared in the period September-November 2017.

¹ Official Gazette, Regulation No. 02/2011 on the areas of administrative responsibility of the Office of the Prime Minister and Ministries. Source: <http://bit.ly/2xz1Zqm>

MACROECONOMIC CONTEXT

2. Macroeconomic Context

Kosovo is one of the youngest countries in Europe with respect to the age of the population, with 66% of the population of working age and the average age of the population is 27 years. Only 8% of the population is over the age of 65, a low figure compared to the EU average of 19%². Average annual economic growth rate is 3.5%, while for 2017 an increase of 4.4% of GDP (Gross Domestic Product)³ has been projected. Although Kosovo has had the most stable growth in Europe after the 2008 financial crisis, growth has not been enough to generate employment. Kosovo remains the poorest country with the highest unemployment in Europe.

Consumption remains the main factor of economic growth in the country, which is mainly funded by remittances, wages and social transfers⁴. Remittances reach up to 750 million Euros per year. But, according to the Ministry of Diaspora, if non-monetary revenues are also taken into account, Diaspora incomes account for up to 1.5 billion Euros per year⁵. But most of the remittances are focused on consumer finance, and only a small part of it for investment, mostly in real estate. The main sources of economic growth of the country continue to be services, agriculture, construction and industry⁶. Kosovo is characterised with high trade deficit, which is over 2.4 billion Euros. While the only sector with a positive trade balance remains - services.

In 2017, the informal economy is estimated to be 31.7%⁷. Compared to the degree of the informal economy of 2014, the informal economy has been able to shrink for only 1%, very low progress compared to the government target to reduce the informal economy by 5% by 2018⁸. It is estimated that in the informal sector more than 45,000 workers work full-time, where 33.2% of personal income for households is informal.

Regarding the size of enterprises, around 91% of enterprises in Kosovo are micro enterprises, which employ less than 10 employees. Kosovo has a low level of foreign direct investment compared to the countries of the region. In 2016 there were 215.9 million Euros, a major drop from 2015, when they recorded Euro 308.8 million⁹. The reasons for the low level of foreign investment are related to the small market, high level of corruption, lack of recognition by most states and political stability¹⁰. Recent poverty data show a decline in poverty from 29.7% in 2011 to 17.6% in 2015; while for the same period extreme poverty has fallen from 10.2% to 5.2%.

2 World Bank. Republic of Kosovo – Systemic Country Diagnostic. January 2017. Source: <http://bit.ly/2AJwPfs>

3 World Bank. Western Balkans Regular Economic Report no.12. 2017. Source: <http://bit.ly/2BmsJX3>

4 Millennium Challenge Corporation. Kosovo Constraints Analysis. November 2017.

5 Agron Demi. Multiple Power of Diaspora. Kallxo.com, 18 July 2017. Source: <http://bit.ly/2j0tEFK>

6 KAS. Gross Domestic Product 2008-2016. Source: <http://bit.ly/2nefwgG>

7 EU Technical Assistance for Kosovo. Assessment on extension of informal economy in Kosovo. November 2017

8 The Government of Kosovo. National Strategy of the Republic of Kosovo for the Prevention and Fighting of Informal Economy, Money Laundering, Financing of Terrorism and Financial Crime 2014-2018. January 2014

9 Central Bank of Kosovo. Foreign Direct Investments - according to financial items. August 2017

10 Millennium Challenge Corporation. Kosovo Constraints Analysis. November 2017.

GOVERNMENT AGENDA IN THE FIELD OF EMPLOYMENT AND SOCIAL WELFARE

3. Government Agenda in the Field of Employment and Social Welfare

Employment and social welfare occupy an important place in the programs of each government and in different government strategies. Out of 431 laws in force, until the end of November 2017, 34 laws are in the field of employment and social welfare; out of 1,986 by-laws, 139 are implemented by the Ministry of Labour and Social Welfare (MLSW); out of 57 strategies in force, 4 are in the field of social welfare. Given that employment and social welfare policies are part of the portfolios of several ministries, at least seven inter-ministerial committees have been established.

In addition to internal documents, employment policies and social welfare are commitments undertaken by the Government of Kosovo in some agreements with international institutions such as the Stabilisation and Association Agreement (SAA), the European Reform Agenda (ERA), the Economic Reform Program (ERP), the “Stand-by” Agreement with the International Monetary Fund (IMF), etc.

3.1. Employment and Social Welfare with the National Development Strategy 2016-2021

The main document in the field of economic development is the National Development Strategy 2016-2021¹¹ (NDS), approved in February 2016. The general principle of the NDS is economic growth, which means increased incomes, increased employment and welfare for Kosovo citizens. Based on this principle, priorities and measures for the six-year medium-term period are set. Within the first pillar of the strategy, which deals with Human Capital, concrete measures and activities are envisaged, mainly linking vocational training with the education system. Measures that are more closely related to work and social welfare are:

- ✓ **Measure 3:** Better link between the education system and the labour market;
- ✓ **Measure 7:** Address informal employment and creating appropriate working conditions.

Right after the approval of the NDS, the Government launched an online platform on the Internet, which was managed by the Strategic Planning Office, which would have to publish information on the NDS, the Roadmap and the implementation of the measures¹². But this page is out of function.¹³

The NDS stipulates that within three months of approval, the Roadmap should be drafted and approved, detailing the intended steps for the implementation of any measure. A draft of the Roadmap was drafted in April 2017, 14 months after the approval of the NDS. This Guide has been approved by the Strategic Planning Committee, but has failed to get government approval due to extraordinary elections. Failure to adopt a Roadmap makes it difficult to coordinate institutions to implement measures, budget allocation and monitoring of objectives.

11 The Government of Kosovo, National Strategy for Economic Development 2016-2021. Source: <http://bit.ly/2iB1i3S>.
12 Description of duties of the Strategic Planning Office, Source: <http://bit.ly/1OhNLnO>
13 www.plan-rks.org

According to the Draft-Guidelines, implementation of the Strategy at the operational level will be monitored on a six-monthly basis through the Government’s Annual Work Plan; achieving objectives at the level of measures will be monitored on an annual basis; while the impact of the NDS will be measured by comparing high-level indicators over the 6-year period, as long as the NDS will be in place¹⁴. So far, there is no six-month or one-year monitoring report due to non-approval of the Guidelines.

In the Roadmap for implementation of NDS, high level Indicators, or targets to be achieved by 2021 have been set for implementation in the field of economic development, labour market, social cohesion, investment and trade. Indicators for the labour market and social cohesion are presented in Table 1. In the last column (Indicator 2017), we assessed the progress achieved in the first two years since the entry into force of the NDS.

Table 1. Key Labour Market Indicators and Social Cohesion according to NDS Draft-Roadmap

Measure	Indicator	Measuring Unit	Base indicator	Aim Indicator 2021	Indicator 2017	
			Year	Value	Value	Value
Labour indicator	Percentage of employment to number of population (employment rate)	%	2015	25.2%	34%	29.9%*
	Total unemployment (% in relation to skilled labour force)	%	2015	32.9%	20%	30.6%
	Youth unemployment rate (15-24)	%	2015	57.7%	30%	50.9%
	Percentage of youth not attending education or training, in total, NEET (% compared to total population of young age)	%	2015	31.4%	25%	27.1%
	Participation rate of working age population	%	2015	37.6%	42%	43%
	Participation of women in labour force	%	2015	18.1%	27%	20%
Social Cohesion	Poverty rate (% e of poor population to the total of population)	%	2011	29.9%	25%	17.6%**
	Human Development Index	Index	2015	0.741	0.80	0.741***

Source: Based on the Roadmap for implementation of NDS
*Based on LFS for Q2 2017
**Poverty in consumption 2012-2015
***UNDP, Human Development Report 2016.

14 Government of Kosovo - Strategic Planning Office. Guidelines for the Implementation of the National Development Strategy 2016-2021 (Draft). Compiled in April 2017.

3.2. Employment and Social Welfare with the Stabilisation - Association Agreement

The Stabilisation and Association Agreement (SAA) between the Republic of Kosovo and the European Union entered into force on 1 April 2016. At the end of 2015, the Government approved the National Plan for the Implementation of the SAA for 2016; and on 10 March 2017 adopted the National Program for the Implementation of the SAA (NPISAA) for the period 2017-2021¹⁵. Articles 82 and 106 of the SAA address social policies and employment. In order to transpose the EU directives on social and employment policies envisaged in Chapter 19 of the Acquis, in the medium term the Government has set the objective of amending four laws and approving ten sub-legal acts. Until November 2017, the Government did not approve changes to the Labour Law, the Law on Social and Family Services, the Law on Strikes and the Law on Economic and Social Council. Out of 10 Regulations foreseen for approval, 7 were approved.

15 National Program for Implementation of SAA. Source: <http://bit.ly/2yetU9R>

Table 2. Actions envisaged in the area of social policy and employment according to the NPISAA

Chapter 19 of Acquis: Social Policies and Employment

D.line	Legal acts to be harmonised with the EU Directives	Accomplished
2016	Law no. 03 / L -212 of Labour (amendment)	No
2016	Law no. 04 / L-008 on the Economic and Social Council (amendment)	No
2016	Drafting the Regulation on minimum safety and health requirements at work for the use of personal equipment by employees	Regulation entered into force in November 2016.
2016	Drafting of the Regulation on minimum safety and health requirements at work for manual handling of loads where there is a risk particularly of back injury for workers	Regulation entered into force in November 2016.
2016	Drafting the Regulation on minimum safety and health requirements for equipment with screen	Regulation entered into force in December 2016.
2016	Drafting the Regulation on minimum safety and health requirements for signage at the workplace	Regulation entered into force in November 2016.
2016	Drafting the Regulation on minimum requirements for improvement of safety and health at work for the employees in the mining-extracting industry through drilling	No
2016	Drafting the Regulation on minimum requirements for improvement of safety and health at work for protection of employees in the mining-extracting industry, underground and surface	No
2016	Drafting the Regulation on minimum requirements for improvement of safety and health at work for employees at potential risk at the explosive environments	Regulation entered into force in December 2016.
2016	Drafting the Regulation on minimum requirements for safety and health at work for employees exposed to risks from vibration	Regulation entered into force in March 2017.
2016	Drafting the Regulation on minimum requirements for safety and health at work for employees exposed to risks from noise	Regulation entered into force in March 2017.
2016	Drafting the Regulation on protection of employees from risks related to exposure to asbestos at the workplace	No

3.3. Employment and Social Welfare with the European Reform Agenda

While the SAA is a long-term strategic document, the European Reform Agenda for (ERA), approved by the Government on 9 November 2016, contains short-term two-year activities. Three priority areas in the European Reform Agenda are: rule of law, competition and investment environment, as well as employment and education. As far as employment is concerned, ERA foresees three measures for the period 2016-2017.

Table 3. Employment measures according to ERA

Measures	Activities and indicators	Deadline	Progress
Drafting and implementation of the Sector Strategy for Employment and Social Welfare 2015-2020 and the Action Plan for the Implementation of the Strategy for 2017-2018	1. Sector strategy drafted and open for consultation;	Q4 2016	Strategy has been drafted.
	2. Strategy approved; 3. Budget allocated for implementation of strategy.	Q2 2017	The strategy did not receive government approval and consequently no budget was allocated.
a. Drafting an action plan to address youth unemployment;	a.1. Drafting Action Plan with clear indicators;	Q4 2016	The Action Plan has been drafted but has not received government approval and no budget has been allocated.
	a.2. The Draft Plan is consulted with relevant stakeholders;	Q1 2017	
	a.3. Draft plan approved.	Q1 2017	
b. Undertake measures to increase women's participation in the labour market	b.1. Women get more support from employment centres	Q1 2017	No
	b.2. Analyses for the difficulties women face in employment are drafted;	Q4 2016	
	b.3. The analysis is used to take concrete steps to increase women's employment.	Q3 2017	

Measures

	Activities and indicators	Deadline	Progress
Making the Employment Agency operational, through full implementation of the law and appropriation of adequate budget	1. Performing a Labour Market Needs Assessment;	Q1 2017	There is no official assessment. The Employment Agency is based on assessments of organisations and businesses.
	2. The Director and the Board of the Employment Agency are appointed and the Agency's work regulations are approved;	Q4 2016	Partly, the director was appointed and several by-laws were approved but the Board has not been selected.
	3. Implementation by the Agency of the Labour Market Active Measures.	Q2 2017	Continuity from previous years

The new Sector Strategy for Employment and Social Welfare has not yet been approved. Also, no plan for addressing youth unemployment has been drafted nor specific measures have been taken to increase women's participation in the labour market. Regarding the operation of the Employment Agency in the Republic of Kosovo (EARK), the Director has been appointed and a partial transfer of staff from the Department of Labour and Employment has been completed, but the Advisory Board has not yet been appointed and not all sub-legal acts have been approved foreseen by the Law on EARK. EARK budget and the number of employees have not increased from the previous years.

3.4. Employment and Social Welfare with the Economic Reform Program

The Economic Reform Program (ERP) presents governmental priorities in meeting SAA obligations in the area of economy and is approved by the Government each year. Through ERP, the main obligations of Kosovo since 2016 are related to increasing the participation of women in the labour market, increasing youth employment, establishing the Employment Agency, and reducing social budget expenditures by categories.¹⁶

The last ERP is that of 2017, while the Government has opened consultations for ERP 2018. Two of the 20 measures set out in ERP 2017 are related to employment and social policies:

✔ **Measure 19:** Improve employment services through making the Employment Agency functional and the implementation of active labour market measures;

✔ **Measure 20:** Improvement of social and health services.

Table 4 presents activities according to the measures of ERP 2017, where the right column is an assessment of the feasibility of activities by the end of November 2017.

¹⁶ European Commission. Joint Conclusions on Economic Reform Programs. Brussels, 25.5.2016. Source: <http://bit.ly/1TE9Lzl>

Table 4. Activities of ERP in the field of employment and social welfare

Measure 19: Improvement of employment services

Activities for 2017	Progress
Formal establishment of the EARK, including the transfer of existing staff and assets from MLSW;	Yes
Drafting the regulation for the Advisory Board as well as drafting the necessary sub-legal acts	The Board has not been selected and the regulation has been drafted.
Licensing non-public employment service providers to improve the provision of employment measures (for the implementation of active labour market measures)	A new administrative instruction on licensing non-public employment service providers was approved.
Training employment officers and reviewing performance outcomes	Continuous training of about 109 trainers by various donors (GIZ, YES, UNDP).
Improving the Integration of the Labour Market Information System (LMIS) with the Education Information Management System (EMIS)	No
Modernisation of the offered vocational training services.	/

Measure 20: Improvement of social and health services

Creation and design of the financing formula for social and family services (minimum 6% of the General Grant for Social Services)	No
Include a "specific grant for social services" within the municipal financing system by the central government, incorporating it into the amendment of the Law on Local Finances	The amendment of the Law on Local Government Finance started in the first part of 2017 but has not been adopted yet.
Granting for NGOs licensed for providing social and family services	In total for the period 2015-2016, MLSW allocated over 1.9 million Euros in subsidies, but only one part goes to NGOs providing social services, the rest goes to war associations or chambers of businesses.
Development, support and financing of social enterprises providing social services	In October 2017, the Draft Law on Social Enterprises was adopted.
Development and advancement of the Integrated Information System for Social Payments, which also includes gender-based statistics	No
Collection of health insurance premiums from citizens; coverage of the premium cost for social categories from the Kosovo budget.	Scheduled to start in January 2017, is postponed to end of 2018.

Meanwhile, with ERP 2018, which is expected to be approved in January of next year, two measures are foreseen in the field of employment and social welfare:

- ✓ **Measure 24:** Increasing the access of youth and women to the labour market;
- ✓ **Measure 25:** Improve social and health services aimed at strengthening the social protection system and health services through the establishment of a sustainable system for financing social services, and the establishment of a health insurance fund.

3.5. Employment and Social Welfare with the Government Program 2017-2021

Year 2017 was an election year. Initially in June 2017, the extraordinary parliamentary elections were held, while in October and November the local elections took place. As in any pre-election campaign, this year, political parties made numerous promises in the area of employment, social welfare and pensions. Among other things, parties that are now part of the ruling coalition pledged to raise pensions by 30%, create a Youth and Women Fund, reduce poverty in rural areas, make functional the Health Insurance Fund, hire a member from every family, and so on.

On 18 September 2017, the Government approved the Government Program 2017-2021. Within the framework of the government program, the Ministry of Labour and Social Welfare (MLSW) for the next four year period envisages the following ten objectives:

- ✓ Increasing employment through active labour market measures;
- ✓ Hiring a member for every family that does not have any employed member;
- ✓ Provision of vocational training services in line with labour market requirements;
- ✓ Advancing the working conditions of workers and combating non-formal employment;
- ✓ Social Dialogue and capacity building of the Economic and Social Council;
- ✓ Strengthening non-governmental organisations through the licensing process and providing a fund for funding projects for providing social and family services;
- ✓ Develop a financing formula and specific grant for social services at the municipal level;
- ✓ Re-examination of disability schemes;
- ✓ Reforming the pension system;
- ✓ Ensuring the rights of war categories with the focus on implementing the legislation for these categories.

The Government program has not yet obtained the approval of the Assembly. While most of the objectives included in the Government Program are objectives that have been carried over from past years or are included in strategic documents, the target for hiring a member of each family is a new objective that is carried by party election campaigns politics already part of the ruling coalition. According to data from the Kosovo Statistics Agency (KSA), out of 297,000 families in Kosovo, 121,000 of them have no employed member. An objective like this has two main problems: first, the opening of 121,000 new jobs for a four-year governing mandate is impossible with this economic growth trend; Secondly, even if 121,000 new jobs were opened, the criterion of “employing a member for each family” contradicts the principle of meritocracy and the right of employers to engage manpower on the basis of their skills.

3.6. Legislative Program of the Government

Due to parliamentary elections, the 2017 Government’s legislative program was adopted twice. But both programs contain the same list of draft laws in the field of employment and social welfare: the Draft Law on Social Enterprises, the Draft Law on Labour Inspectorate and the Draft Law on Amending and Supplementing the Law on State-funded Pension Schemes. By the end of November 2017 at the executive level only the Draft Law on Social Enterprises was adopted.

During the last four years, three laws were adopted in the area of employment and social welfare.¹⁷ But important laws, also foreseen by the NPISAA, such as the amendment and supplementation of the Labour Law and the Law on Economic and Social Council, have not yet come to the Assembly for adoption. The draft of Labour Law was part of the legislative programs for 2013, 2014 and 2015, but was not included in the legislative programs in the last two years. While, the Draft Law on ESC was part of the 2015 and 2016 legislative programs, but left out for the 2017 legislative program.

¹⁷ Law on registration and provision of services and measures for employment of unemployed, jobseekers and employers; Law on amending and supplementing the Law No. 03 / L-019 on vocational training, retraining and employment of persons with disabilities; Law on Amending and Supplementing the Law No.04 / L-101 on Kosovo Pension Funds amended and supplemented by Law No. 04 / L-115 and Law No. 04/L-168.

Table 5. Draft-laws sponsored by MLSW in legislative programs 2013-2017

Draft-law	Legislative Program					Approved/ adopted by:	
	2013	2014	2015	2016	2017	Government	Assembly
Draft-law on amendment of the Labour Law	✓	✓	✓			✗	✗
Draft-law on Employment Agency	✓					✓	✓ (12.12.2013)
Draft-law on amendment of the Law on vocational training, retraining and employment of persons with disabilities	✓		✓			✓	✓ (23.8.2016)
Draft-law on amendment of the Law on Economic-Social Council			✓	✓		✗	✗
Draft-law on Social Enterprises in Kosovo				✓	✓	✓ (27.10.2017)	✗
Draft-law on Labour Inspectorate				✓	✓	✗	✗
Draft-law on amendment of the Law on State Financed Pension Schemes				✓	✓	✗	✗

3.7. Institutional Structure

Employment and social policies are the competence of the Ministry of Labour and Social Welfare (MLSW). MLSW is part of the first group of ministries established in 2001. Its structure is almost the same since its establishment. MLSW had the most significant structural change after the establishment of the Employment Agency which took the Department of Labour and Employment (DLE).

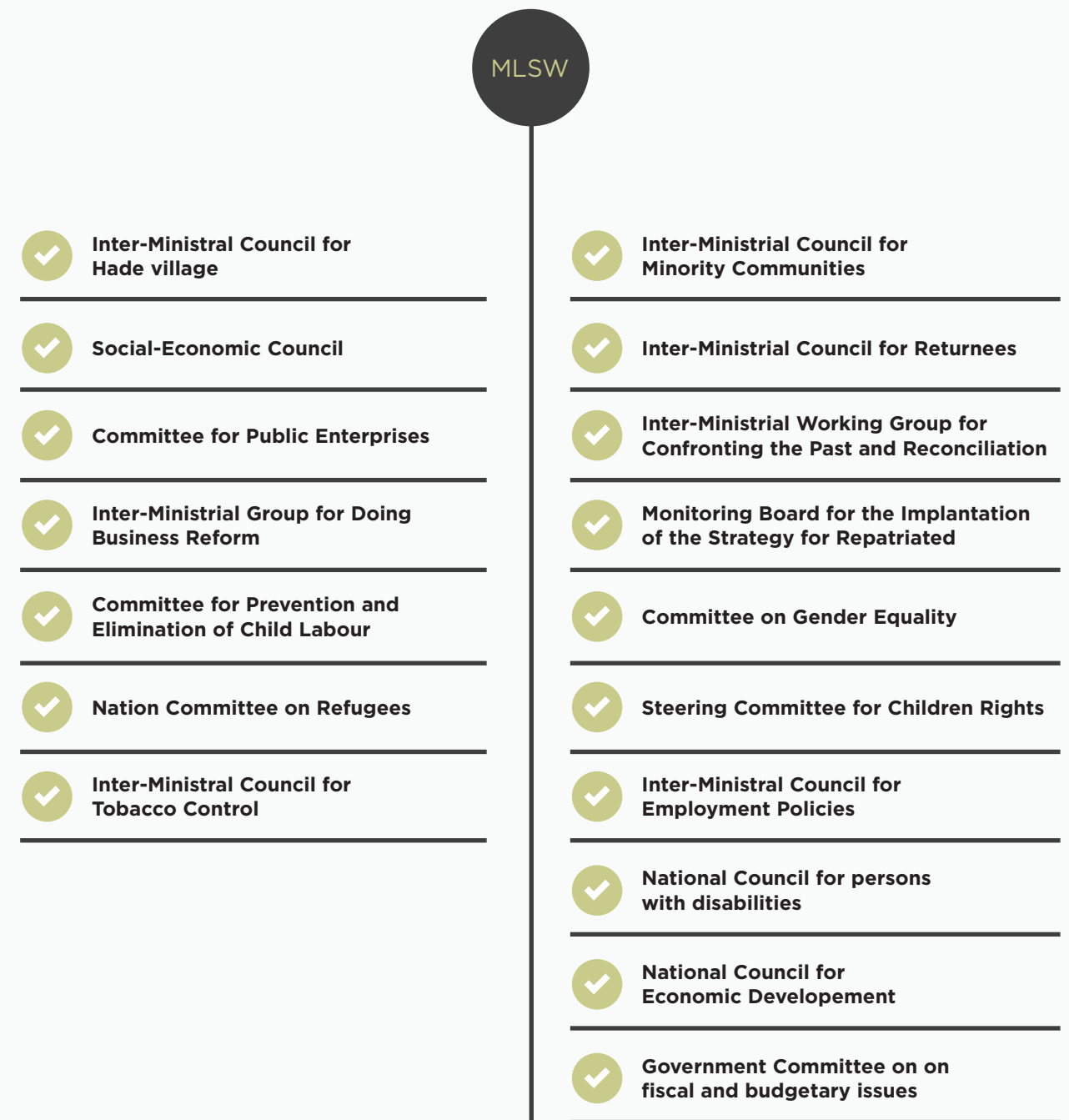
Employment and social policies are part of the same ministerial portfolios in many European countries.¹⁸ But employment and social policies also have close links with economic development, education and health. In 2009, the Functional Review and Institutional Organization of Ministries (FRIDOM) Project proposed the establishment of an economic development ministry, which would also take employment from MLSW. According to the project, in the context of Kosovo, the employment-economy relationship seems more important than employment-social welfare.¹⁹ But removal of employment policies from the MLSW was recommended only if a single economic development ministry was established in which other ministries would be merged. On the other hand, despite the fact that vocational training is related to education, while social welfare with health care, it is not recommended that these functions be transferred to the Ministry of Education, Science and Technology (MEST), respectively Ministry of Health (MoH) because of the broad portfolios these two ministries have.

As noted in the various strategic documents outlined above, employment is closely related to education (in the NDS, employment is part of the measures that enter into ‘Human Capital’), while social welfare is related to health (in ERP, health insurance policies include the social insurance too). At the local level, social welfare is related to health, where in each municipality these policies are part of the Directorate of Health and Social Welfare.

Despite many recommendations to create a single ministry of economic development and decrease the number of ministries²⁰, after 2008, governments have consistently increased the number of ministries. After the constitution of the Government of Prime Minister Ramush Haradinaj in September 2017, the number of ministries reached 21, increasing by three the number of ministries of economic development: the Ministry of Entrepreneurship and Innovation, the Ministry of Regional Development, the Ministry of Diaspora and Strategic Investments. In total, there are nine ministries covering different sectors of the economy.

Due to the large number of ministries and the fact that some ministries cover the same portfolio, there is a need to create inter-ministerial groups. In the period 2008-2016, the Government established 38 inter-ministerial commissions, with the MLSW participating in at least 17 of them.

Figure 1. Participation of MLSW in inter-ministerial groups



18 Ministry of Social Security and Labour in Lithuania; Ministry of Labour, Family and Social Affairs in Slovenia; Ministry of Labour, Social Affairs and Family in Slovakia; Ministry of Labour and Social Affairs in Estonia, etc.

19 FRIDOM. Functional Review of the Ministry of Labour and Social Welfare. 2009.

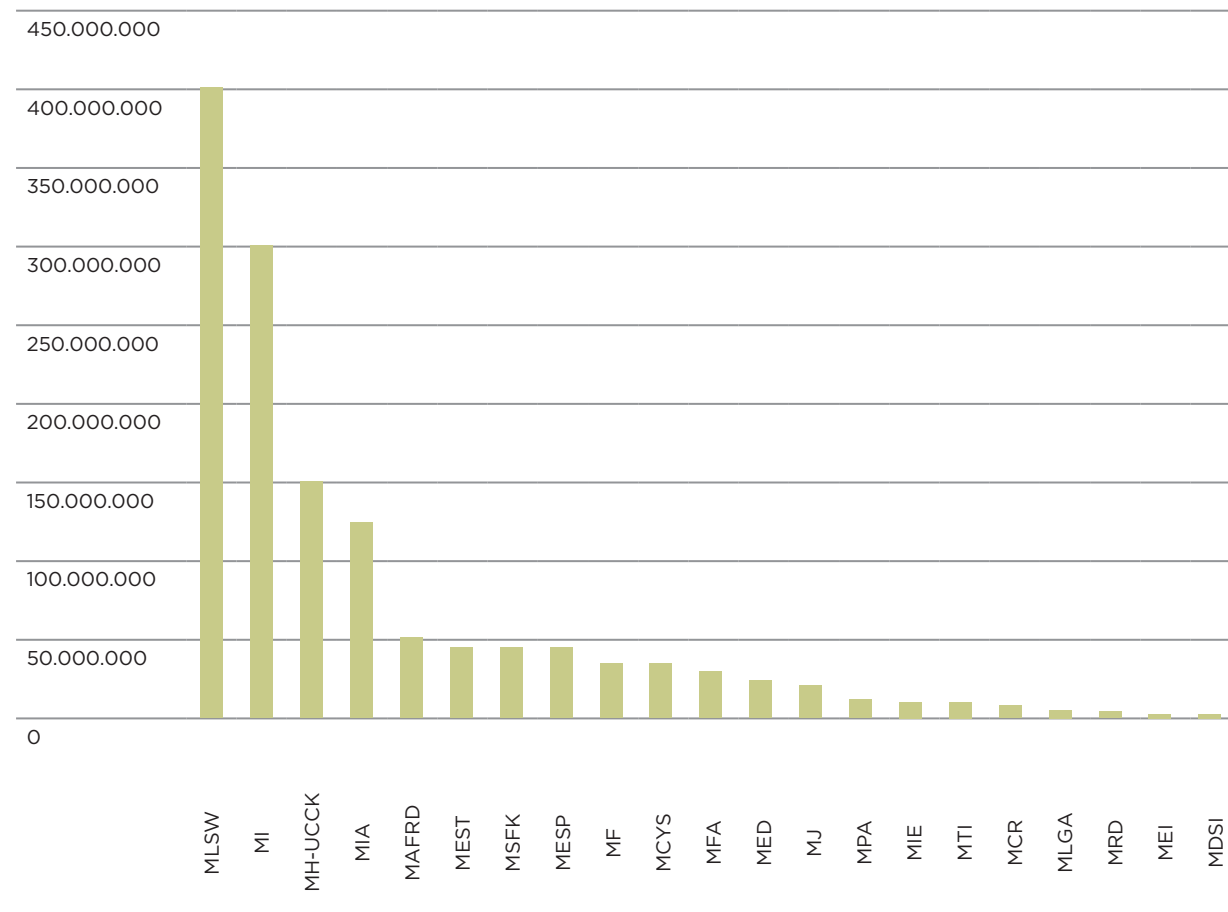
20 GAP Institute. Restructuring of the Government. 2014. Source: <http://bit.ly/1vjlfxo>

Source: Prepared with Graph Commons, based on the Decision of the Government 2008-2016

Given that the inter-ministerial commissions are made up of more than five ministries, a challenge appears in coordinating agendas for arranging meetings, even when representation in inter-ministerial commissions is at level of ministerial department officials.

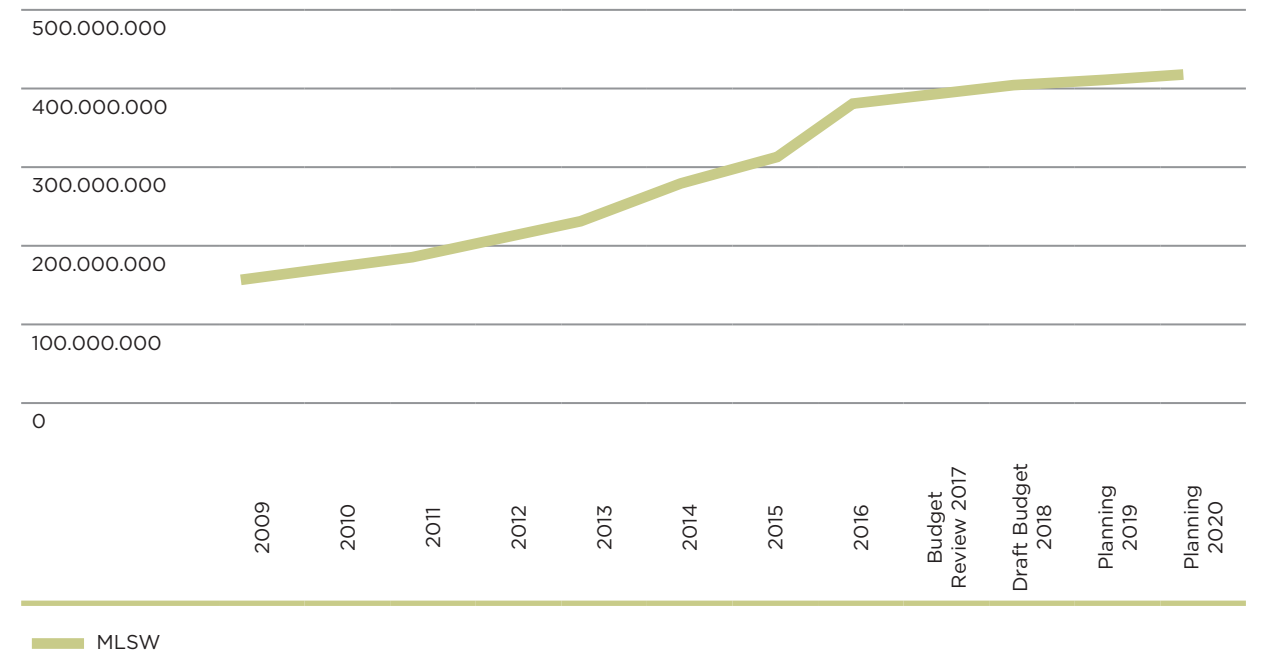
MLSW has more annual budget under management than any other ministry. According to the Draft Budget for 2018, MLSW will have a budget of more than 407 million Euros.

Figure 2. Budgetary projections for 2018 by ministry



MLSW Budget for 2018 grew for 152% compared to the budget in 2009.

Figure 3. MLSW Budget 2009-2020



The largest increase of the MLSW budget in the last decade occurred in the category of basic pensions, contributory pensions, war categories and former political prisoners' pensions. While the budget for employment services, vocational training, social assistance, social services and labour inspectorate, remained almost the same or with minimal increase.

Figure 4. Employment and Social Welfare Policies in Kosovo

Schemes	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Implementation of the Law on Victims of Sexual Violence									1,000,000	800,000	800,000	
Basic social pensions	60,248,071	65,743,489	66,592,818	72,989,888	82,388,924	89,836,507	119,099,640	119,550,488	114,202,807	116,276,788	117,136,788	121,704,308
Disability pensions	10,582,304	11,857,974	13,299,927	13,344,759	12,695,759	12,683,202	15,113,314	18,315,000	19,700,000	19,700,000	12,000,000	17,000,000
Treпча pensions	2,903,760	2,683,100	3,612,829	3,612,829	3,414,600	3,414,600	4,114,000	4,610,000	4,310,888	4,300,000	4,300,000	4,300,000
KPC pensions	1,422,900	2,572,900	2,572,900	2,572,900	1,224,000	1,224,000	2,016,000	2,506,000	2,650,000	2,600,000	2,600,000	2,600,000
Contribution-payer pensions	24,844,464	29,750,000	37,000,000	41,700,000	47,897,475	47,897,475	68,633,800	91,683,800	89,713,800	89,891,647	90,291,647	90,291,647
KSF pensions				648,049	631,200	631,200	800,000	800,000	1,200,000	1,300,000	1,300,000	1,300,000
Financing the Assembly members of 90s							10,500,000	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
Compensation for political prisoners							3,944,888	3,944,888	5,500,000	5,500,000	5,500,000	5,500,000
Compensation for the blind												
Family pension											2,880,000	2,880,000
Work disability pension											1,800,000	1,800,000
KLA war invalids pension	20,452,856	21,751,102	30,079,143	30,777,143	29,605,024	30,593,227	40,763,640	37,833,691	38,005,675	38,160,325	37,160,325	37,160,325
Veterans pensions								32,000,000	64,189,518	58,750,000	63,550,000	63,550,000
Social assistance	28,309,208	28,617,451	28,783,700	28,664,339	28,448,274	27,851,335	26,138,685	30,594,956	27,427,080	31,426,880	32,426,880	32,426,880
Social services	3,651,072	2,849,022	3,463,088	4,545,657	3,784,383	3,926,016	4,757,250	4,718,697	4,760,937	4,730,485	4,730,485	4,730,485
Utility payments for social cases								4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Employment services	1,240,888	2,225,620	9,912,065	5,170,677	6,154,318	4,383,511	4,378,288	4,100,948	5,099,019	5,198,479	5,528,928	5,419,002
Vocational training services	804,331	2,172,638	2,167,091	1,982,468	2,232,468	1,769,426	1,480,760	1,105,463	1,508,576	1,132,287	1,187,561	1,267,561
Work inspectorate	352,935	496,355	565,072	506,572	511,572	517,187	561,436	566,583	590,716	621,907	621,907	621,907

MLSW is among the few ministries that in the last ten years has had a decrease in the number of employees rather than an increase. While the total number of employees in the state administration at the end of 2016 was for 4,624 more employees compared to 2009, the number of employees in MLSW at the end of 2016 is for 442 employees less than in 2009. One of the reasons for this is the decentralization of social services, where a part of MLSW staff was transferred to municipalities.

Table 6. Number of employees in some of the MLSW units (2009-2018)²¹

MLSW Units	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pensions and compensations	177	177	177	177	177	177	177	178	180	180
Social assistance	12	12	12	12	12	12	12	11	11	11
Social services	17	17	17	17	24	24	24	24	24	24
Employment services	201	201	201	201	201	201	201	213	215	215
Vocational training services	92	92	92	97	97	97	97	90	92	92
Labour inspectorate	60	60	60	65	65	65	65	70	70	70
Administration services	69	78	78	79	79	78	78	88	88	88
Other	669	291	288	282	290	290	267	176	175	175
Total	1297	928	925	930	945	944	921	850	855	855

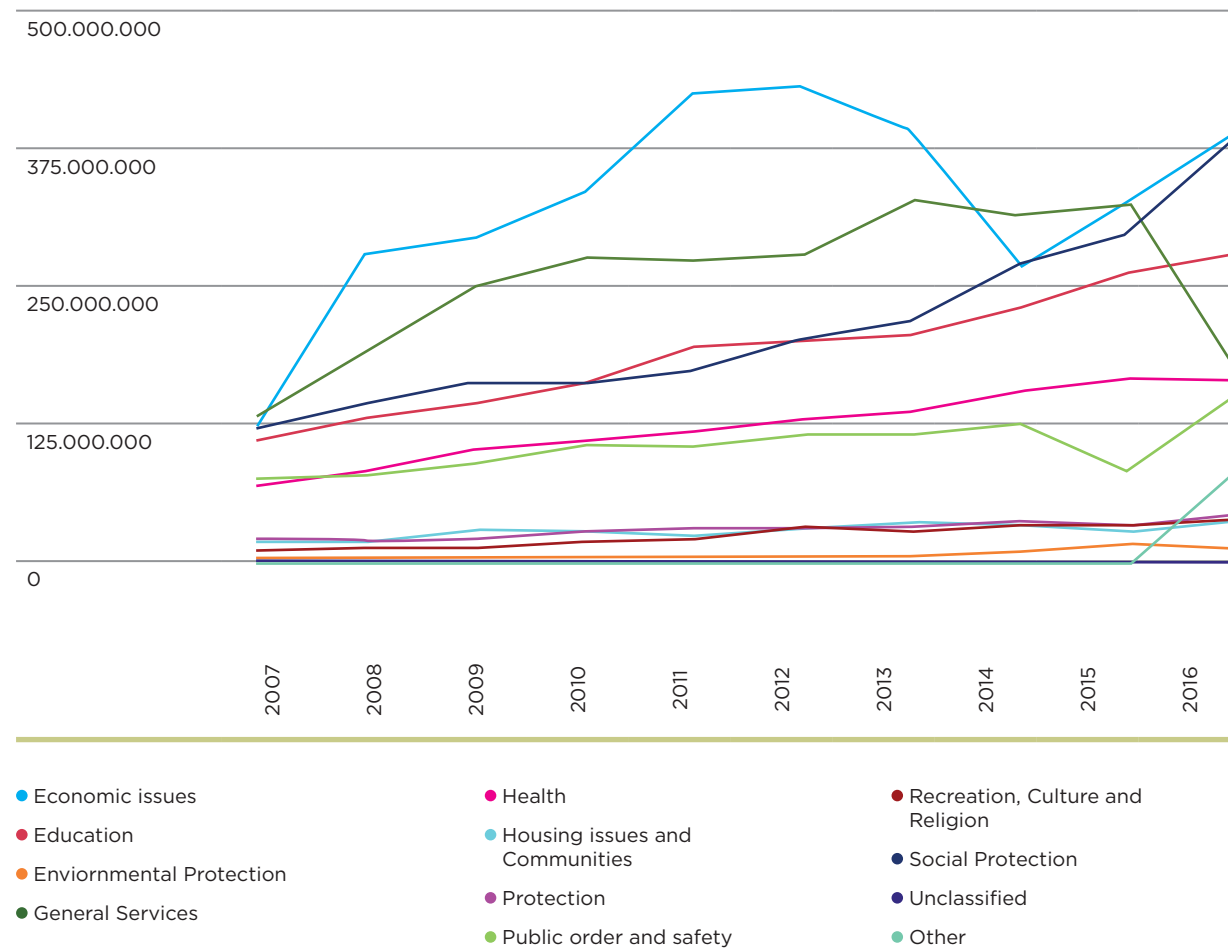
Source: Budget laws 2009-2016

The Ministry of Finance publishes the budget classifications each year. In 2016, the budget classification for social protection accounted for 22.05% of all budget expenditures, or 386 million Euros.

²¹ Employment data obtained from Budget Laws represent the maximum limit of employees and may differ from budget financial reports.

Figure 5. Categorization of appropriations according to the Ministry of Finance for 2016

Budget of Kosovo - Functional Classification



Source: Budget GAP Institute

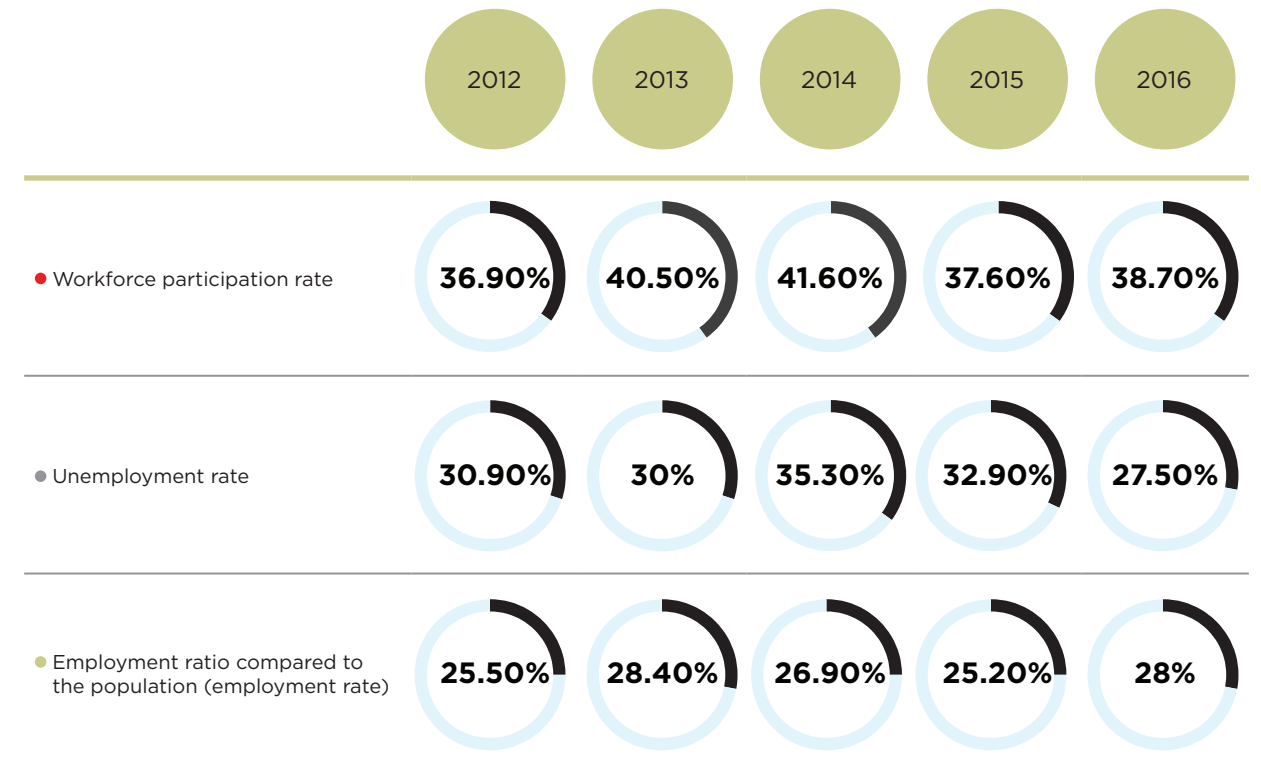
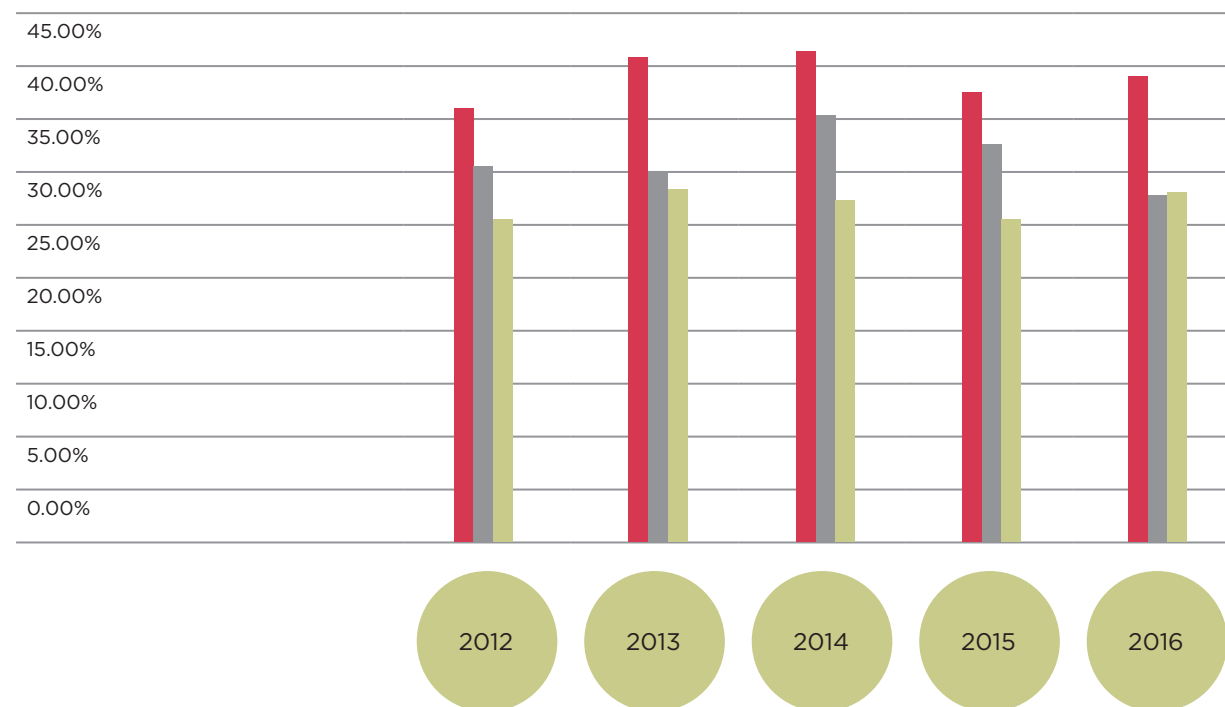
In the second part of this report, progress will be assessed on achieving the objectives set out in the various strategic documents discussed above in the areas of employment, social welfare, pensions and social dialogue.

4. Labour Market

Labour market information in Kosovo has improved significantly. Since 2012, the Kosovo Agency of Statistics (KAS) regularly publishes the Labour Force Survey (LFS) every year, whereas the last two years the VET results are published every three months. KAS data on the labour market are supplemented by data from the Employment Agency (former Department of Labour and Employment in MLSW) for registered jobseekers and active labour market measures; as well as the Savings Trust Fund data for employees in the formal sector. On the other hand, Tax Administration of Kosovo (TAK) does not publish data on taxpayers in this institution.

According to LFS data, unemployment in the second quarter of 2017 is 30.6%, an increase in unemployment compared to 2016 (27.5%), but almost the same as the unemployment rate recorded in 2012 (30.9%). However, since the three-month unemployment data offers large movements within the year and are not comparable to a full year, we will refer to the latest annual unemployment data, those of 2016.

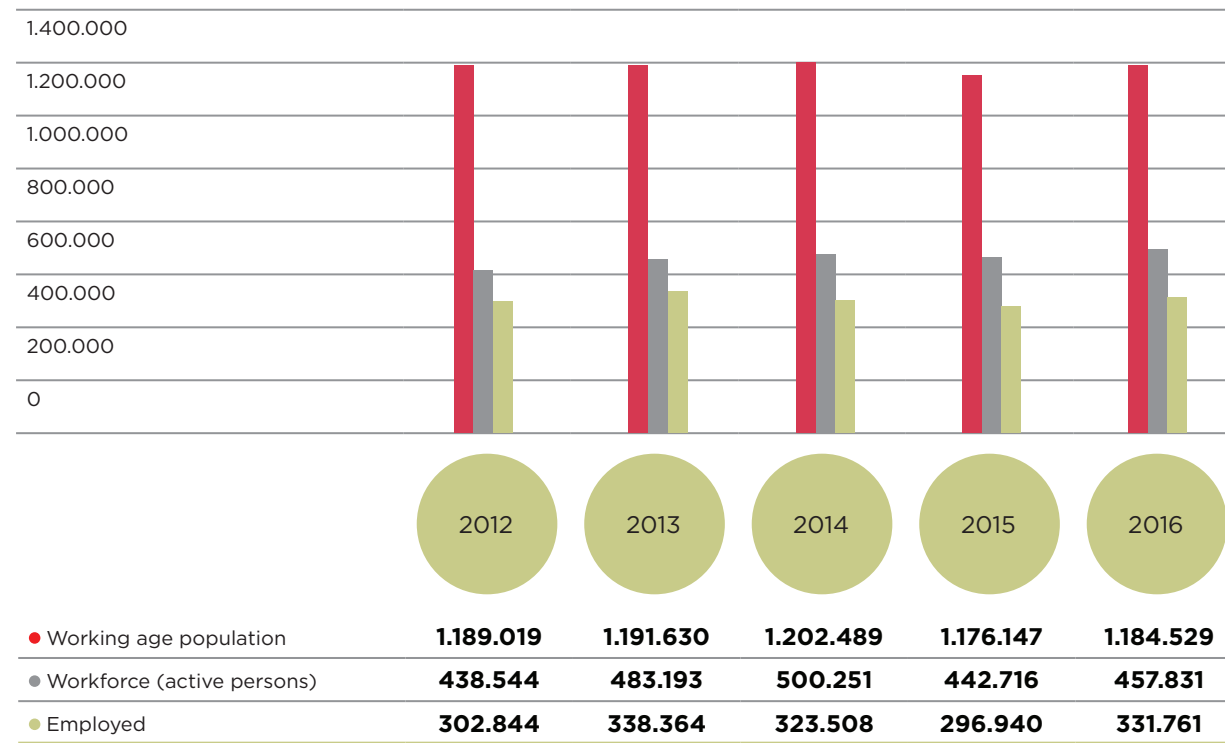
Figure 6. Labour force participation, unemployment rate and employment/population ratio 2012-2016



Source: LFS, 2012-2017

In the last five years, the working age population is almost the same, around 1.2 million. But even further, the rate of inactivity, or job-seekers who are not looking for a job, is still high. Kosovo has the highest rate of inactivity compared to all European countries. The labour force (active persons) in 2016 was lower than in 2013 and 2014, despite the fact that the working age population was higher than in each year before 2016.

Figure 7. Labour force participation, unemployment rate and employment/population ratio 2012-2016



Despite small positive movements in the unemployment rate, net job positions are lower than in 2013, a decline of almost 2%. According to World Bank data, in the period between 2005 and 2014 only 63,000 new net jobs were created.²² But even these jobs are more jobs as a result of formalising the economy than new jobs created.²³ Regarding the duration of unemployment; 65.6% of the unemployed reported to be unemployed for periods longer than one year.

There are significant differences with regard to working hours and salaries in the private and public sector. While according to Labour Law, regular weekly working hours should not exceed 40 hours a week, 83.2% of employees work longer than 40 hours per week. Public sector employees receive a monthly salary of 554 Euros per month, while the average working hours are 32 hours per week; while private sector employees receive a monthly average salary of 416 Euros per month, with average working hours of 48 hours per week. Most of the net monthly salaries fall between 300 and 400 Euros per month. Significant differences between the private and public sector are also noted in terms of maternity leave duration, where women in the public sector on average receive maternity leave for a period of nine months and two weeks, as compared to seven months and three weeks of maternity leave for women in the private sector.²⁴

Of the 331,761 jobs, 22.9% of them are unstable, or self-employed or unpaid employees in family businesses.²⁵ In recent years there is a higher rate of unstable employment.

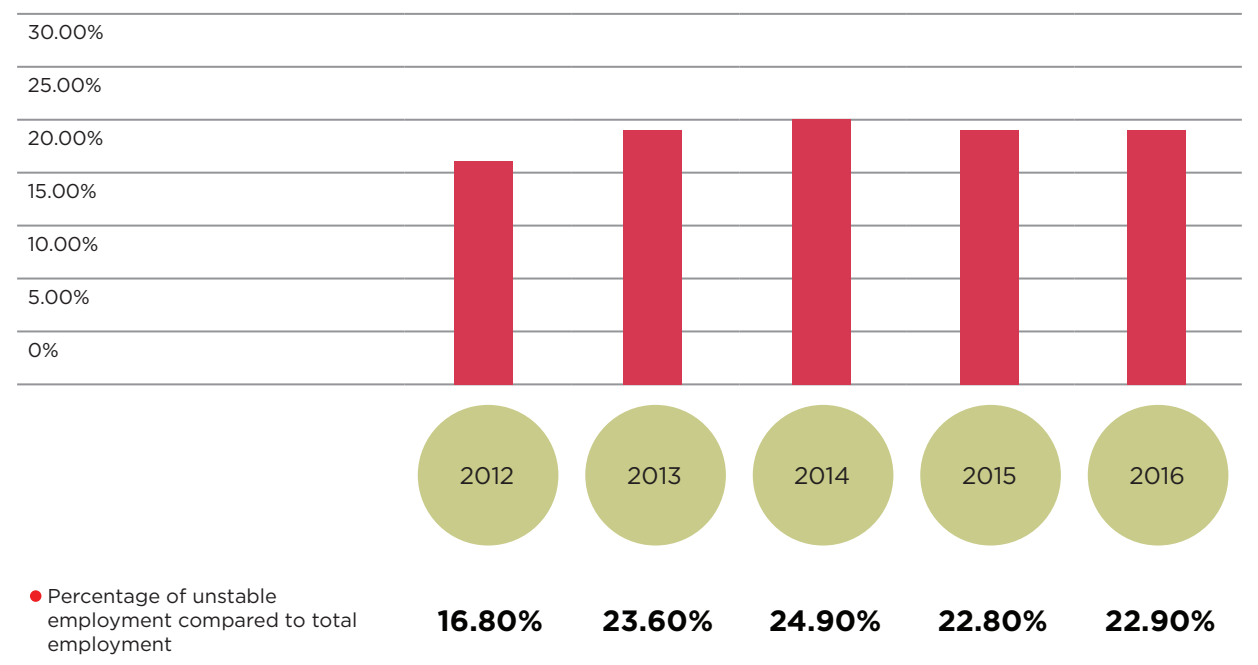
²² World Bank. Jobs Diagnostic – Kosovo. Jobs Series, Issue No.5. 2017.

²³ European Union Technical Assistance for Kosovo. Assessment of the extent of informal economy in Kosovo, November 2017 (Project implemented by Business and Strategies Europe).

²⁴ Riinvest. Women in the labour market - analysis of working conditions for women in Kosovo. 2017. Source: <http://bit.ly/2ijpKe8>

²⁵ LFS, 2016.

Figure 8. Unsustainable employment 2012-2016



Around 45,000 jobs are still considered to be in the informal sector, most of them in the agriculture sector (24,000), construction (9,778) and in the trade sector.²⁶ Young people, less educated and those in rural areas are more inclined to engage in the informal economy. Employees in the non-formal sector earn 18% less than those in the formal sector, while contract employees earn 28% more than non-contracted employees.²⁷

Most of the employees (36%) are employed in micro-enterprises, which make up 91% of the active enterprises in Kosovo, while large companies, employing over 100 employees, although few in number (0.5% all enterprises in Kosovo) employ 35% of employees. About 35% of enterprises are concentrated in Prishtina. Also, more than half of Kosovo's employees (54%) are employed in Prishtina. The concentration of state administrative institutions can also have a great impact here.

4.1. Participation of women in the labour market

While securing a stable workplace is a challenge for all the working age population in Kosovo, the difficulties are even greater for women, young people and members of minority communities. Although the number of women and men of working age is almost equal (49% women and 51% men of working age), large differences are noticed in the activity rate and employment. Over 81% of working age women are not active in the labour market. The rate of non-activity among women has remained the same for almost all the years.

²⁶ European Union Technical Assistance for Kosovo. Assessment of the extent of informal economy in Kosovo, November 2017 (Project implemented by Business and Strategies Europe).

²⁷ World Bank. Jobs Diagnostic – Kosovo. Jobs Series, Issue No.5. 2017. Source: <http://bit.ly/2AjPwpe>

Figure 9. Inactive women in the labour market 2012-2016



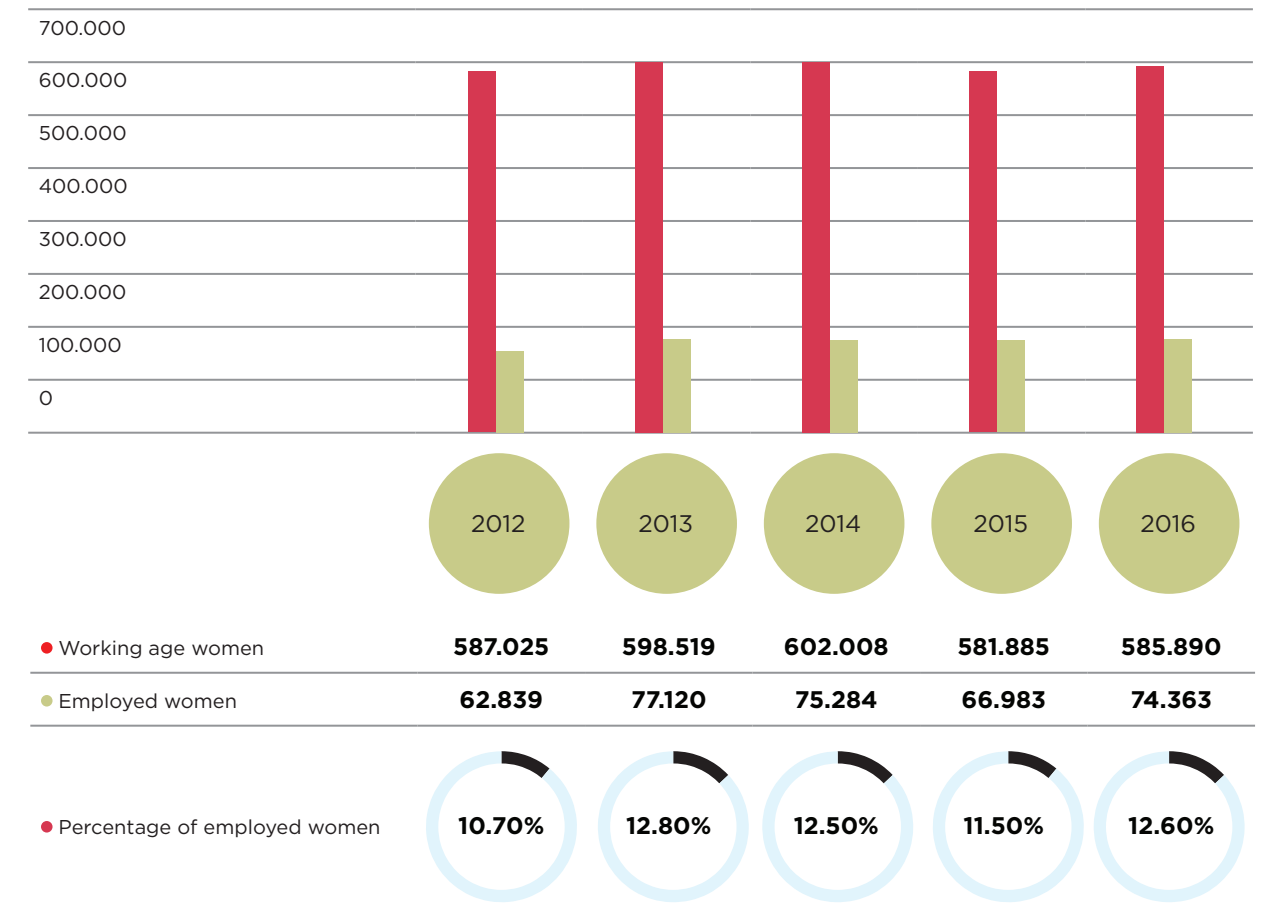
Source: LFS, 2012-2017

The most frequent reasons mentioned by women for not participating in the labour market are family reasons, unlike men whose main reasons refer to education/training or loss of confidence to secure a job. Caring for children and the elderly still remains the responsibility of women. Kosovo has the lowest rate in Europe for attendance of children in preschool institutions (only 2%).²⁸

Only 12.6% of working age women are employed. In the last five years, data show that women's employment was never higher than 12.8%.

28 World Bank. Jobs Diagnostic - Kosovo. Jobs Series, Issue No.5. 2017. Source: <http://bit.ly/2AjPwpe>

Figure 10. Women employment rate 2012-2016



Source: LFS, 2012-2017

Women account for 44.2% of the unemployed registered in 2016, but the employment rate of women is much lower than that of men (38.5% compared to 61.5%). Of the 6,736 interns who attend vocational training courses at the training centres, only 27.2% are women. Higher education data in recent years show higher rates of participation of young women in all levels of education as well as higher graduation rate.²⁹

Employers value differently the skills of women and men workers. The only field where businesses appreciate women are more competent than men are knowledge in foreign languages. But in spite of this, men are given greater opportunities to attend trainings than women. Women and men work in different sectors. Most women (2/3) work in the public sector or in the sales sector. Women are paid on average 11% less than men for the same job position and with the same professional preparation.³⁰ About 30% of women work without contract and overtime work for which they are not paid.³¹

29 Kosovo Agency of Statistics, Education Statistics in Kosovo 2015/2016. Source: <http://bit.ly/2zOHZQ2>

30 World Bank. Jobs diagnostic. 2017

31 Riinvest. Women in the labour market - analysis of working conditions for women in Kosovo. 2017. Source: <http://bit.ly/2zjKe8>

Employers, both in the private sector and in the public sector, use gender profiling when announcing job vacancies, usually preferring women for lower positions in the work hierarchy, and favouring men for managerial positions.³²

In addition to the above factors, the selection of the profession influences the chances of finding a job. Women tend to study for social sciences and professions related to education and health. At the same time, the highest recorded unemployment is in the professions associated with social sciences, while higher employment in professions that can be engaged in the service sector.³³

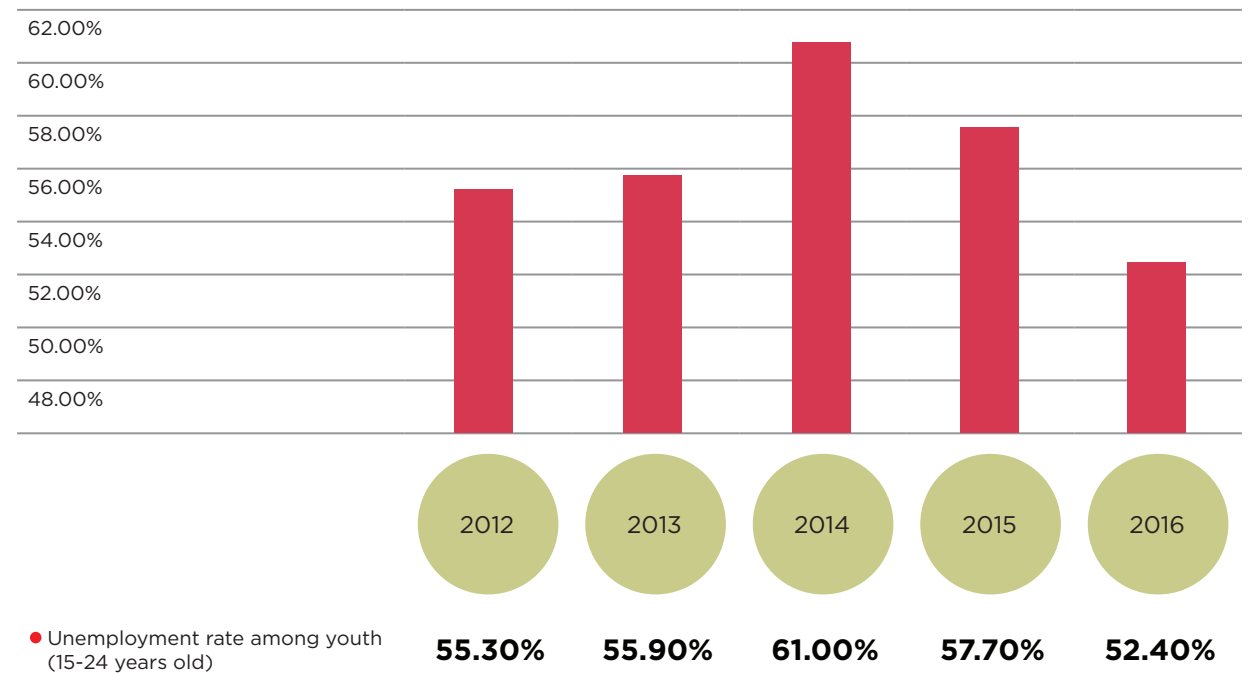
In order to alleviate differences in employment between women and men, special measures are needed to empower women. Despite the fact that with ERA, the Government has been obliged to draw up an analysis of the difficulties women face in employment; such an official analysis does not yet exist. Also, according to ERA, it is anticipated that employment centres will give greater help to women in employment, but official data shows a much lower rate of employment mediation for women than for men.

Taking into account that numerous analysis by local and international organisations have been conducted on the obstacles encountered by women to participate in the labour market, MLSW and EARK should use these analysis and begin to adopt special measures regarding women's employment.

4.2. Employment of youth

Kosovo has the youngest population in Europe, but at the same time the highest unemployment rate among young people aged 15 to 24 years. Youth unemployment is 52.4%, a decrease of 8.6% compared to 2014 when youth unemployment was 61%.

Figure 11. Youth unemployment rate 2012-2016



Source: LFS, 2012-2017

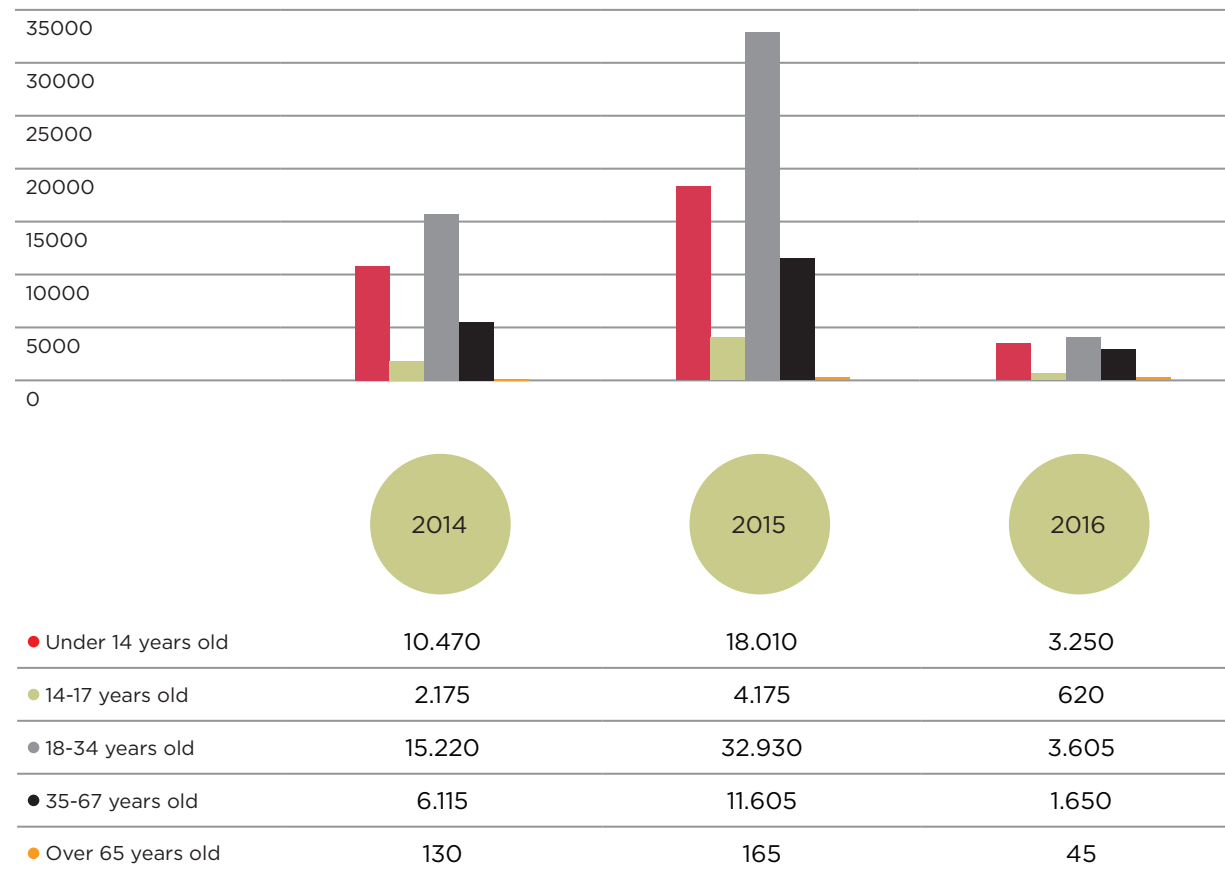
One of the reasons for declining unemployment among young people between the ages of 15 and 24 in the last two years may be the decline in informality, where young people make up the largest share of the employed, and increase emigration in the three last years. In the period 2014-2016, from Kosovo in EU countries asylum was requested by 110,165 Kosovars, 71% of them in working age, and 53% at the age of 14 to 34 years.³⁴

³² The GAP Institute. Discrimination in the labour market - the impact of contests on gender inequality. May 2017. Source: <http://bit.ly/2qijwCP>

³³ Social Impact. Kosovo Labour Force and time use study - Research Report - Executive Summary. November 2017. (report prepared for the needs of MCC in Kosovo, whose final draft is expected to be published in March 2018).

³⁴ Eurostat. Source: <http://bit.ly/1dBazYR>

Figure 12. Migrants by age



Source: Eurostat

According to MLSW data, out of the total number of unemployed registered in 2016, only 16.2% of them were between the ages of 15-24; whereas of the total number of those attending vocational training, 36.5% are in this age group. Youth unemployed who do not attend school or training at the same time constitute 30.1% of young unemployed. Of the total of 312,672 active contributors to the Trust, young people account for only 13.4% of contributors, while their average contribution is 25.77 Euros per month, the lowest contribution compared to all age groups.³⁵

ERA foresees the design and approval of an action plan for youth employment, but this plan has not yet received the approval of the Government.³⁶

³⁵ Kosovo Pension Saving Fund. Annual Report 2016. Source: <http://bit.ly/2AkqfzV>

³⁶ At the beginning of November, MLSW and MEST signed a cooperation agreement with the German GIZ organisation for the project "Youth, Employment and Vocational Training in Kosovo".

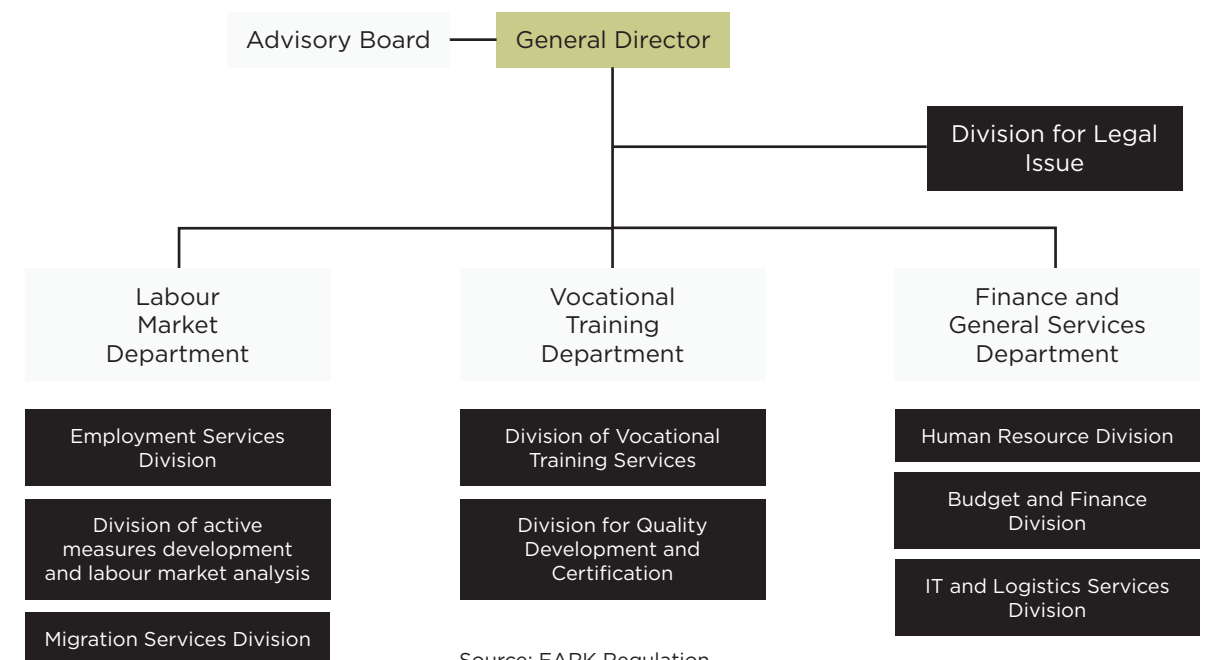
4.3. Functioning of Employment Agency

From January 2015, the Law on Employment Agency of the Republic of Kosovo is in force.³⁷ The Employment Agency of the Republic of Kosovo (EARK) is an independent body within the MLSW. Although the law provided that within six months from the entry into force of the applicable law to issue sub-legal acts, their approval started only in December 2015.

The Department of Labour and Employment, which has existed so far within the MLSW, has been transferred to the EARK, in addition to the Division for Employment Policies which will remain within the MLSW. Based on the Regulation on Internal Organisation and Systematisation of Jobs³⁸, the Labour Market Department with 10 employees and the Department for Vocational Training with seven employees will operate within the EARK.

Within the EARK, there are 38 employment offices in all municipalities of Kosovo, with a total of 160 employees, as well as eight regional vocational training centres with 90 employees.

Figure 13. Organigram of the Employment Agency



Source: EARK Regulation

³⁷ Official Gazette. Law No. 04 / L-205 on the Employment Agency of the Republic of Kosovo. Source: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=8983>

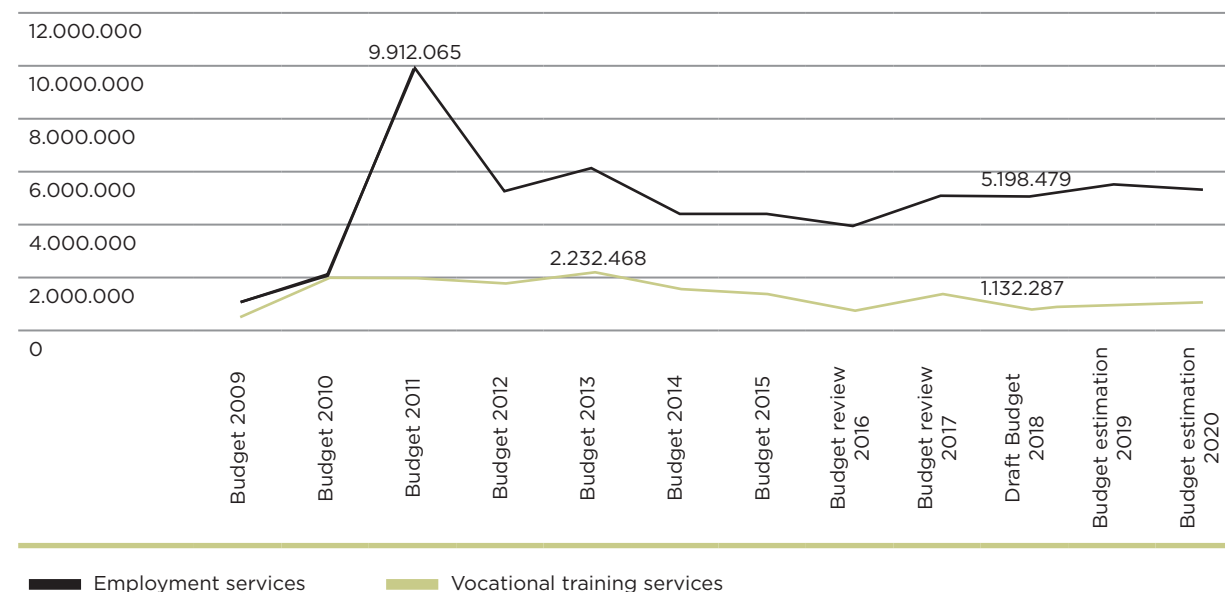
³⁸ The Government of Kosovo. Regulation No.13/2015 on Internal Organisation and Systematisation of Jobs in the Employment Agency, adopted on 8 December 2015.

The General Director of EARK was appointed on 5 April 2017 for a three-year term.³⁹ But the vacancy for the Director of the EARK was announced on 13 April 2017, eight days after the nomination. According to the Law on Employment Agency, the position of the General Director is part of the Civil Service and should be appointed according to the procedures provided by the Law on Civil Service. Following complaints, the Independent Oversight Board for the Kosovo Civil Service (IOBCSC) in the motion dated 24 April 2017 addressed to the Office of the Prime Minister requested the suspension of the decision on the appointment of the Director General of the EARK. The Office of the Prime Minister did not take any action on the grounds that the selection of the Director of EARK was conducted by a professional English company based on the Memorandum signed between the Embassy of Great Britain in Pristina, the Office of the Prime Minister and the Assembly of Kosovo. According to the Memorandum, the institutions agree that the recruitment process for key positions in institutions should be left to a foreign company that is engaged by the Embassy.

The Law on the EARK also foresees the selection of a nine-member Advisory Board, which meets at least six times a year, but it has not yet been appointed by the Government.

EARK will have the same number of employees that existed before the establishment of the Agency when they functioned within the DLE. Likewise, the budget of EARK for 2008 will be almost the same as the budget of the previous years, and a very small increase for 2019-2020 is foreseen. The labour and employment budget by 2020 will be significantly smaller than the budget of these two divisions in 2011 or 2013.

Figure 14. Budget of the two most important divisions of the Department/Employment Agency (2009-2020)



39 The Government of Kosovo no. 08/140, dated 5 April 2017. Source: <http://bit.ly/2zRnput>

The budget allocated by donors for employment and vocational training policies is larger than that allocated from the Kosovo Budget. According to MLSW calculations, donors spend up to 7.5 million Euros a year, mainly IPA and the World Bank funds.⁴⁰

The Regulation on internal organisation of the EARK provides the maximum number of employees in each division and office. According to the Regulation, the maximum number of employees will be 285. This is lower than the maximum allowed by the Draft Budget 2018, which is 307.

Despite the fact that EARK will have more powers and independence than the previously functioning Department, the number of employees and the budget of EARK does not give much hope that there will be a positive change in terms of employment services and vocational training.

4.3.1. Functioning of Vocational Training Centres

Despite high levels of unemployment, Kosovo also faces the problem of structural unemployment, or the difficulty of businesses to engage skilled workforce. Even though ERA requires an assessment of market needs, no official assessment has taken place yet. EARK expects this assessment to be conducted by research organisations, business associations and donors.⁴¹ In the past MLSW had allocated budget for business associations to conduct market research.⁴² Numerous researches of various organisations show the problems faced by jobseekers regarding the skills of workers.

In October 2017, Kosovo Chamber of Commerce (KCC) published an analysis of the lack of workforce.⁴³ According to the KCC report, over 80% of surveyed enterprises find it difficult to find skilled workers. While only 35.8% declare that they are satisfied with the skills of their employees. The construction, manufacturing and service sectors have a lower level of satisfaction with the engaged workers. Only 18.1% of surveyed enterprises stated that they have co-operation with training and employment centres.

According to the survey, the 15 most sought occupations by businesses are: accountant, market researcher, sales distributing agent, supplier of goods and stocks, welder, interior designer, food technologist, operator and maintenance technician of producing machines, cook, electro/hydro/heating installers, mechanic, metal structuring worker, wood processor, textile designer. For five of these demanded occupations, trainings are provided within VTCs. But a problem remains the quality of the trainings, the lack of cooperation between businesses and VTCs, and poor information on the trainings provided.

The findings of the KCC survey are confirmed by other analysis as well. According to a series of GAP Institute's analysis of fruit juice, paper, construction material and milk producers, the most demanded professions are welder, food technician, electrician, machine maintenance technician, press graph operator, etc.⁴⁴ In addition, a more comprehensive UNDP report finds that a large number of businesses in the field of tourism, metalworking, wood processing, textile face difficulties in hiring employees with adequate skills.⁴⁵

40 MLSW. Employment Policies for Public Employment Services 2016-2018. January 2016.

41 Interview with Drin Haraçija - Director of EARK. Interview conducted on 10 November 2017.

42 In the period 2015-2016, MLSW allocated 57,231 Euros subsidies to business associations. Source: Report on Public Financial Support to NGOs from the Institutions of the Republic of Kosovo 2015-2016. March 2017.

43 Kosovo Chamber of Commerce. Lack of skilled workforce - a Challenge for Businesses. Prishtina, 2007, (financed by the German agency - GIZ).

44 The GAP Institute. Series of Analysis with Local Producers, 2016. Source: <http://bit.ly/1Svo7B5>

45 UNDP Kosovo. Skills Needs Assessment: identifying the needs of employers in six economic sectors in Kosovo. November 2016. Source: <http://bit.ly/2ijhvPf>

The service sector is the sector with the largest growth in Kosovo. But even businesses in the service sector face many difficulties in hiring skilled workers. According to a survey with businesses in the service sector, 82.1% of businesses have encountered difficulties in finding skilled workers. About 53% of businesses surveyed in this sector stated that they were forced to hire less skilled workers. Due to unskilled labour force available, 57.1% of businesses stated that new product development was hindered, and 42.1% said that it had an impact on reducing productivity.⁴⁶ Over 48% of businesses employing more than ten workers reported to have greater difficulty in hiring skilled workers.⁴⁷

The World Bank's Report on job vacancies in Kosovo identifies two main bottlenecks that hinder business growth: the inadequate environment for doing business and disparities between the jobs available and workers.⁴⁸ There is a lack of specialised workforce in marketing, sales and product design, and this makes it difficult for local businesses to compete in international markets. The biggest difficulty of businesses is the employment of people with work experience. Foreign-owned businesses and innovative businesses have greater job difficulty than local businesses. Businesses do not have confidence in educational institutions and training centres for employee preparation. A large number of businesses have expressed dissatisfaction with the vocational training centres, as well as the lack of cooperation between vocational schools, universities and businesses. Due to this, two-thirds of businesses conduct recruitments informally, through acquaintances or recommendations.

Within the MLSW there are eight operating vocational training centres, which offer different courses of practical training. These centres differ from vocational education, which is offered by MEST regarding duration and methods. One of the measures envisaged in ERP 2017 is the interconnection of the Employment Management Information System (SIMP - EIMS), which is maintained by MLSW, with the Education Information Management System (SMIA-EMIS), which is maintained by MEST. But so far the link between these two systems has not occurred.

Table 7. Courses provided by Vocational Training Centres

Vocational Training Centres and Courses provided by them

Prishtina	Prizren	Gjilan	Ferizaj	Mitrovica	Mitrovica (Dolan)	Gjakova	Peja
Baker	Cook	Information Technology	Information Technology	Information Technology	Information Technology	Information Technology	Construction
Pastry	Waiter	Graphic design	Electrical installation	Business administration	Business administration	Accountant	Electrical installation
Office work	Auto-electrician	Carpentry	Construction	Textile	Textile	Electrical installation	Plumber
Accountant	Hydraulics - pneumatics	Metal	Plumber	Metal	Metal	Business Administration/ Self-employ.	Agricultural product processing
Repair of office equipment	Welding	Business Administration/ Self-employ.	Welding	Carpentry	Carpentry	Welding	Office work
Business Administration	Industrial electronics		Self-employment	Construction	Construction		Self-employment
Installation of water and heating	Business Administration / Entrepreneurship		Maintenance of buildings	Self-employment	Cook		Business Administration / Entrepreneurship
Auto-electrician	Repair of household equipment		Business Administration / Entrepreneurship				
Construction	Information technology						
Milk processing							

Only five of the abovementioned profiles are accredited by the National Qualifications Authority (NQA).⁴⁹ In 2016, eight VTCs attended trainings for 6,736 people, an increase of 66% compared to 2015.⁵⁰

Vocational training is just one of the active measures in the labour market. Employment offices also provide active employment measures for registered unemployed, which include employment subsidies, job trainings, vocational training, work placement, self-employment and entrepreneurship promotion, etc.⁵¹ The law also foresees the issuance of

46 The GAP Institute. Vocational Preparation for the Labour Market - Private Sector Analysis of Services. May 2017. Source: <http://bit.ly/2qSVo13>

47 Kosovo SME Promotion Programme. Report on SMEs in Kosovo 2014. Source: <http://bit.ly/2AjJz9p>

48 World Bank. Jobs Diagnostic - Kosovo. Jobs Series, Issue No.5. 2017.

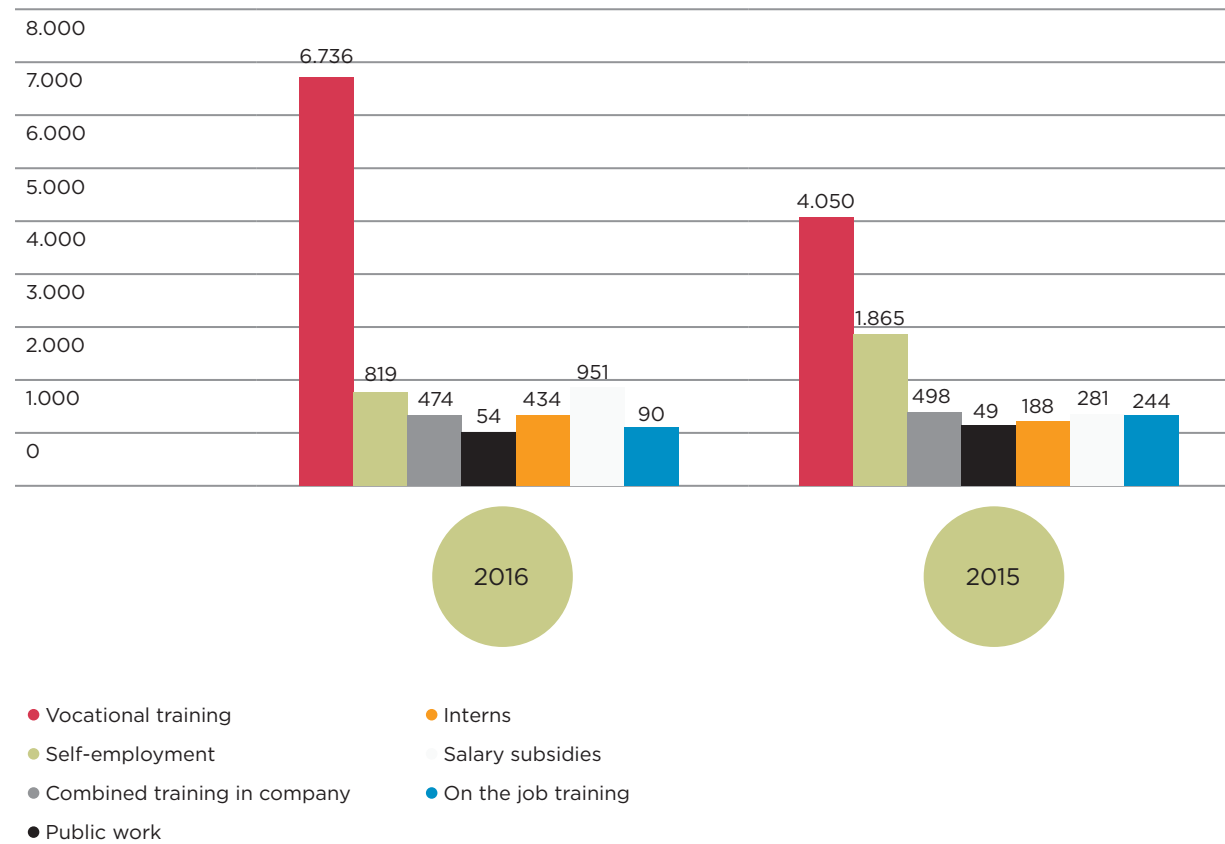
49 INDEP. Vocational training in Kosovo: specifics, relationships and problems. 2016. Source: <http://bit.ly/2j0JtfJ>

50 MLSW. Labour and Employment - 2016 Report Source: <http://bit.ly/2AgvFXB>

51 Official Gazette. Law No. 05/L-077 on Registration and Provision of Services to Unemployed, Jobseekers and Employers. Source: <http://bit.ly/2i2zqWu>

an administrative instruction which defines the means for providing active measures in the market, but even after more than one year from the entry into force of the applicable law, such sub-legal act did not enter into force.⁵²

Figure 15. Number of beneficiaries by type of active labour market measures (2015-2016)



Source: EARK, Labour and Employment 2016

According to the NPISAA, the budget for the expansion of active labour market measures remains low and insufficient to address needs effectively. Despite accepting this fact, the budget for active measures in the labour market remains almost the same for the years to come. This part is covered more by international donors than by the state budget.

In order to fulfil their vocational training mission, VTCs need to expand the training scope, including training areas that are most demanded by employers. Licensing of programs is also needed, so that they are acceptable to both domestic businesses and the international market. Moreover, there is a need for increased co-operation between VTCs with

52 In April 2012, the Administrative Instruction No. 01/2012 on Active Labour Market Programs entered into force, but based on the abrogated Law No.04/L-083 on registration and evidences of unemployed and jobseekers.

educational institutions and business associations. Despite the fact that after the establishment of the EARK has better information regarding the functioning of VTCs, more investment is needed in marketing, and increased presence in the social media.

4.3.2. Employment mediation

In 2016 there were 101,773 registered jobseekers, a decrease of 9.3% compared to 2015. Of the total number of jobseekers, 55.7% are men, while 44.3% are women. As far as qualification is concerned, 37.3% of jobseekers are without qualifications, while about 8% of jobseekers have university qualifications, of whom 7,826 have completed bachelor studies, while 401 have completed master studies. As for the age group, the largest number of jobseekers, about 48.3% belong to the age group 25-39, and 27.9% belong to the age group 40-54.⁵³

From the previous year, with the EARK becoming operational, the online registration of jobseekers on the EARK platform has begun. Job seekers registered in this form are users of services provided online but not services provided by employment offices.⁵⁴

Jobseekers appearing in employment offices are registered in the SIMP and are profiled in one of these three subgroups: the low-risk group to become long-term unemployed, the middle-risk group and the high-risk group. Depending on the classification, jobseekers receive advice from the employment officer at the employment offices. The MLSW reports on labour and employment do not provide data on how many jobseekers are registered in the first group, or with low risk of long-term unemployment, with medium and high risk. Despite these positive changes in the unemployment register, the capacities of the municipal employment offices have remained almost the same. According to the Regulation on Internal Organisation of EARK, 12 Employment Offices in 12 municipalities employ only two persons, a head of office and an assistant.

Based on qualifications and risks for long-term unemployment, employment offices can orient jobseekers in pursuing one or more VTC trainings. But, according to a survey conducted by INDEP, only 8% of those who have attended VTC trainings have heard or are heading to VTCs from employment offices.⁵⁵

On the other hand, during the year 2016, 14,137 vacancies were registered at employment centres, or an increase of 22.9% compared to 2015. Most of the jobs were announced by micro enterprises. Despite these vacancies and the large number of jobseekers, employment offices have managed to mediate to employment of only 4,022 persons, while 2,732 other people are engaged through active labour market measures. The employment rate through employment centres for 2016 is only 6.6%. Although a slight increase from last year, the employment rate remains extremely low.

53 MLSW. Labour and Employment – Report 2016. Source: <http://bit.ly/2AgvFXB>

54 MLSW. Labour and Employment – Report 2016.

55 INDEP. Vocational training in Kosovo: specifics, relationships and problems. 2016.

4.4. Safety at Work

In addition to high unemployment, employees also face numerous problems with respect to contracts, timely pay, safety and health standards at work. Despite the fact that the Law on Labour provides for regular working hours is 40 hours per week, 83% of employees work more than 40 hours a week, of which 15.9% more than 60 hours per week.⁵⁶ About 45,000 people are employed in the informal sector, without contracts and without legal guarantees for work security.⁵⁷

The Law on Safety and Health at Work and bylaws provide minimum safety standards at work in different sectors. MLSW has approved the largest number of sublegal acts in the field of safety and health at work foreseen by the NPISAA. But the enforceability of laws and sub-legal acts is extremely low. This is also due to the fact that the Labour Inspectorate (LI), as the executive body responsible for overseeing the implementation of legislation in the field of labour, has a small number of inspectors and logistics capacities.

LI has 49 inspectors grouped by regional centres, 18 in Prishtina, 7 in Gjilan, 7 in Peja, 6 in Ferizaj, 4 in Prizren, 4 in Mitrovica and 3 in Gjakova. The number of 49 inspectors in 2017 is lower than that of 2011 when there were 51 inspectors.⁵⁸ In addition, logistic capacities are also limited. The Inspectorate has available only 12 vehicles, two more than in 2011. In 2016, LI undertook 7,285 inspections, imposing 128 fines, whereas in 855 cases only warnings were given. Until October 2017, 6,656 inspections were carried out, with 180 fines and 944 warnings.

The Information Management System at the Labour Inspectorate has not yet been made operational. This system, supported by the European Union, aims to automate the work of inspectors through the use of tablets, allow for easier and faster exchange of information with TAK and Trust and allows monitoring of the work of field inspectors.

Most employees do not have health insurance, except those who have done so voluntarily through insurance agencies. Law on Health Insurance⁵⁹, which entered into force on 1 January 2015, has not yet begun to be implemented. According to the Administrative Instruction for the collection of premiums⁶⁰, every employee is obliged to share 3.5% of his/her salary for health insurance, and the employer completes this amount by 3.5% of the employee's salary level. At the end of 2016, it was decided that the collection of premiums will begin on 1 January 2017, to be postponed for 1 July 2017 but not expected to commence before the second half of 2018.

56 KAS. Labour Force Survey 2016. Source: <http://bit.ly/2AYaKKi>

57 EU Technical Assistance for Kosovo. Assessment of extent of the informal economy in Kosovo. November 2017.

58 GAP Institute. Labour law: six months after entry into force. June 2011. Source: <http://bit.ly/29UMsm1>

59 Official Gazette. Law No. 04/L-249 on Health Insurance. Source: <http://bit.ly/1MhAePq>

60 Official Gazette. Administrative Instruction no. 07/2016 for collecting premiums for mandatory health insurance: Source: <http://bit.ly/2zzBU5S>

5. Social Welfare

The latest data on the level of consumption poverty show a decrease in poverty in 2015 compared to previous years. The level of poverty in 2015, of those living with less than 1.82 Euros per day was 17.6%, while extreme poverty, those living with less than 1.30 Euros per day, was 5.2%.⁶¹ This is a decrease by half compared to 2009, when poverty was 34.5%, while extreme poverty 10.2%.⁶²

Whilst, after the war World Bank measurements showed greater poverty in urban areas than in rural areas⁶³, nowadays greatest poverty is in rural areas. Households with more than five members and those headed by women tend to be poorer. Poverty is higher among women and in those with no formal education or with fewer years of education. In terms of income, citizens who are dependent on social assistance, pensions and wage employment tend to live in poverty, compared to households that are dependent on public sector wages or remittances. Inequality of citizens in 2015 decreased compared to 2014 and is at 23.2%.⁶⁴

Apart from consumption, poverty also has a major impact on the participation of children from poor families in the education process, keeping families in the poverty trap for long periods of time. The fall in the level of participation in education decreases with the passing years of school. This phenomenon is mostly present among children of Roma, Ashkali and Egyptian communities.

Kosovo does not have a government plan to combat poverty. Social assistance programs cover only 1/3 of poor households. Even those households receiving social assistance do not manage to cross the threshold of poverty. There is neither an official estimate of how much it would cost the state of Kosovo to eliminate extreme poverty or poverty. When in 2000 the level of extreme poverty was 11.9%, the World Bank estimated that a well-targeted government spending of 34 to 45 million German marks could eliminate extreme poverty. If we use the same logic of estimation for the extreme poverty level in 2015 then we need around 17-22 million Euros, depending on the poverty gap, to eliminate extreme poverty.

Most of the social schemes managed by the MLSW do not target poverty, but are category based schemes.

5.1. Social schemes of poverty versus social schemes based on categories

A significant part of the state budget goes to social protection. In 2016, the budget for social protection accounted for 22.05% of all budget expenditures, or 386 million Euros. In 2017 this figure passed 400 million Euros. Also, in comparison to GDP, Kosovo is one of the biggest spenders in social schemes compared to the regional and European countries. According to the World Bank, the average spending on social schemes in the European and Central Asian countries ranges to 1.8% of GDP.⁶⁵

If we count only social schemes, excluding labour and employment costs as well as spending on social services, it turns out that in 2017 Kosovo spent 382 million Euros in the social scheme, or 6.09% of GDP.⁶⁶ But, most social schemes in Kosovo are social schemes based on categories and not social beneficiaries. The only social poverty-based scheme is the social assistance scheme, where, if we calculate electricity spending for social cases, it is only 8.3% of the budget allocated to the social scheme, or 0.51% of GDP. Social assistance, along with the compensations for blind people and disability pensions account for only 0.91% of GDP. This is significantly below the average of European countries.

Larger budget allocations are destined to categorised schemes. Category-based schemes, such as age pensions, KPC or KSF pensions, war category pensions are schemes whereby individuals or families benefit simply because they belong to that category, regardless of their social status. For example, a person who has reached the age of 65 is automatically qualified to receive the age pension, even if he/she has millions of Euros saved. Similarly, a person qualified as a KLA war veteran qualifies to receive a veteran's pension, regardless of his / her social status.

As seen from Figure 16, the largest part of the budget for the social scheme is spent on basic pensions and contributory pensions (3.25% of GDP) and for war categories or former political prisoners (1.93% of GDP). Category-based social schemes will grow further, with the inclusion of MP-s of the period of 90-ties (300,000 Euros planned for 2018), compensation for victims of sexual violence (1 million Euros planned for 2018), compensation for teachers of the 1990s, and others.

61 KAS. Poverty in Consumption in the Republic of Kosovo 2012-2015. April 2017. Source: <http://bit.ly/2l38UkO>

62 KAS. Poverty in Consumption in the Republic of Kosovo 2011. March 2013. Source: <http://bit.ly/2ilrWDg>

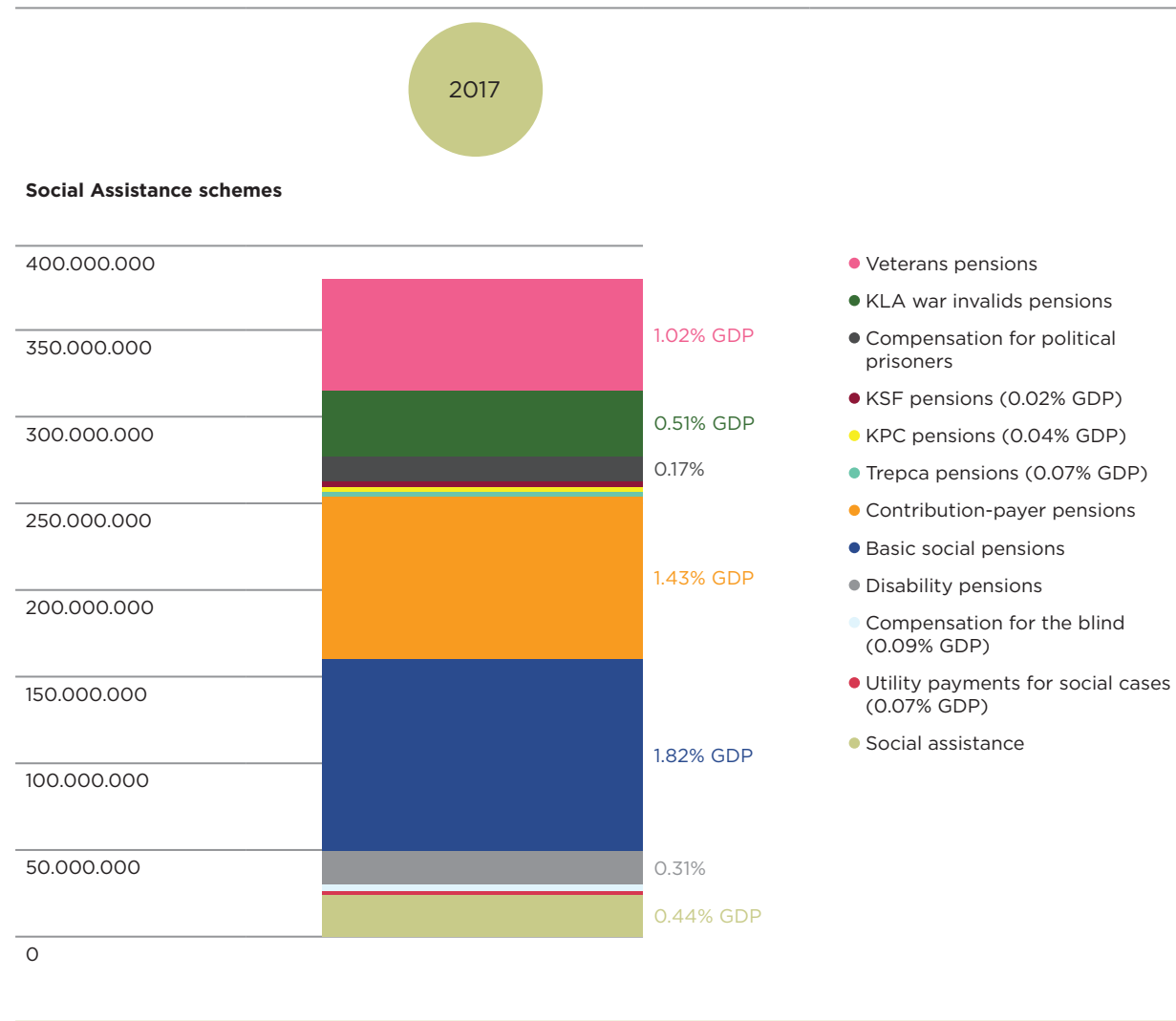
63 World Bank. Kosovo Poverty Assessment. December 2001. Source: <http://bit.ly/2k8LutD>

64 KAS. Poverty in Consumption in the Republic of Kosovo 2012-2015. April 2017. Source: <http://bit.ly/2l38UkO>

65 World Bank. Social Safety nets in Western Balkans: Design, Implementation and Performance. 2011. Source: <http://bit.ly/2y9OcTs>

66 GDP for 2017 is calculated by taking GDP in 2016 and the adding 4.4% increase as per World Bank forecast for 2017. World Bank. Western Balkans Regular Economic Report No.12. Source: <http://bit.ly/2BIJotx>

Figure 16. Budget for social schemes as a percentage of GDP



Apart from the fact that the largest part of the budget goes into categorical social schemes, social policy in Kosovo is characterised by high monetary transfers and low social investments. Social investment means investment in people, which is related to raising skills and active support to participate in the labour market and social life. They include areas such as education, childcare, health care, rehabilitation, training and job-finding assistance.⁶⁷ In order to increase social investment, in 2012 the EU established the European Social Fund.⁶⁸ With a budget of 10 billion Euros a year, the European Social Fund supports initiatives of non-governmental organisations and organisations whose goal is to ensure sustainable employment, assisting people with special needs to provide a job, finance vocational training programs.

67 European Commission. Employment, Social Affairs & Inclusion. Source: <http://bit.ly/2j30WnF>

68 European Commission. Towards Social Investment for Growth and Cohesion - including implementing the European Social Fund 2014-2020. February 2013.

While over 200 million Euros a year are spent on basic and contributory pensions, central institutions do not have active programs for the elderly, such as recreational and socialising centres. Kosovo has only one home for the elderly in the whole country, which faces severe conditions in absence of investments. Throughout these years, very little has been invested in social services, and Centres for Social Work (CSWs) throughout Kosovo municipalities face lack of space, professional staff and budget to handle all cases in need. Also, although nearly 20 million Euros are allocated to disability pensions, state institutions do not provide sufficient support for the rehabilitation of these people in need and, where possible, their employment. In the absence of substantial social investment, money transfers do not help overcome long-term unemployment, poverty and do not provide practical assistance to people with disabilities.

5.2. Social assistance

The Law on Social Assistance Scheme⁶⁹ regulates the financial support of vulnerable families in the social aspect. Social assistance is provided to families which fall into one of these two categories: Category I, where all family members are dependent and none of the family members is employed; and Category II, families having one person able to work but unemployed, and at least one child under the age of five, or custodian family of an orphan child of up to 15 years of age. Majority of households that receive the social assistance are in the first category (65%) or families under full dependence. To be included in the social assistance scheme, families must apply every six months, and meet the technical and financial criteria.

Despite the increase of budget revenues and expenditures as well as the increase in inflation, social assistance for families has remained almost the same. In 2003 payments ranged from 35 to 75 Euros, depending on the number of family members, in 2017 payments per family ranged from 50 to 150 Euros.

69 Official Gazette. Law No. 2003/15 on the Social Assistance Scheme in Kosovo. Source: <http://bit.ly/2vp1hYr>

Table 8. Monthly amount of compensation according to the number of family members 2003-2017

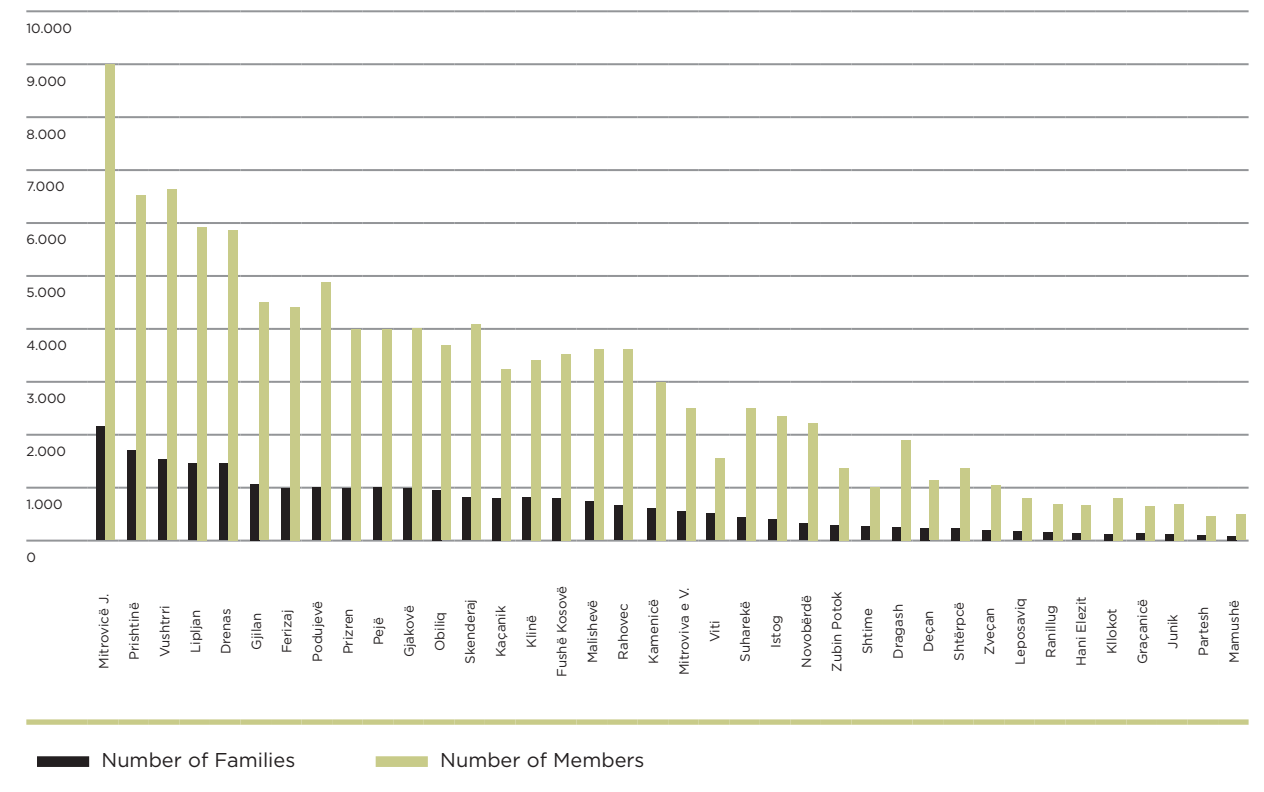
No. of members in one family	Monthly amount of compensation (€)		
	2003-2007	2008-2014	2015-2017
Family with 1 member	35 €	40 €	50 €
Family with 2 members	50 €	55 €	68.75 €
Family with 3 members	55 €	60 €	75 €
Family with 4 members	60 €	65 €	81.25 €
Family with 5 members	65 €	70 €	87.50 €
Family with 6 members	70 €	75 €	93.75 €
Family with 7 members	75 €	80 €	100 €

Source: KAS, Statistics of Social Welfare 2003-2016

The number of households and individuals in social assistance has dropped significantly compared to 2003. In 2003, there were on average 50,000 families in the SAS and on average 190,000 individuals.⁷⁰ In the first five months of 2017, social assistance received on average 26,255 families, with 107,777 members. According to this, 10% of households, or 6% of Kosovo's population, receive social assistance. The average monthly amount allocated to the SAS is 2.4 million Euros. The largest number of families in the SAS is from southern Mitrovica.

70 KAS. Social Welfare Statistics 2003. Source: <http://bit.ly/2AJzWEO>

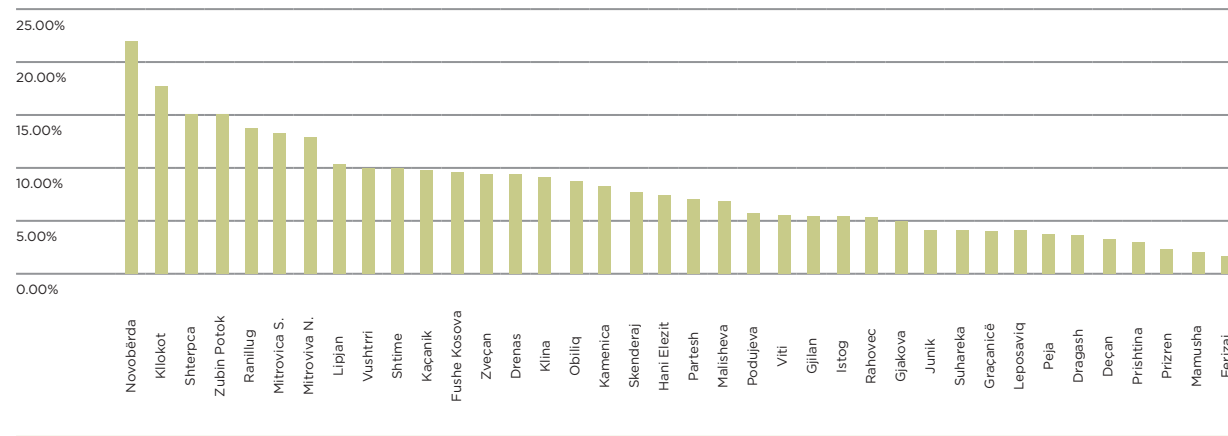
Figure 17. Number of households and their members in SAS by municipalities



Source: MLSW 2017

But if the number of family members in the SAS is taken as compared to the total population in the municipalities, it turns out that Novobërdë and Shtërpçë have the largest number of SAS population, while Ferizaj and Mamusha have the lowest number.

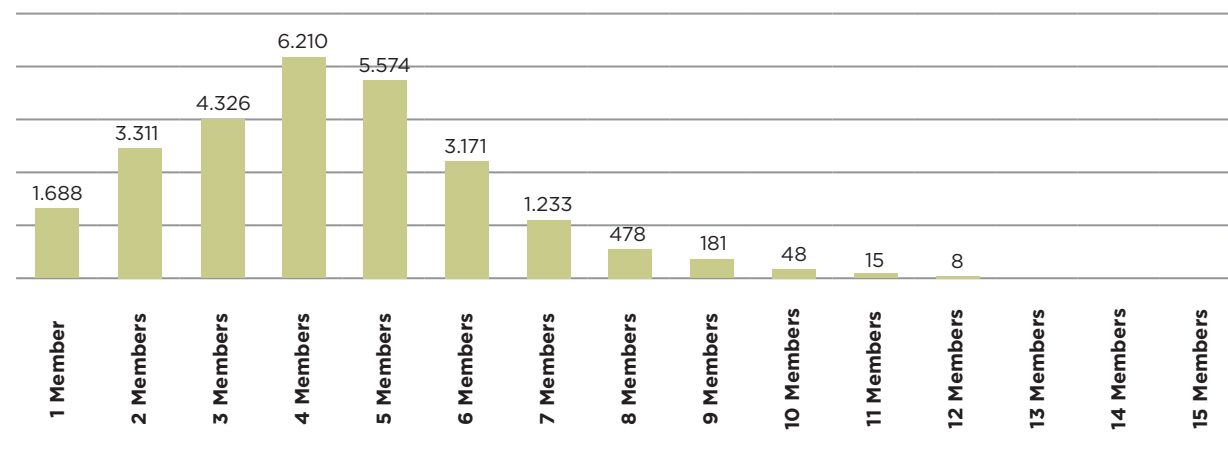
Figure 18. Number of households and their members in SAS by municipality



Source: Calculated on the basis of MLSW data and population forecast by KAS

Regarding the number of family members, most households are between two and six members. But there are also families with twelve members. As for the gender aspect of social assistance providers, 32.1% are women and 67.9% men. The GAP Institute found small differences in the way the budget was spent by women and men headed households. Heads of households tend to spend less on health (8%) and healthy food (4.4%), while more on tobacco (7%).⁷¹

Figure 19. Families in SAS by number of members

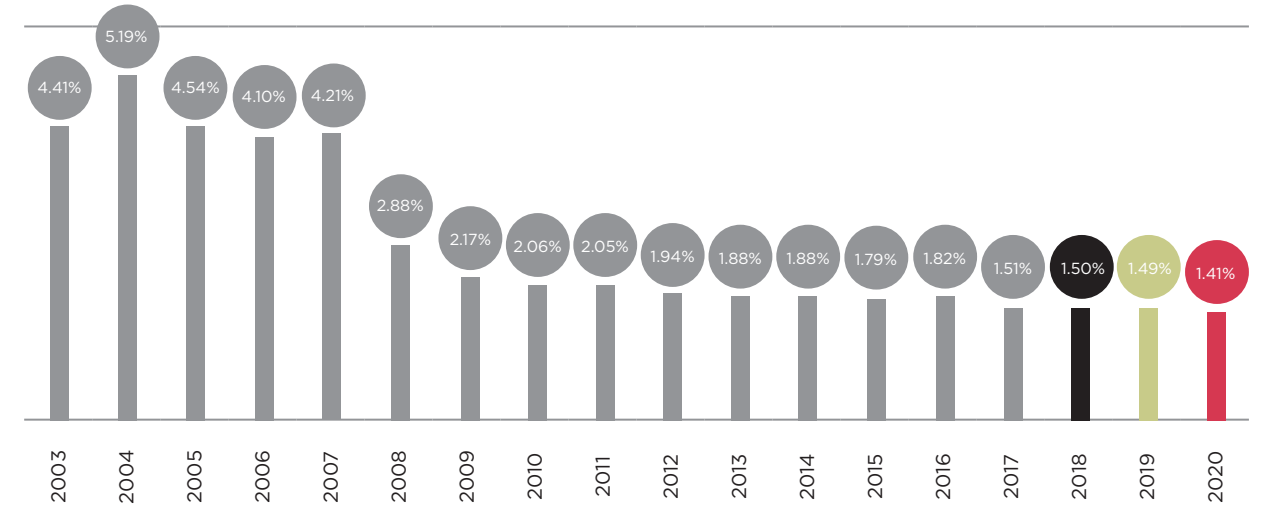


Source: MLSW 2017

71 The GAP Institute. Family budget management: women and men. October 2017. Source: <http://bit.ly/2zqGwi7>

The budget for social assistance schemes in addition to budget spending has been reducing from year to year. While in 2004 the SAS budget amounted to 5.19% of the total Government spending, according to budget planning for 2018 this will fall to 1.5% and will continue to fall in 2019-2020.

Figure 20. SAS budget in relation to total state budget spending 2003-2020

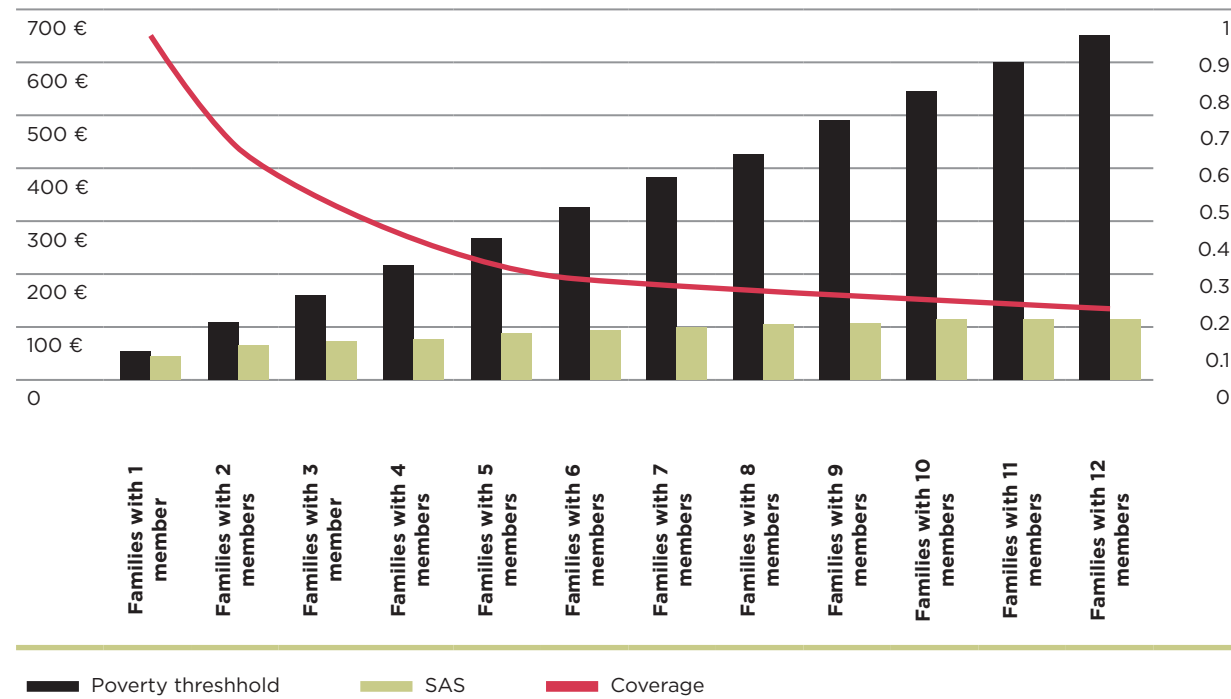


Because of the strict criteria, social assistance has a high level of targeting families in need, which makes it very difficult for the scheme to benefit families that do not meet the social assistance criteria. But SAS coverage is very small. If we take into account the 2015 poverty data, according to which 17.6% of the population lives in poverty with less than 1.82 Euros per day, or expressed in numbers of about 317 thousand people, it appears that the social assistance scheme covers only 34% of the poor population.

But even those who benefit from SAS do not get enough compensation to get out of the poverty line. Over 70% of households that depend on first-category social benefits remain in poverty.⁷² A five-member average family in Kosovo needs at least € 273 a month for basic spending to stay out of poverty, while SAS covers only 32% of these costs (€ 87.5). As the number of family members increases, the coverage declines.

72 KAS. Poverty in Consumption in the Republic of Kosovo 2011-2015. April 2017. Source: <http://bit.ly/2138Uk0>

Figure 21. SAS coverage versus poverty line



Eligibility criteria for social assistance are not sufficiently substantiated. The IMF affirms at least three major problems with technical and financial criteria to classify or not a family in social assistance:

- ✓ First, families in the second category of SAS are disqualified from the scheme at the time the child or their children reach the age of five. It is unclear what criteria were used when setting the age of five for children when considering that the cost of a child's family does not fall when he/she reaches five years of age. On the other hand, children are the most vulnerable to poverty.
- ✓ Employment of a family member removes second-category families from the scheme. This pushes many individuals to work in the informal sector.
- ✓ Families that have real estate over 0.5 hectares are disqualified from the scheme, even when they fail to generate income from that property.⁷³

The Ministry of Finance has announced a 20% increase in the categories covered by the SAS.⁷⁴ With the announced changes, as of next year payments by size of households should look like in the following table.

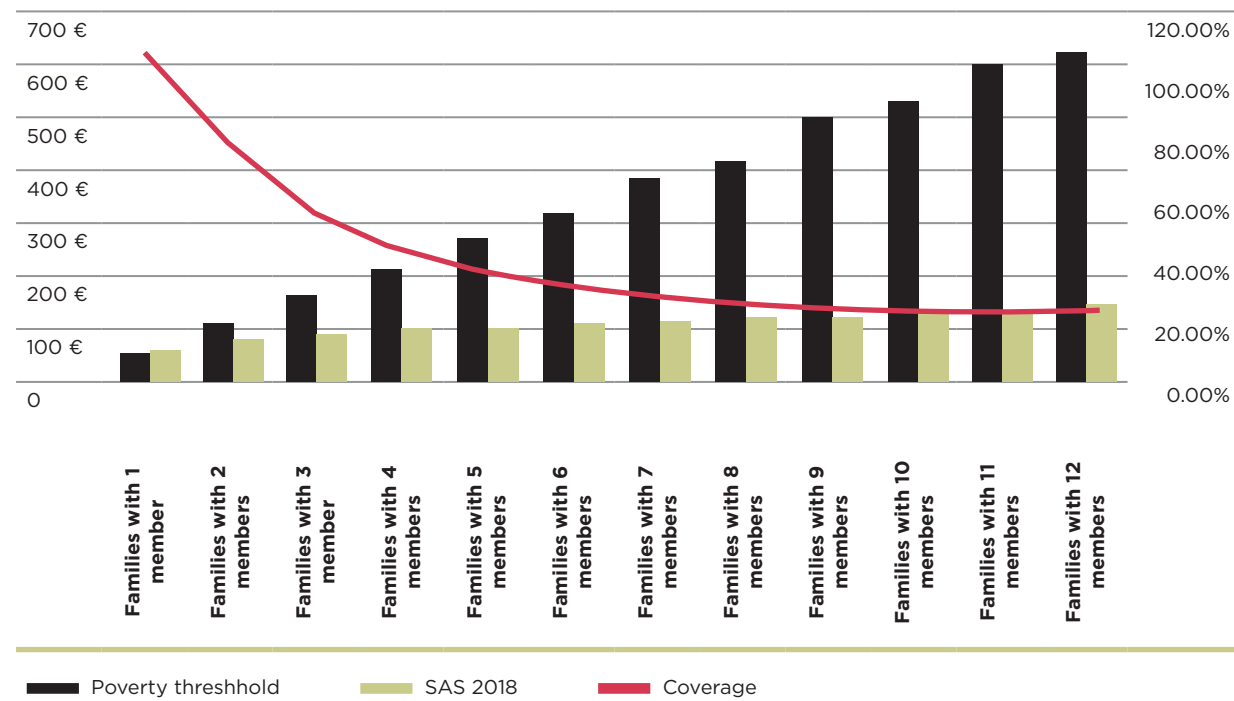
⁷³ IMF, Enhancing Social protection cash benefits. IMF country report no. 16/123. May 2016.
⁷⁴ KosovaPress. Interview with Bedri Hamza - Minister of Finance. 12 November 2017. Source: <http://bit.ly/2BITiel>

Table 9. Monthly compensation for families in SAS with the announced increase of 20%

No. of members in one family	2018
Family with 1 member	60 €
Family with 2 members	82.5 €
Family with 3 members	90 €
Family with 4 members	97.5 €
Family with 5 members	105 €
Family with 6 members	112.5 €
Family with 7 members	120 €
Family with 8 members	127.5 €
Family with 9 members	135 €
Family with 10 members	142.5 €
Family with 11 members	150 €
Family with 12 members	157.5 €

But neither will this increase be sufficient to bring families with social assistance out of poverty, as reflected in the following chart, which includes the 20% growth and the 2015 poverty line of 1.82 Euros per day.

Figure 22. SAS coverage against the poverty line after the announced increase of 20%



5.3. Pensions of KLA war veterans

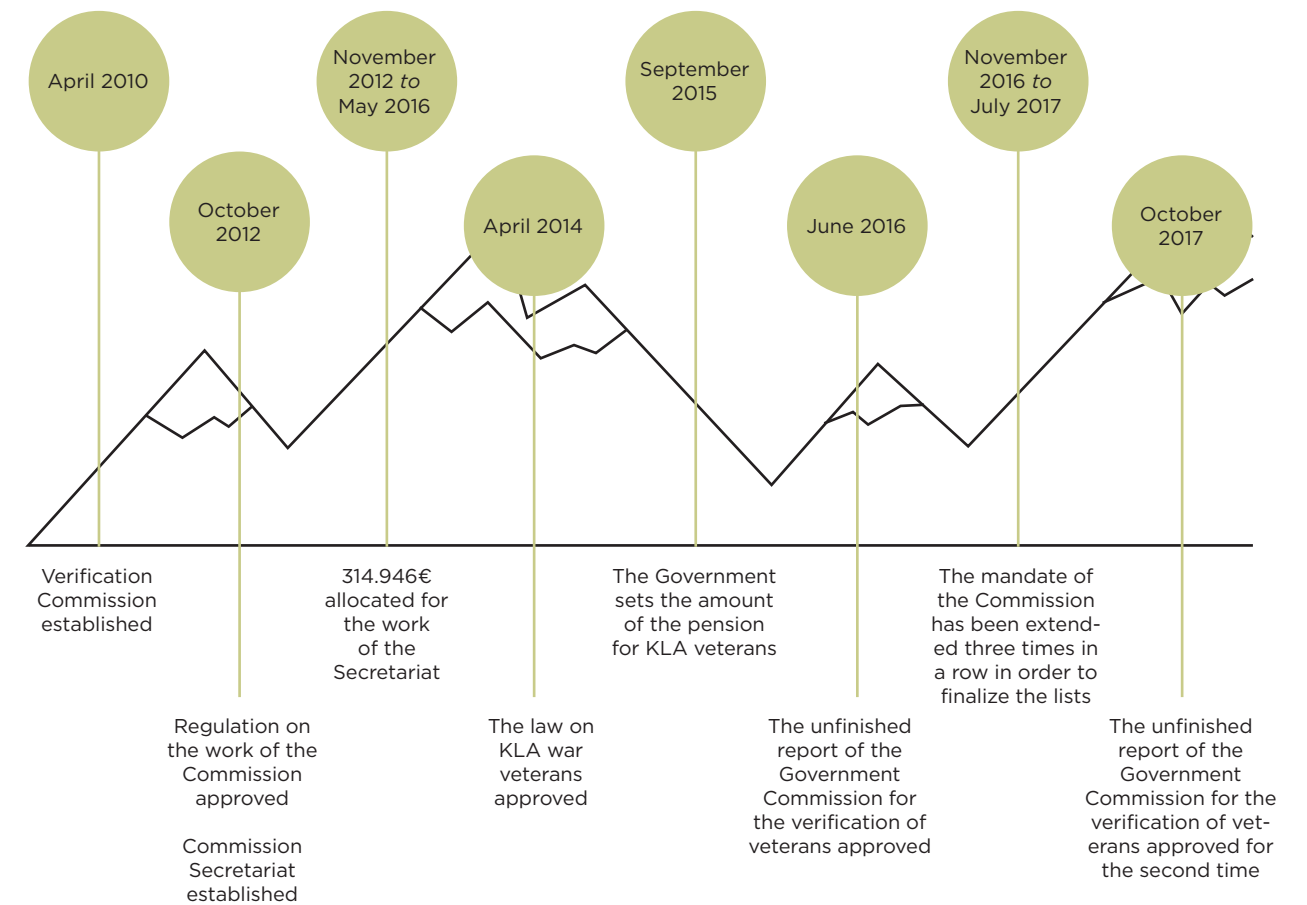
The process of verifying veterans' lists and KLA members started in April 2010. The government⁷⁵ required that the verification process be completed within the year, but no step was taken until October 2012, when the Government had approved the Commission's Rules of Procedure⁷⁶. This Regulation provides for the functioning of the Commission and application procedures to obtain one of the statuses of participation in the KLA war. In October 2012, the Commission Secretariat was also established⁷⁷, which serves as the technical support of the commission and admits veteran applications.

For the work of the Secretariat of the Commission for the verification of KLA veterans' lists, from 2012 to 2016, with five different decisions, the Government allocated 314,946 Euros. After more than five years of work and after spending more than 300,000 Euros, in June 2016, the Government approved⁷⁸ the Commission's work report, but the lists were still unfinished. The final list remains to be approved in the future. In order to conclude the lists, the Government extended the mandate of the Commission twice⁷⁹. On 27 October 2017, Haradinaj Government again approved an unfinished report of the KLA veterans' list.⁸⁰

75 Office of the Prime Minister. Decision No. 04/121 of 22 April 2010. Source: <http://bit.ly/2A2P8Zk>
 76 Official Gazette of the Republic of Kosovo. On the Government Commission for Recognition and Verification of the Status of National Martyr, Invalid, Veteran, Member or Internees of Kosovo Liberation Army. Source: <http://bit.ly/2yhGNnF>
 77 Office of the Prime Minister. Decision No. 09/97 of 24 October 2010. Source: <http://bit.ly/2z0ItPv>
 78 Office of the Prime Minister. Decision No. 05/90 dated 1 June 2016. Source: <http://bit.ly/2hfWbI7>
 79 Initially, with Decision 05/118 of 30 November 2016, the Government obliged the Commission to complete its work by 23 December 2016. Subsequently, Decision No.03/124 of 29 December was taken, requesting the Commission to complete the work until 20 January 2017.
 80 Office of the Prime Minister. Decision No. 11/50 dated 27 October 2017. Source: <http://bit.ly/2h0YC2T>

Law on KLA War Veterans⁸¹ was adopted in April 2014. The law categorises veterans in six distinct categories: war invalid, fighter veteran, deported KLA, KLA member, participant in the war. Although the law foresees the final lists of veterans for each category, it does not set a time limit for when this process should be completed. According to the Law, each veteran fighter who is verified by the Commission and who is not working is entitled to veteran pension. The amount of the pension is set annually but cannot be lower than the minimum wage.

Figure 23. Chronology of verification of war veterans



81 Official Gazette of the Republic of Kosovo. Law No. 04/L-261 on War Veterans of the Kosovo Liberation Army. Source: <http://bit.ly/1STtCcv>

Accordingly, in September 2015, through an executive decision⁸², the government determined the amount of pensions, based on the minimum wage, according to which KLA war veterans up to the age of 35 will be compensated by 130 Euros a month, while veterans over the age of 35 will be compensated by 170 Euros per month.

But seeing that compensation for veterans could exceed 1% of Kosovo's GDP, the IMF requested Kosovo institutions to amend the law. Thus, the Assembly approved the amendments in December 2016. With the amendment and supplementation of the Law on Veterans⁸³ in December 2016, a sub-categorisation of veteran fighters took place and the amount of compensation was introduced into law. According to these amendments, war veterans are divided into three sub-categories:

- ✓ **Category One:** KLA Fighter Veteran engaged from 1991 until the 5th of March 1998 and has been active until the day the war ended.
- ✓ **Category Two:** KLA Fighter Veteran, engaged in the war after the 5th of March 1998 and has been active until the day the war ended.
- ✓ **Category Three:** KLA Fighter Veteran, mobilized in the war after the 31st of March 1999 and has been active until the day the war ended, as well as KLA Fighter Veteran, engaged in the war from 1991, respectively after the 5th of March 1998, but who has not been active until the day the war ended.

Based on these categorisations, the first category will receive a pension of 250 Euros per month, the second category 170 Euros and the third category 120 Euros. This form of compensation will start applying only after the final categorisation. By then, veterans will be compensated according to the basic law, according to the minimum wage in Kosovo.

The basic law stated that veterans who are employed in public and private sector are not entitled to pension. Meanwhile, the law states that veterans who are not paid by the state budget or by public enterprises are entitled to a pension up to 50% of the amount. Also, with the amendment of the law, the maximum limit of compensation according to GDP is set, according to which pensions cannot exceed 0.7% of GDP.

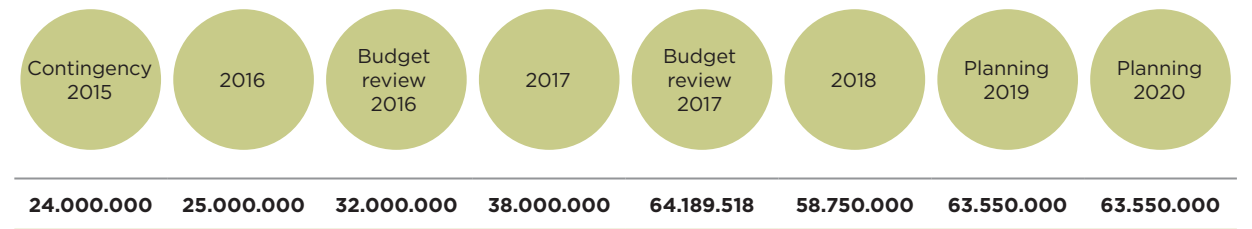
5.3.1. Budget for veteran pensions

For the first time, veterans' pensions were budgeted with the 2015 Budget Law, where a contingency of 24 million Euros was foreseen. But veterans began to receive pensions from 2016. With the Law on Budget of 2016, 25 million Euros were budgeted for veterans' pensions, which also grew by 7 million Euros in budget revision. In the Budget Law 2017, 38 million Euros were budgeted and it was said that this would be the maximum limit, but with the revision of the budget this amount increased by 69% and reached over 64 million Euros. The 2018 draft budget, which was approved at the end of October, foresees expenditure of close to 59 million Euros for 2018, while for the years 2019-2020 it is foreseen that this amount stabilises to 63.5 million Euros.

82 Office of the Prime Minister. Decision No.11/50 of 23 September 2015. Source: <http://bit.ly/2gYJMtZ>

83 Official Gazette of the Republic of Kosovo. Law No. 05/L-141 on Amending and Supplementing the Law No. 04 / L-261 on War Veterans of Kosovo Liberation Army. Source: <http://bit.ly/2gTUVBH>

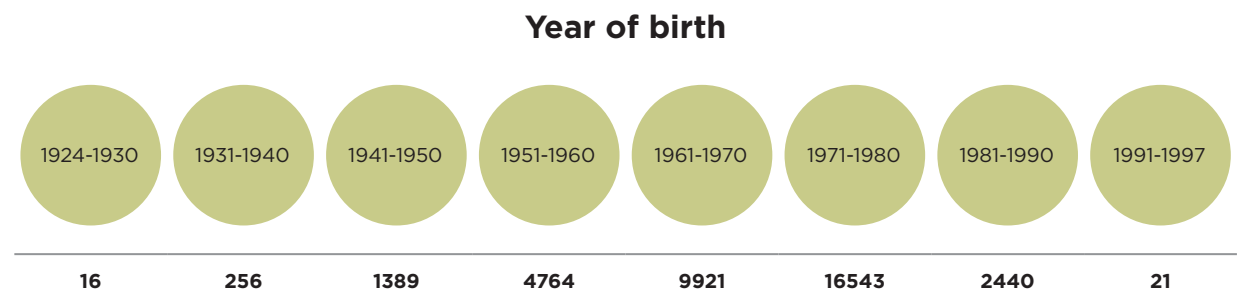
Figure 24. Budget for veteran pensions



At the beginning of 2017, veterans' pensions were received by 29,510 veterans, of whom 2,199 were women. In September, this number reached to 35,350 veterans, out of which 3,476 women.

The youngest beneficiary of a veteran pension is 20 years old, while the oldest recipient is 93 years old, born in 1924. But 75% of veteran pension beneficiaries were born between 1961 and 1980. Taking into account that according to the Law, the veteran's pension can also be withdrawn by the heirs, it is not known exactly how many beneficiaries are veterans' heirs. With the Law on KLA veterans it was decided that the heirs receive up to 70% of the veteran's pension, whereas with the amendment of the Law this amount is set at 250 Euros, equivalent to the first category of beneficiary veterans.

Figure 25. Veterans by age group

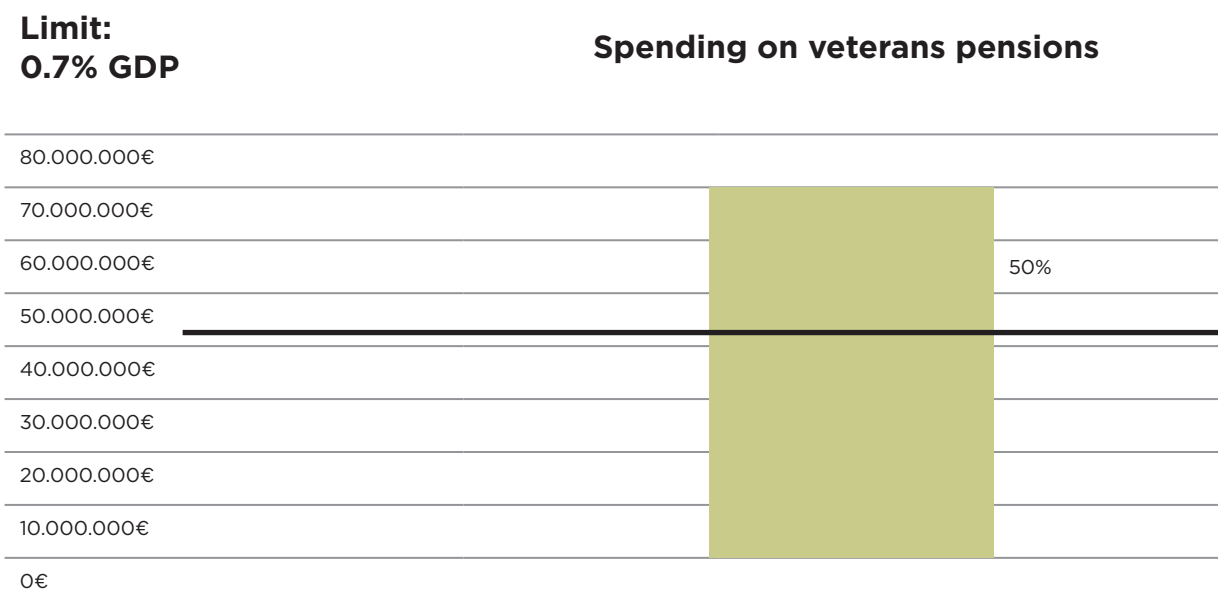


5.3.2. Manipulation with veteran lists and budget challenges

Even now the lists of veterans of the KLA war are not yet closed and it is unknown how many will their final number be. So far about 66,300 people have applied for veteran status. Veteran certificates were issued for about 46,230 persons. Upon the end of the war, according to the International Organisation for Migration data, the number of KLA fighters who disarmed in September 1999 was 24,577 fighters.⁸⁴

According to the law, the total budget for veteran pensions cannot exceed 0.7% of GDP within a year. But this rule has been violated since the first year, as Government projections with the 2017 Budget Law were exceeded and the total budget for veteran pensions increased to 64 million Euros. If we take into account the GDP of Kosovo for 2016, which is about 6 billion Euros, the total budget for veteran pensions should not exceed the amount of 42 million Euros. Thus, the budget for KLA veterans has exceeded 1% of GDP.

Figure 26. Pensions of veterans compared to GDP



These overruns are in contravention to the stand-by agreement between the Kosovo Government and the International Monetary Fund, which foresaw to not exceed the budget for KLA veterans over 0.7% of GDP.⁸⁵

84 Anna di Lellio & Gerantina Kraja. Who and how does he/she count the KLA soldiers? Sbunker.net, 6 September 2016. Source: <http://bit.ly/2ISGXfj>

85 IMF. Republic of Kosovo, Second and third reviews under stand-by arrangement. March 2017. Source: <http://bit.ly/2zw46tU>

Because the Law on Veterans does not provide for age limitation for beneficiaries, it may happen that over 11,000 veterans receive pension for a period of three decades, if based on the criterion of life expectancy in Kosovo, which according to KAS is 71 years old. If we take into account the age of all beneficiaries and the average pension amount of 170 Euros per month for the first three years (2018-2020) and 210 Euros for the coming years, approximately 2.5 billion Euros will be spent in the next 30 years.

Table 10. Projections of veteran pensions 2018-2047

Number of veterans	Pension of veterans (€)	Years	Average cost until 2047 in €	Average cost until 2047 in € with inflation
113	170	1	230.520	286.623
155	170	2	632.400	786.310
179	170	3	1.095.480	1.362.092
210	180	4	1.814.400	2.255.978
264	186	5	2.946.240	3.663.279
240	190	6	3.283.200	4.082.247
301	192	7	4.854.528	6.035.995
342	195	8	6.402.240	7.960.381
419	196	9	8.869.392	11.027.974
438	198	10	10.406.880	12.939.647
527	199	11	13,843,236	17,212,324
543	200	12	15,638,400	19,444,385
603	200	13	18,813,600	23,392,347
612	201	14	20,666,016	25,695,593
739	202	15	26,870,040	33,409,517
773	202	16	29,980,032	37,276,402
810	203	17	33,543,720	41,707,400
866	203	18	37,972,368	47,213,867
877	204	19	40,691,046	50,594,201
998	204	20	48,862,080	60,753,855
965	204	21	49,608,720	61,682,208
1.058	205	22	57,119,304	71,020,675
1.124	205	23	63,533,875	78,996,388
1.213	205	24	71,615,520	89,044,898
1.237	205	25	76,075,500	94,590,322
1.333	205	26	85,258,680	106,008,452
1.426	206	27	94,945,932	130,966,562
1.524	206	28	105,331,565	130,966,562
1.622	206	29	116,165,045	144,436,632
1.863	206	30	138,160,080	171,784,694
11.236	205	31	856,857,360	1,065,394,427
			2,042,087,399	2,539,079,007

The fact that veteran lists are inflated is accepted by almost all state leaders. Even the Chairman of the KLA Veterans Verification Commission admits that the lists are inflated.

In the Audit Report for 2016, the National Audit Office found that in 1,275 cases MLSW had allocated a pension also to veterans who are employed. Only for this state budget was damaged for 215,488 Euros.⁸⁶ These omissions have occurred despite the fact that for each month, before the payment of pensions, verification must be made with TAK and Trust to ensure that the beneficiaries are not in employed. According to unofficial information, the process of veteran verification is being investigated by the Prosecution.

In addition, the Auditor found that in 946 cases, veterans benefit from two pension schemes. In the most common cases, veterans also benefit from the social assistance scheme and the veteran's pension.

Table 11. Veterans beneficiary in more than one pension scheme

Pension Scheme	Number of payments	Financial damage (€)
Veterans beneficiary of the basic pension scheme also	42	3,375
Veterans beneficiary of the contributory pension scheme also	33	5,508
Veterans beneficiary of the PPD scheme	28	2,850
Veterans beneficiary of the KPC scheme	8	1,360
Veterans beneficiary of the Trepça scheme	1	105
Veterans beneficiary of the Social Assistance Scheme	834	84,130
Total	946	97,328 €

Source: Auditor Report for MLSW 2016

The law on war veterans of the KLA does not take into account the social status of veterans. Unlike social assistance schemes where a more rigorous procedure is followed with regards to who can be included in the scheme, a veteran's pension is provided to all those who receive a veteran's certificate and who are not employed in the public sector. The veteran's pension is not limited to age either. According to the IMF, this motivates employees to leave their jobs, seek a job, or work in an informal economy where taxes are not declared to TAK or to KPST.⁸⁷

86 National Audit Office. Audit Report on the annual financial report of MLSW for the year ended on 31 December 2016. Source: <http://bit.ly/2y6tthM>.

87 IMF. Republic of Kosovo, Second and third reviews under stand-by arrangement. March 2017. Source: <http://bit.ly/2zw46tU>

Two other countries that spend large amounts from their state budget for war veterans' pensions are also Bosnia and Croatia. According to World Bank data, these two countries spend up to 2% of their GDP for war categories pensions, including war invalids, veterans' families, and so on.⁸⁸ The final list of war veterans in Croatia contains about 500,000 names.⁸⁹

The Law on KLA veterans is largely adapted to the Croatian model for compensation of war veterans. This system is mainly based on 'passive compensation', or provision of financial assistance, rather than active measures for the economic and social empowerment of former participants of the war.

Spending large amounts of money into veteran pension schemes is another form of clientele approach, or even of "capturing social schemes". Changing the veterans' pension scheme will be extremely difficult even due to the harsh opposition from war-related associations. Nevertheless so far, there have been no serious attempts by political parties, either by those in power or those in opposition to propose non-financial forms of assistance to KLA veterans.⁹⁰

5.4. Pensions of victims of torture and sexual violence

In 2014, the Kosovo Assembly amended the Law on the Status and Rights of Martyrs, Invalids, Veterans, KLA members, civilian victims and their families, thereby including also the victims of sexual violence of the war.⁹¹ Victims of sexual violence are considered to be persons who survived torture and sexual violence within the period 27 February 1998 to 20 June 1999. It is estimated that there are about 20,000 victims of sexual violence, but the exact number remains unknown. Victims of sexual violence of war will benefit all the rights provided by law that all civilian victims, families of martyrs, invalids, veterans benefited so far.

Involvement of victims of sexual violence in the law was followed by numerous controversies on the part of representatives of the war veterans' associations and some members of the Kosovo Assembly.⁹² Some refused to attribute the legitimacy of the war victims to these victims, some thought that financial support for this category would be a big loss to the budget, and there were even those who proposed medical examinations in order to verify the truthfulness of these women's confessions. This war category continued to be one of the most vulnerable, neglected and shamed categories both by institutions and society.

Despite the fact that the law provided that within six months from its entry into force, sub-legal acts shall be issued and a government commission for the recognition and verification of victims of sexual violence would be established, the Government failed to respect these deadlines. The regulation on determining procedures for recognizing the status of a sexual violence victim was approved almost two years later, in February 2016.⁹³ A nine-member government verification committee was established in April 2017⁹⁴, while the three-member secretary of the committee was established in November 2017⁹⁵.

88 World Bank. Social safety nets in the Western Balkans: design, implementation, and performance. Source: <http://bit.ly/2y90cTs>.

89 Paul Stubbs & Sinisa Zrinscak. Citizenship and Social Welfare in Croatia: Clientelism and the limits of 'Europeanization'. European Politics and Society, 2015. Vol.16, No.3. Page 395-410.

90 Paul Stubbs & Sinisa Zrinscak. Citizenship and Social Welfare in Croatia: Clientelism and the limits of 'Europeanization'. European Politics and Society, 2015. Vol.16, No.3. Page 395-410.

91 Official Gazette of the Republic of Kosovo; Law No. 04 / L-172 on Amending and Supplementing the Law No. 04/L- 044. Source: <http://bit.ly/2zOWWSa>

92 https://www.youtube.com/watch?v=hzBUYG8hQ_s

93 Official Gazette; Regulation No.22 / 2015 on the Establishment of Procedures for the Recognition and Verification of the Status of Victims of Sexual Violence during the Kosovo Liberation War, Source: <http://bit.ly/2zOWWSa>

94 Office of the Prime Minister, Decision No. 06/143, dated 28 April 2017. Source: <http://bit.ly/2zQpl4L>

95 Office of the Prime Minister, Decision No. 05/14, dated 15 November 2017. Source: <http://bit.ly/2zPcsxz>

The Regulation defines the application procedures and the form to be filled in. Pursuant to this regulation, the Commission examines forms submitted by victims of sexual violence without the need for victims to be present in person. In certain cases, if the Commission deems it necessary, in person presence of the victim may be required. Due to the sensitivity of the cases, when the physical presence of the victims is requested, only three of the commission members will attend. Despite the fact that the drafters of the Regulation have attempted to protect the victims' identity and save them from their presence in person during the verification process, after being granted the personal pension, victims are required to report every six months at the regional offices of the respective Department of Martyrs' Families and War Invalids (DMFWI). Taking into account the functioning of the DMFWI where the work premises do not guarantee privacy for victims, the obligation to report every six months may present additional psychological pressure to victims of sexual violence.

The verification process will last five years, starting from the date of the commission's establishment and is expected to be completed in 2022. In the 2018 Draft Budget, there is one million Euros budgeted for the pensions of victims of sexual violence, whereas in November 2017, the Government also decided on the actual pension amount of 230 Euros. Based on budget allocations, the Government does not expect the number of victims of sexual assault victims to be over 350 persons. By the end of November 2017 there were no applications, but the Commission expects up to one thousand persons to apply in the beginning of 2018.⁹⁶ If only half of the victims of sexual violence apply for pension, the annual budget for this category will be around 28 million Euros.

5.5. Social Services

Social services are regulated by the Law on Social and Family Services.⁹⁷ Social services are provided by the Centres for Social Work (CSW) which are established and managed by municipalities. While at the central level, the responsible entity is the Division for Social Services within the Department of Social Welfare in MLSW. CSWs provide services aimed at supporting people and families in need, such as children with non-social behaviour, children without parental care, juvenile delinquency, care for the elderly who do not have family care, treatment of domestic violence cases, victims of trafficking, etc.

In addition to the elderly and mental health care institution, from January 2009 all community-based institutions have shifted under municipal management. With the Law on Local Self-Government, municipalities have their own competencies regarding the provision of social services. However, due to budget constraints, financial transfers are still made by the MLSW. For the purpose of allocating the specific grant to the municipality for social services, like it is the education and health grant, amendment of the Law on Public Financial Management and Accountability has been proposed for several years now, which would include the Social Services Grant. Although the Government of Kosovo has undertaken the obligation that this law will be amended within NPISAA during 2016, this has not happened yet.

Also under the National Plan on the Implementation of Stabilization and Association Agreement NPIASS, the Government has taken the obligation of amending and supplement the Law on Social and Family Services and the adoption of a new law on care for the elderly, but neither of these laws has been adopted and it is not expected that they will be adopted before 2019.⁹⁸ For some of the social services, MLSW has signed a cooperation agreements with non-

governmental organizations licensed to provide social services. So far, about 15 such NGOs have been licensed to carry out tasks assigned under the MLSW mission. However, there is no specific grant to fund non-governmental social service providers, as promised under NPISAA.

96 Minire Begaj; Chair of the Commission for the Verification of the Status of Victims of Sexual Violence of War. Pronunciation for Radio Free Europe, 25 November 2017. Source: <http://bit.ly/2j1wsT7>

97 Official Gazette; Law No. 02 / L-17 on Social and Family Services, amended and supplemented by Law No. 04/L -81. Source: <http://bit.ly/2zzhVUW>

98 Interview with Bajram Kelmendi - Director of the Division for Social Services, 27 November 2017, Prishtina

PENSIONS

6. Pensions

After the war, Kosovo has established a new pension system. The basics of this system were introduced at the end of 2001 by UNMIK Regulation 2001/35 on Pensions.⁹⁹ Pension system in Kosovo consists of three pillars:

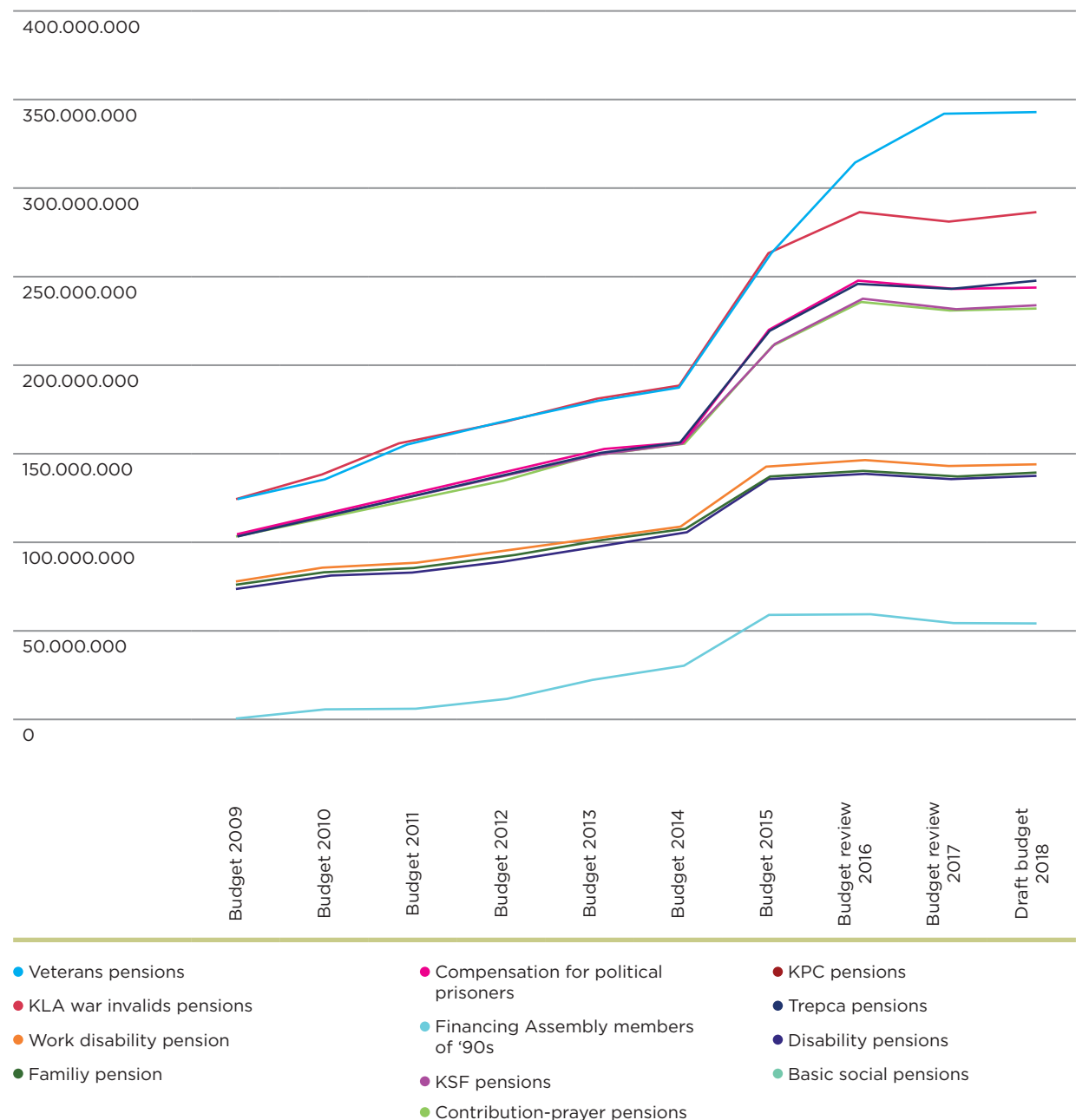
- ✓ Basic age pensions, which are automatically paid to all persons who reach the age of 65, regardless of their social status and employment history.
- ✓ Individual contributions of employees administered by the Pension Savings Trust (Trust). Every employee must allocate 10% of the salary (5% paid by employee and 5% paid by the employer). Pension contributions are invested by Trust in order to increase the value and can be withdrawn when the reaching the age of 65.
- ✓ Voluntary pension contributions, which may be made by volunteer employees in one of the private pension funds licensed by the CBK.

With small changes, the pension scheme set up in 2001 continues to apply even nowadays. The Pension Department within the MLSW is responsible for the administration of pensions paid by the state budget.

In addition to age pension, other pension schemes, such as the scheme for former members of the Kosovo Protection Corps, early retirement scheme for former members of the Kosovo Security Force, early retirement scheme for pensions of Trepça etc, are also applied. Upon the approval of the Law on State-funded Pension Schemes¹⁰⁰ a number of pension schemes were unified into one law, including age pensions, age contributor pension, disability pensions, early retirement pensions, family pensions and work disabilities.

99 UNMIK Official Gazette; Regulation 2001/35 on Pensions in Kosovo, December 2001. Source: <http://bit.ly/2Bx2Ggm>
100 Official Gazette; Law No. 04/L-131 on state-funded pension schemes, Source: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=9517>

Figure 27. Annual Expenditures for Different Pension Categories







From 2018, the provision of family pensions, disability pensions and pensions of the parliamentary members of the 90s will start. The family pension and the invalidity pension are foreseen by the Law on State-funded Pension Schemes and according to this law, implementation should have started from 1 January 2015. But due to budgetary constraints, so far this was not possible. Family pension is a regular monthly pension paid in the event of the death of the employee to his/her family members. While disability pension is the regular monthly pension, paid to persons who suffer from work related injury or professional-related illness sustained during the employment. In 2016 there were 340,553 individual beneficiaries of various social schemes.

Figure 28. Number of beneficiaries under social schemes

Age pensioners	Persons in the social scheme	Contribution-prayer pensioners	War veterans	Persons with disabilities	Martyrs and invalids	Blind persons	Trepca miners	Families with children with disabilities	KPC pensioners	KSF pensioners
120.017	107.575	41.315	28.207	19.833	12.680	3.627	3.412	2.737	932	218

Prior to 2 years anniversary from the entry into force of the Law on State-funded Pension Schemes, the MLSW had requested the approval of a new law. According to the Concept Paper on Regulation of the Pensions Area, the new law should meet the following objectives:

-  Review of eligibility criteria for pension rights and benefits for all citizens over 65 who benefit from current pension schemes;
-  Guaranteeing and providing state-funded pensions for all citizens who are permanent residents of Kosovo and foreign nationals who do not receive pensions and income from any other public or private scheme, inside and outside of the country;
-  Establishing opportunities to initiate negotiations and signing of bilateral agreements on social security in the pensions' area with several EU countries;
-  Preventing the misuse of pensions through the establishment of supervisory mechanisms for retirees and their family members who generate income in violation of the applicable legal basis.¹⁰¹

Despite being part of the 2016 and 2017 legislative programs, by December 2017, the Law on Amending and Supplementing of the Law on State-funded Pension Schemes is not yet adopted by the Government.

101 Government of Kosovo; Decision No. 02/81 on the Approval of the Concept Paper on Regulation of the Pensions Field, March 2016. Source: <http://bit.ly/2AiRXIH>

6.1. Age and Contributory Pensions

Due to the wars in the former Yugoslavia, elderly citizens of Kosovo had lost their pension savings. Out the 107,000 persons over the age of 65, around 65,000 of them received work contributory pension, modelled on the “pay as you go” model.¹⁰² For the purpose of alleviating the burden of old age, it was decided to that every person of 65 years shall be provided with a basic age retirement pension. Initially this amount was set at 28 Euros per month, reaching 75 Euros from 2014 onwards.

Since 2008, the elderly over the age of 65 who have contributed for at least 15 years to the former Yugoslavian pension system and who can present documentary proof will receive an additional pension of 35 Euros per month, whereas from 2016, the application of the criteria for the level of contributory pensions based on the education level.

Table 12. Number of pensioners, monthly pension rate and annual budget for age pensions

Year	Number of pensioners and budget for categories of age pensions and contributory pensions							
	Total	Social Pensioner	Contributory Pensioner	Monthly rate of Basic Pension (€)	Contributory Pension Rate (€)	Annual budget for basic pensions (€)	Annual Budget for Contributory Pensions (€)	Total (€)
2002	93,087	93,087	-	28	-	31,277,232	-	31,277,232
2003	108,279	108,279	-	35	-	45,477,180	-	45,477,180
2004	116,932	116,932	-	40	-	56,127,360	-	56,127,360
2005	124,893	124,893	-	40	-	59,948,640	-	59,948,640
2006	127,356	127,356	-	40	-	61,130,880	-	61,130,880
2007	131,874	131,874	-	40	-	63,299,520	-	63,299,520
2008	166,621	138,847	27,774	40	75	66,646,560	24,996,600	91,643,160
2009	153,230	130,347	22,883	45	80	70,387,380	21,967,680	92,355,060
2010	140,226	109,585	30,641	45	80	59,175,900	29,415,360	88,591,260
2011	139,560	107,145	32,415	45	80	57,858,300	31,118,400	88,976,700
2012	147,765	113,043	34,722	50	101	67,825,800	42,083,064	109,908,864
2013	153,057	117,042	36,015	60	112	84,270,240	48,404,160	132,674,400
2014	164,534	125,883	38,651	75	140	113,294,700	64,933,680	178,228,380
2015	172,365	132,000	40,365	75	140	118,800,000	67,813,200	186,613,200
					158*			
					172**			
2016	161,332	120,017	41,315	75	186***	108,015,300	84,540,406	192,555,706
					230****			
2017						114,202,807	89,713,800	203,916,607
2018						116,276,788	89,891,647	206,168,435

158* Primary education, 172** Secondary education, 186*** Higher education, 230**** University education

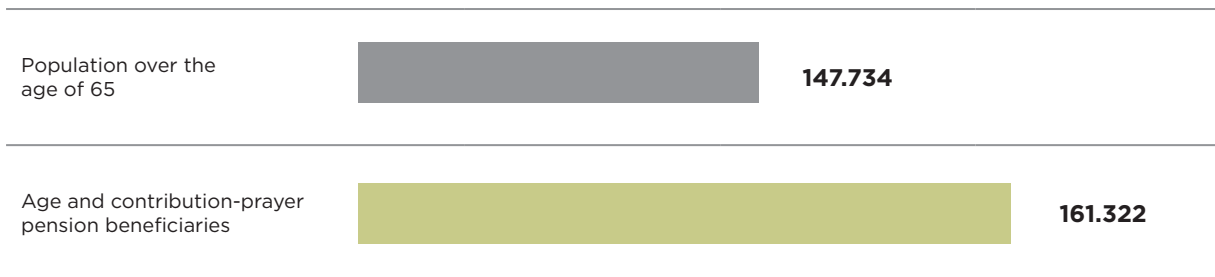
102 Government of Kosovo; Decision No. 02/81 on the Approval of the Concept Paper on Regulation of the Pensions Field, March 2016. Source: <http://bit.ly/2AiRXIH>

Age and contributory pensions account for 60% of the budget allocated to social schemes, or 3.25% of the country's GDP. Although the law foresees an indexation of the pension rate depending on the consumer price changes, such an automatic indexation does not exist, but is done on an ad hoc basis in different periods.¹⁰³

The same person cannot benefit from two schemes at the same time. Nevertheless, old-age pensioners and the contributory ones can benefit simultaneously from other pension schemes, such as savings from the Trust or from foreign pensions. Thus, the age pensioners, who do not have at least 15 years of work experience in the former Yugoslavia's pension system, do not have post-war savings and do not receive foreign pensions, face a more serious social situation. The 75 euro age pension is sufficient to pass the poverty line regarding consumption, but it is insufficient if the medical expenses and utility costs such as (electricity, water, heating, waste) are included. Housing costs account for 29% of all households' annual expenditures, while medical expenses account for 3% of spending.¹⁰⁴ Elderly people have the tendency to have more health-related expenses.¹⁰⁵ With changes in the fiscal package in 2015, VAT on medicines increased from zero to 8%, which affected the reduction of purchasing power of the elderly.

On the other hand, despite the fact that the law specifies that pension beneficiaries should be permanent residents of Kosovo, according to official data there are more beneficiaries than there is population over the age of 65. In 2016 there were 161,332 beneficiaries of the age pension and contributory pension, while according to the calculations of KAS in 2016 there were 147,734 citizens over the age of 65¹⁰⁶.

Figure 29. Population over 65 years versus age pension beneficiaries



Source: ASK

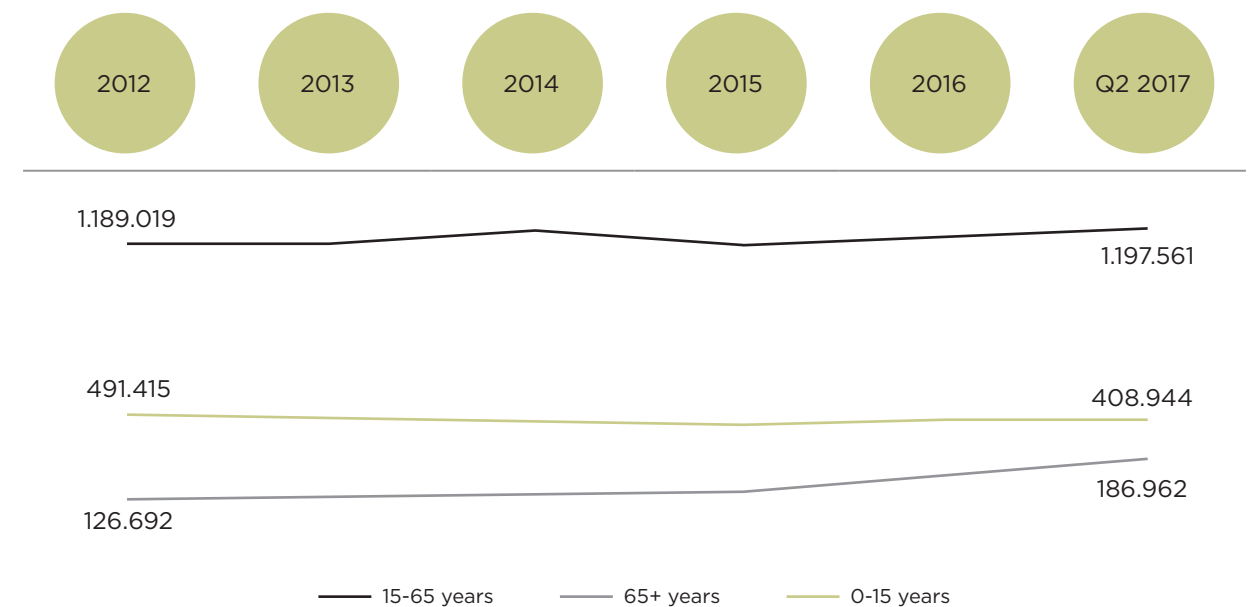
103 IMF, Enhancing social protection cash benefits. May 2016. Source: <http://bit.ly/2hfgucB>
 104 KAS, Results of the Household Budget Survey 2016. Source: <http://bit.ly/2AI3ORq>
 105 GAP Institute, Family Budget Management: Women and Men. October 2017. Source: <http://bit.ly/2zqGwi7>
 106 KAS, Population Forecast of Kosovo 2011 - 2016. Source: <http://bit.ly/2j3VuB9>

According to MLSW, the criterion of being a permanent resident of Kosovo is not sufficiently adhered by a large part of Kosovo's citizens who live abroad and for whom according to applicable laws in Kosovo, the matter of being a permanent resident of Kosovo, leaves plenty of room for abuse.¹⁰⁷

With the Concept Paper on the regulation of the pension area, the MLSW justified the change of the age pension scheme, which from the age-based criterion would shift to socially condition criterion. Consequently, not all persons who reach the age of 65 would be entitled to a pension if they have other sources of income. In addition, with legal changes, as mentioned above, MLSW seeks to apply more rigorous measures for non-resident pensioners in Kosovo who continue to receive the age pension.

An additional reason why the legal basis for age pensions should be changed is the ever-increasing budget burden due to the increment of number of elderly people. Kosovo is one of the countries with the youngest population in Europe and with the highest birth rate, with 66% of the working age population and only 10% of the population over 65 years of age. But if we analyse the data from the last five years, we can see that there is an increase in the population over the age of 65 and a decrease in the population under 15.

Figure 30. Changes in the Age of Population 2012 - 2017

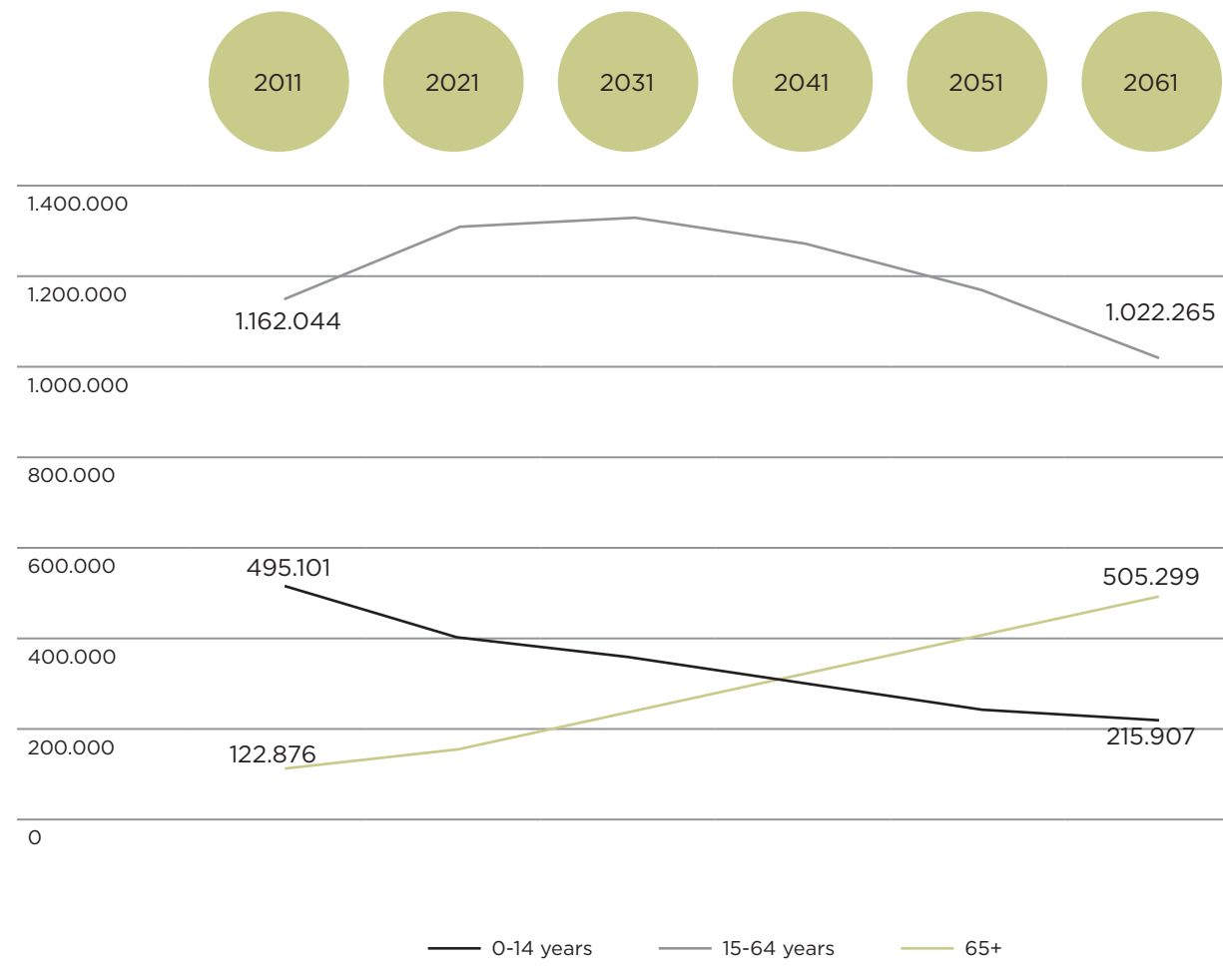


Source: ASK, Labour Force Surveys 2012 - 2017

107 Government of Kosovo, Decision No. 02/81 on the Approval of the Concept Paper on Regulation of the Pensions Field, March 2016.

If we rely on population projections for the years 2011 - 2060, the decline in the total number of population and the increase in the average age of the population is a result of the birth rate decline, lifespan growth and increase of emigration.

Figure 31. Changes in the Age of Population 2012 - 2017



Source: ASK

According to the World Bank, the number of working age people who support a pensioner will drop from 10 that is today to only 4 in 2050.¹⁰⁸ If we rely on the increasing number of pensioners and calculate the budget for pensions, with the current 75 euro pension base and calculate an annual pension increase of 2%, by 2036, for example, only for age pensions the budget will be over 405 million Euros.

¹⁰⁸ World Bank, Republic of Kosovo – Systematic Country Diagnostic, January 2017.

6.2. Pension Savings

The second pillar of the pension system is regulated by the Law on Pension Funds of Kosovo. Although the second pillar of the pension system is completely managed separately from the state budget, pension savings have a major impact on the current pension system paid by the state budget.

Every employed citizen of Kosovo is obliged to pay 5% of his/her salary as savings in the Savings Pension Fund (Trust) and the employer contributes 5%. The employer and the employee can voluntarily increase this contribution by up to 10% each. Savings to Trust are not allowed for foreign nationals who are working in Kosovo. This exclusion from the savings of foreign nationals can pose problems when signing social security agreements with other countries.¹⁰⁹

Pension savings are invested in international markets in order to preserve and increase their value, as opposed to inflation. In 2016, return on investment was 4.4%, three times higher than the Consumer Price Index of 1.3%.¹¹⁰ In 2016 there were 312,672 active contributors, whose average age was 40.7 years. Due to unstable employment, not all contributors contribute actively throughout the year or for more than a year, while in 2016 first-time contributors were 32,055 persons, 36,922 others paused, not including those who reached retirement age. Due to low salaries, pension contributions are not enough to provide enough pensions for a long period of time.

On the other hand, a large number of contributors tend to contribute to Trust after the age of 40. In 2014, 13.9% of the first-time contributors were over 40 years old, in 2015, 14% of the first-time contributors were over 40 years old, while in 2016, these type of contributors increased to 14.6%. In total for three years, 11,859 people started contributions after the age of 40. These people, even if they can work uninterruptedly for 25 years until retirement age, with the current average salary in Kosovo, they will not have enough savings. According to the Trust's data for 2016, the average balance of contributions is 2,795 Euros, while for active contributors it's 3,979 Euros. On average, the contributors have less than 4,000 Euros in pension savings, or income of 200 Euros for 20 months after retirement. After 20 months they will depend on the old-age pension that the government shares.

In the annual reports of Trust, calls are made to increase pension contributions. If it is assumed that the Trust's share price each month will increase at a constant rate of 4% per annum, a person who is hired on his 25th birthday and contributes to the legal minimum for 40 years until retirement will have a balance accumulated in his/her Trust account of € 18,142. However, given that inflation erodes the value of money, if inflation is e.g. 2% per annum, the present value of that balance would be € 8,216. This value, spared through minimal contribution, would be insufficient to buy an economically advantageous life annuity. In the present circumstances, such a person would retire in the phased withdrawal program, with the possibility of withdrawing an initial payment of 20% of the total balance, withdrawing the remaining amount from € 200 per month, which is not sufficient not even for 4 years.¹¹¹

¹⁰⁹ Government of Kosovo, Decision No. 02/81 on the Approval of the Concept Paper on Regulation of the Pensions Field, March 2016.

¹¹⁰ Kosovo Pension Savings Trust, Annual Report 2016, Source: <http://bit.ly/2AkgfzV>.

¹¹¹ Kosovo Pension Savings Trust, Annual Report 2016.

**SOCIAL
DIALOGUE**

7. Social Dialogue

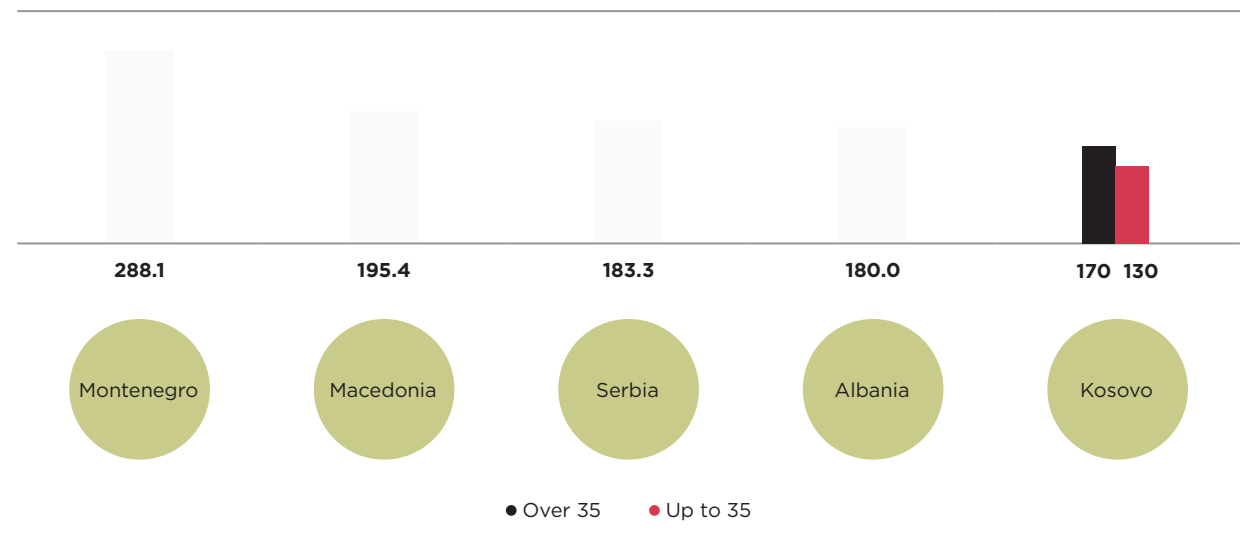
In order to develop social dialogue between employees and employers, the Law on Economic and Social Council¹¹² is a Council composed of 15 members: five representatives from the employees' organizations, five representatives from employers' organizations and five representatives from the Government of Kosovo. The Economic and Social Council (ESC) is a national level body, which conducts consultations and provides proposals to competent bodies on labour affairs, social welfare and other issues related to economic policies in Kosovo.

ESC meets once a month. For their participation in the meetings of the ESC, members are compensated with the equivalent of 10% of the salary of a minister, whereas for their engagement in professional commissions the compensation is equal to 10% of the salary of a secretary general of the ministry. According to this formula, monthly compensation for participation of ESC member is 140 Euros per month, while for their engagement in the professional commissions is 105 Euros per month. If we consider the discussion agendas¹¹³ and the results from the meetings of ESC¹¹⁴, we can see that ministers do not participate regularly in meetings, certain topics are discussed continuously for years without any concrete results, meetings are also held on occasions when the topics in the agenda include only visits abroad, and concrete results are considered website design, logo design, ESC stamp design, participation to meetings, etc.

In 2011, ESC set the minimum two-step salary: 130 Euros for persons up to 35 years and 170 Euros for persons over the age of 35. Kosovo is the only country in Europe that has salary scales based on employee's age, while there are countries applying different minimum rates according to the employment sector.¹¹⁵ It remains unknown how the minimum salary was decided, because in 2011 there was no legal basis for setting the minimum salary. Administrative Instruction on the criteria and procedure for determining the minimum wage has entered into force in 2013.¹¹⁶ According to this Instruction, the minimum salary may be revised in December of each calendar year if these two conditions are met: if annual consumer price increases of more than 2% per annum and if the effective exchange rate of which is published by CBK is less than 0.5%. In the period 2012 - 2016, the accumulated inflation is 4.5%. From 2011 there was no change in the minimum salary in Kosovo. In 2013, social partners agreed that the minimum salary would be 220 Euros, regardless of age, but this never received the government approval.¹¹⁷ The minimum salary in Kosovo is the lowest compared to the countries of the region.

112 Official Gazette, Law No. 04 / L-008 on the Social and Economic Social Council, Source: <http://bit.ly/2jwzf5V>
 113 UITUK; UITUK activities for 2013, Source: <http://bit.ly/2ijCwcf>
 114 SEC. SEC Work Report for May 2013 - May 2014. Source: <http://bit.ly/2Bx7ltg>
 115 An example of this is Cyprus. Source: IKS report on minimum wage, <http://bit.ly/2AhppiN>
 116 Official Gazette, Administrative Instruction No. 09/2013 on the Criteria and Procedure used in Establishing the minimum wage in the Republic of Kosovo. Source: <http://bit.ly/2Aim5nl>
 117 UITUK, Report from the meeting of ESC, December 2012. Source: <http://bit.ly/2nf2QpU>

Figure 32. Minimum salary in the countries of the region*



*24,000 Lek in Albania, 22,000 Dinars in Serbia, 12,000 Denars in Macedonia

According to the Law on Labour, in order to advance and clarify the rights of employees, employers' and employees' organizations may sign collective agreements.¹¹⁸ In 2014, the social partners represented at ESC signed the Collective Agreement which should begin implementation from 1 January 2015. But by the beginning of 2015, the agreement was suspended by the Minister of the MLSW after complaints that the Agreement is in contradiction with the Law on Labour, as it foresees its implementation also from those who are not signatories to the agreement.

The work of ESC has been criticized for several years in the European Commission reports for Kosovo. Workers' unions are divided, while employers' organizations are minimally represented.¹¹⁹ Amending and supplementing the Law on Economic and Social Council has been required repeatedly. According to the NPISAA, it was foreseen that by the end of 2016 the new Law on ESC would be approved and the Strategy for Economic and Social Council would be approved.¹²⁰ Legal amendments are foreseen to establish clearer criteria for membership in ESC. Also, the new Law on ESC is foreseen to transpose EU Directives, especially those for the establishment of the Employment Committee (2000/98/EC) and the Directive on the Establishment of the Tripartite Social Summit (2003/174/EC).

The draft law amending and supplementing the Law on ESC was included in the Government's legislative program for 2015 and 2016, but it did not reach the Assembly until the end of November 2017.

118 Official Gazette, Law No. 03 / L-212 on Labour, Article 90. Source: <http://bit.ly/2jx6Pc3>
 119 European Commission, Kosovo 2016 Report. Source: <http://bit.ly/2INRFCl>
 120 Kosovo Government, National Plan for the Implementation of the SAA. March 2016: <http://bit.ly/2Ae6GnX>

CONCLUSION

8. Conclusion

The findings of this report show that employment and social welfare policies occupy a considerable place in strategic documents and government programs, but their implementation is still at a low level. Some of the reasons for this low level of implementation of measures related to employment and social welfare are related to institutional instability, frequent changes at the head of decision-making institutions as a result of early elections, lack of political will, non-harmonization of activities and objectives with budget allocations and pressure from certain groups of society.

With the Stabilization and Association Agreement, Agenda for European Reform and the Economic Reform Programs, the Kosovo Government has pledged to address the challenges of unemployment and social welfare, but in the last two years when the implementation of these agreements started, institutions have done very little towards achieving these goals.

The budget of over 400 million Euros a year allocated for various social schemes would be enough to bring all citizens out of poverty. Nevertheless, only a very small part of this amount (8.3%) goes to the poorest categories. The rest goes to financing schemes based on categories thus, not necessarily the poorest categories benefit. The implementation of social schemes by categories, without taking into account the social status, has influenced the growth of social transfers to the detriment of the poorest categories. While category-based schemes have gone increasing, poverty rates have remained almost the same.

Pensions of KLA war veterans' best represent the phenomenon of influence on policies by different interest groups affiliated to different political parties, whereby state institutions are subjected to the pressure of a particular category. By the end of 2017, the budget for war veterans has exceeded 1% of GDP. Over 35,000 persons receive veterans' pensions, while over 66,000 have applied to obtain this status. Verification of veterans' lists, initiated nearly eight years ago, has not yet been completed. Institutional leaders admit that the lists are inflated and that a large part of the beneficiaries have never been part of the war. But this has not prevented institutions from interrupting pensions for veterans.

On the other hand, war veterans and some parliamentary members of the Kosovo Assembly have firmly opposed granting of pensions to victims of torture and sexual violence. After a great institutional resistance, this category will begin receiving pensions from 2018 and the budgeted amount of one million Euros will suffice to compensate 350 victims only. The Commission for the Verification of the Status of Victims of Sexual Violence expects up to one thousand persons to apply at the beginning of 2018.

Social benefits of between 50 and 150 Euros per month are not enough to bring individuals and families out of poverty. Even after receiving social assistance, over 70% of these families continue to live in poverty. In addition, due to rigorous criteria, only 35% of families in poverty managed to be included in the Social Assistance Scheme. Poverty is higher among households with women-headed households, families with many children, families from minority communities, families who do not have any person employed or do not receive any remittances.









Social policy in Kosovo is based on money transfers, very little in social investments, either in human capital or in infrastructure that supports social services. The process of decentralizing social services did not manage to improve social

services, but rather it has posed greater problems due to municipal budget constraints. The Government's plan to allocate a social grant to municipalities, such as the grant for education and health, has not been implemented yet.





High unemployment rate and difficult social situation has caused the emigration of a part of the Kosovo population, mainly the working age population. From January 2014 to the first half of 2017, about 6% of the entire population has left Kosovo. Despite the fact that some of them are repatriated, their social situation aggravated even more than before leaving.

Kosovo continues to have the highest rate of unemployment among youth and women. One out of five women is not active at all in the labour market, despite the fact that in the recent years women had the highest number among graduates in all levels of education.

Based on the findings of this report, we recommend as follows:

-  The Government of Kosovo should approve the Employment and Social Welfare Strategy 2018 - 2022 and allocate sufficient budget for activities and meeting of the objectives set out in the current draft strategy.
-  Government to approve the Roadmap for the implementation of the National Development Strategy 2016 - 2021 and to publish a report on the implementation of measures related to employment and social welfare for the period 2016 - 2017.
-  The Legislative Program for 2018 should include all legal acts envisaged by the National Plan for the Implementation of the SAA, in particular the Draft Law on Amending and Supplementing the Law on Labour; Draft Law on Amending and Supplementing the Law on Economic and Social Council; Draft Law on Amending and Supplementing the Law on State-funded Pension Schemes, as well as adopting by-laws from the field of occupational safety envisaged by the NPISAA.
-  The MLSW should approve the Action Plan for addressing youth unemployment, as envisioned in the European Reform Agenda.
-  The MLSW should draft an Action Plan to eliminate barriers regarding women's participation in the labour market, which foresees the elimination of various barriers.
-  Full operationalization of the Employment Agency in the Republic of Kosovo (APRK), by appointing the Advisory Board, drafting the by-laws provided by the Law on the EARK, increasing of the staff at the employment offices and vocational training centres and increasing of the budget for active labour market measures.
-  EARK should draft an official document with regards to the labour market needs, which will take into account findings of businesses and research organizations and, on these grounds, adjust the training courses offered by the VTCs. For courses that are not accredited by the National Qualifications Authority, the EARK should license and fund private training providers. EARK and MEST should link the Employment Management Information System (EIMS) to the Education Information Management System (EMIS).
-  Increase the number of labour inspectors and logistics capacities in order to oversee the implementation of the Labour Law and other laws regulating occupational safety and health. Also, the Labour Inspectorate Agency

should functionalize the Information Management System which would facilitate and accelerate inspection procedures by verifying the data automatically with TAK and Trust.

-  Amend and supplement the Law on Public Financial Management and Accountability, which also includes a specific grant for social services, which is allocated to municipalities depending on the families and individuals receiving social services from Centres for Social Work.
-  The MLSW should allocate a specific grant to support licensed non-governmental organizations performing various social services.
-  The government should complete the veterans' list verification process as soon as possible and limit the annual amount of veteran pensions to 0.7% of GDP, as foreseen in the Law on Amendment and Supplement of to the Law on KLA Veterans.
-  The MLSW should develop a concept paper that gradually foresees the merging of social-based schemes into a single social scheme, whose base criterion will be the social status. The new social scheme should at least cover the poverty line, increasing compensation for families with more members. At the same time, the new social scheme will transfer basic pensions to social pensions which will not be based on age but on the social status of elderly people.

