

# Kosovo\*: A successful employment incentive (an early response to the pandemic) inspires a new move targeting youth

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*Nearly 15,000 people were hired in Kosovo\* in March 2020 on at least a one-year contract, thanks to an incentive paid by the Government at an amount equal to €130 per month for the first two months. This successful trial, which was part of the Government's early response to COVID-19, has inspired a new move: the Government has now allocated €10 million to guaranteed jobs for young people (18-24 years old), paying at least an upgraded €250 statutory minimum wage.*

*(\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence*

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## Description

Back in March 2020, as part of the first emergency response to COVID-19, the Government of Kosovo, led by the left-leaning Self-Determination/Lëvizja Vetëvendosje (LVV) party, launched, among other things, an employment incentive that proved successful. "Emergent Measure 1.4", which is an employment-incentivising scheme, pledged a €130 wage for two months for each new employee hired in March on at least a one year-long employment contract. Nearly 15,000 employees received these wages (see Mustafa & Haxhikadrija, 2021).

The €130 incentive corresponded to the statutory minimum wage for people under 35 years old; the minimum wage for adults (aged 35 or more) at the time was €170. Although it is highly likely that many of the people hired through the incentive were under 35 years old, the scheme had no age limitations.

LVV was removed from the Government in June 2020 through a motion of no-confidence, but returned on 22 March 2021, empowered by a landslide victory in a snap election. On 7 May 2021, the Government voted through its new four-year programme which, among other things, upgrades the statutory minimum wage to €250 for all employees, thus cancelling previous age-related differentiations. The statutory minimum wage was set in 2011 and had never been upgraded since.

On 14 July 2021, the Government voted through a new (€420 million) economic recovery package, which includes a €10

million budget aimed at creating jobs for young people (18-24 years old). Young people hired through the scheme should receive, at least, the upgraded minimum wage (€250) which is subsidised by the Government. The scheme is limited to those young people who enter formal employment for the first time



## Outlook and commentary

The incentivising measure taken by the Government back in March 2020 was a success, since it resulted in 15,000 new employee contracts. Kosovo has the lowest employment rate in all of Europe: 28.4%, on average, during 2020 (KAS, 2021). One of the reasons for this is informality: Cojocararu (2017) estimates that as many as 35% of people at work are employed in the informal sector. To date, the Government's labour efforts had been fairly mediocre, and never before had any public policy measure had such an immediate impact. Instead, for a long time, employment growth was expected to come from committing to a, now changing, labour market approach exemplified by flexible hiring and firing, total absence of unemployment protection insurance, the lowest contribution and income taxation rates in the Western Balkans, etc.

The new measure is specifically targeted at young people (18-24 years old). Kosovo has the youngest population in the region, but its youth (15-24 years old) employment rate in 2020 was 11.4%, while the youth

unemployment rate was 49.1% (KAS, 2021). The at-risk-of-poverty-or-social-exclusion (AROPE) rate for the same cohort in 2018 was 60.8%, the highest in Europe (Eurostat, 2021). Unemployment and youth poverty have been among the main factors behind substantial outmigration of youth over the past decade towards richer economies within the European Union. This new measure may help improve the youth employment situation in Kosovo. In addition, young people already working in the informal sector could be tempted to enter the formal labour market.

Even though the previous year's measure was implemented successfully, it remains to be seen whether the Government will continue delivering it. In late 2020 and early 2021, huge funds were allocated to COVID-19-related unemployment protection, but none were paid out by the Democratic League of Kosovo (LDK)-led Government (3 June 2020 - 22 March 2021). In recent years and months, governments have rotated so frequently in Kosovo, due to the extreme political polarisation, that many policy initiatives and debates underway were side-lined. This seems to be a broader, regional phenomenon: in an excellent recent book chapter, Stubbs and Zrincak (2019) describe how very lively policy initiatives and debates in the Balkans often result in policy and outcome inertia for reasons such as those described in the case of Kosovo.

If the scheme is implemented, there may still be trade-offs. While the youth employment rate should move upwards - a welcome development - the increased minimum wage could lead to job losses in the private market. The International Monetary Fund (2021:27) recently pointed out that even Kosovo's previous minimum wage was among the highest in post-socialist South Eastern European countries relative to Growth Domestic

Product (GDP) per capita, and listed it among the factors affecting the overall low employment rate.

### Further reading

Cojocar, A. (2017), "Kosovo jobs diagnostics", Washington: World Bank (available [here](#)).

Eurostat (2021), "Income and living conditions dataset", Brussels: Eurostat (available [here](#))

International Monetary Fund (2021), "Republic of Kosovo: 2020 Article IV consultation-press release; staff report; and statement by the executive director for Republic of Kosovo", Washington D.C.: IMF (available [here](#))

Kosovo Agency of Statistics (KAS) (2021), "Labour market statistics, 2020", Prishtina: KAS (available [here](#))

Mustafa, A. and Haxhikadrija, A. (2021), "Social protection and inclusion policy responses to the COVID-19 crisis", European Social Policy Network (ESPN), European Commission: Brussels (*forthcoming*).

Stubbs, P. & Zrincak, S. (2019), "Reforming welfare assemblages in semi-peripheral spaces: understanding 'drivers of inertia' in Bosnia-Herzegovina, Croatia and Serbia", in S. An, T. Chubarova, B. Deacon and P. Stubbs (eds.) *Social policy, poverty and inequality in Central and Eastern Europe and the former Soviet Union: Agency and institutions in flux*, pp.285-306. Ibidem Verlag: Stuttgart.

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