

**Bridge Building: Knowledge Exchange  
in Social Welfare Policy and Research**

**Innovative Approaches  
in Labour Market Policy and  
Health and Long-Term Care  
in Eastern Europe**

**Compilation of Workshop papers**

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## Introduction

Varying approaches to social policy and social security in a wider sense are applied in the EU, the (potential) candidate countries and the countries of the Eastern Partnership that aim at finding solutions and mitigating problems associated with economic and societal challenges such as demographic change, the current migration wave and the unequal distribution of wealth. To learn from these manifold experiences, many ‘bridges’ between stakeholders, sectors, countries, policies, and systems, however, still need to be created.

In response to this need, a launch event ‘Building Bridges in Social Welfare Policy in Eastern Europe’ took place on 19 September 2016 in Vienna. The event was organised in the context of the European Centre’s ‘Bridge Building’ function and aimed at gathering and exchanging expertise from researchers, policy-makers and practitioners of the following 12 countries: Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo\*, The Former Yugoslav Republic of Macedonia, Republic of Moldova, Montenegro, Serbia, Turkey, and Ukraine. The event linked European Centre partners with new partners working in these countries for the very first time. In total, 60 participants from 21 countries discussed research findings and innovative approaches applied in the areas of labour market policy, migration and income distribution as well as health and long-term care policies. As a result of the event, the Eastern European Social Policy Network (EESPN) was launched.

In preparation of the event, scholars and experts had been invited to submit an abstract for either an academic paper or for showcasing an example of good practice in these policy fields. Out of a total of 40 applications, 13 contributions were selected, presented and discussed during the event. The event was opened by a policy panel session with representatives from the private sector, the public sector and from civil society organisations of the East and the West as well as from research and practice to present and discuss the issues at stake and the guiding questions of the conference, which were:

- *Which challenges are primarily targeted by the regional policies in the EU (potential) candidate countries and the countries of the Eastern partnership at present?*
- *Which innovative responses can be identified in labour market policy and in health and social care policies?*

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

- *Which links between stakeholders, sectors, countries, policies, and systems need to be established to enhance the impact of policy actions?*

The publication in hand comprises papers presented at the event and provides a snapshot of contents for further discussion, as a basis for potential project development and, ideally, for mutual learning among the wider European community. It highlights the findings from scholars and experts when examining innovative approaches implemented in their countries. The publication consists of a total of eight papers: four papers offer insights into research and good practice in the field of labour market policy and four papers provide information on findings from the area of health and long-term care.

The section on labour market policy starts with a paper presented by Maja Gerovska Mitev, who scrutinizes conditional cash transfers as instruments that may be used in Macedonia. This contribution is followed by Artan Mustafa's paper focusing on the development of the residual welfare state in Kosovo during the past decades, its lost opportunities and the impact of neo-liberal approaches on the population. In the following Irina Badurashvili examines the Georgian welfare regime in the light of demographic change. Finally, the paper presented by Jelena Žarković Rakić et al. provides insights into recent research findings regarding child poverty in Serbia.

The second section focuses on health and long-term care arrangements. Mojca Vah Jevšnik highlights research findings concerning governmental approaches to international recruitment of healthcare workers in Slovenia. The ensuing paper by Michael Sauer and Selatin Klllokoqi discusses circular migration as a policy tool to foster development in Kosovo. Research findings on needs of patients in medicines information in Armenia are presented in the paper by Sevikyan Anahit et al. Finally, Radoslaw Antczak and Asghar Zaidi present research findings regarding the measurement of older persons' well-being in Central and Eastern European countries.

The editors herewith would like to thank the following reviewers of the papers, which helped to make this publication possible: Gudrun Bauer, Monika Hunjadi, Weronika Koralewska, Lucia Mytna Kurekova, Ricardo Rodrigues and Katharine Schulmann.

Besides the richness of the topics scrutinised in these countries, the compilation also confirms the need for further research and a more profound exchange between stakeholders. But, please make up your mind yourself by reading through these interesting papers!

## **Info sheet: The ‘Bridge Building Function’**

The European Centre established the so-called ‘Bridge Building Function’ to improve European cohesion and to contribute to progress towards the UN Sustainable Development Goals (SDGs).

The bridging function is based on the premise of close collaboration and participation with the national governments of EU (potential) candidate countries and the Eastern Partnership, the European Union and other relevant stakeholders at the international, European and national level. The bridging function is based on three main pillars:

- Comparative social policy and welfare research;
- Knowledge transfer and public policy forum; and
- Policy consultancy.

More specifically, within these three pillars, the main tasks are to identify key social issues in Europe and to contribute with recommendations through research projects involving partner institutions from different countries. This entails know-how transfer and capacity building through workshops, seminars and policy consultation by involving different public (e.g. state institutes, universities) and private stakeholders (e.g. foundations, NGOs, associations) at different governance levels (central/national, regional or provincial and municipal or local level).

The European Centre thus provides governments, international institutions, research institutes and civil society organisations of the Europe of 56 and in particular of EU (potential) candidate countries and the countries of the Eastern partnership with relevant know-how and advice for establishing or improving structures in the social welfare field, based on expertise drawn from the European Centre's empirical and comparative cross-national research.



## Section I

### Research findings and innovative approaches in labour market policy



# **When Active is Passive: Conditional Cash Transfers and Employment Creation in Macedonia**

**Maja Gerovska Mitev**



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## **Abstract**

The paper aims to explore aspects related to the extension of the Conditional Cash Transfer (CCT) programme in Macedonia towards supporting young unemployed from households that are social assistance beneficiaries. The programme itself presents a continuum of active labour market efforts that provide direct financial support as a form of activation of the unemployed in the country. In this respect, the paper challenges the role of direct financial transfers (micro-credits, self-employment, subsidized employments) in a socio-economic context in which there is low economic growth, a high level of the informal economy and a low educational level of the unemployed workforce. Under such circumstances, providing direct financial transfers, as a form of activation, does not guarantee improved employability, a trained workforce or secure employment. Existing studies also suggest that the application of such measures “must overcome considerable difficulties and obstacles in a region marked by labour informality and unequal access to opportunities” (ECLAC/ILO, 2014). Also, available evidence shows that “improving the labour inclusion of people with low educational levels is a long-term effort in which beneficiaries require constant psychosocial support, and that the difficulties are even greater for women, youth and persons belonging to indigenous peoples” (OAS/ECLAC/ILO, 2011).

The paper is organized in three sections. The first section provides details on recent active labour market programmes in Macedonia. The second section presents a conceptual insight into existing conditional cash transfer programmes, and provides evidence about their success in the field of employment. One of these programmes is the recent CCT incentive targeted towards young unemployed from households that are social assistance beneficiaries. The final section provides an overview of potential risks and threats related to the use of CCT and similar financial transfers and presents recommendations for improved targeting of active labour market programmes in the country.

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## Introduction

Active labour market programs (ALMP) represent important tools for tackling unemployment, particularly among the vulnerable population (long-term unemployed, low-skilled, social assistance beneficiaries, etc.). In this respect, in countries where there is a high unemployment rate, ALMP measures, if appropriately designed, financed and targeted, can improve labour market competitiveness among its beneficiaries. However, some of the studies undertaken to assess the active labour market programs in the South East European countries, suggest that their design and targeting face serious challenges. For example, the World Bank study on the Western Balkans (2014) outlines disincentives that emerge from the design of activation measures in these countries. It emphasizes that social assistance beneficiaries are not adequately supported when they enter the active employment programs, as “there is no legal guarantee for ‘restoring’ social assistance status; incomes from training, other ALMPs, and from public works are fully calculated in the family income; no flexibility of ‘in’ and ‘out’, etc.” (World Bank, 2014). Also, available evaluation (Arandarenko, 2015) from different labour market programs in Serbia shows that “those who are targeting unskilled adults have shown much stronger positive effects in comparison with the programmes engaging predominantly skilled unemployed” (ibid.: 8). Similar analysis in Macedonia (Mojsoska-Blazevski and Petreski, 2015) indicates that “wage subsidy program and training in deficient occupations are not bringing positive effects to the participants (...), programs are not effective in enhancing the skills of the participants in the demanded occupations/professions, and/or that the choice of the sectors in excess demand of specific workers is incorrect” (ibid., 2015: 70).

These evaluations clearly witness the need for well-designed active labour market programs, taking into consideration specifics of the national labour market needs, demand and supply, among which educational qualifications of the labour force should be particularly well-profiled and adequately offered. Therefore, the introduction of a conditional cash transfer programme for employing young people from social assistance households in Macedonia presents an intriguing puzzle. Before analyzing the specifics of this programme, the paper will outline existing active labour market programmes in Macedonia as well as international evidence about the effectiveness of CCT programs and the impact on increased employability among beneficiaries.

## Active Labour Market Programs in Macedonia<sup>1</sup>

Although a policy of activation has been provided by the Employment Agency in Macedonia since 1991, more concrete and targeted active labour market programs have been initiated since 2005, mainly as a result of the country's candidacy status with the EU and adaptation of its soft documents to the EU Employment Agenda. Since then, many generations of employment action plans have been implemented, supported by different international organizations, among which more prominent are UNDP, EU and the World Bank. Legislation-wise an important and contested change was introduced in December 2012, when the Law for Employment and Unemployment Insurance was amended. It instituted a differentiation among registered unemployed, categorizing them as active and other (passive) unemployed. The latter category is not in a position to benefit from active employment measures. The long-term unemployed as well as unemployed persons without education or with incomplete education have been particularly affected by this change. Among them, there are significant numbers of people from smaller ethnic communities. This policy change confirms the policy orientation towards increased labour market deregulation and flexibility, and leaves little room for measures and policies that aim towards unemployment support of the most vulnerable groups (Gerovska-Mitev, 2016).

**Table 1: Number of registered unemployed persons at the Employment Agency according to registration status and education, status on 30.09.2016**

	<i>Active</i>	<i>Passive</i>	<i>Total</i>
<i>Registered unemployed persons</i>	<i>103,646</i>	<i>95,500</i>	<i>199,146</i>
<i>Registered unemployed with lower educational skills (no education, incomplete primary, primary or incomplete secondary education)</i>	<i>57,418</i>	<i>64,991</i>	<i>122,409</i>

Source: Employment Agency, 2016 (Public reports).

As can be gathered from Table 1, a significant number of people, 47.9%, are registered as passive unemployed. Similarly, there is a high percentage of people with lower educational skills among all unemployed – 61.4%. It is worrying that among all low-qualified people, 53.1% are registered as passive or as such that do not have direct access to active labour market measures (until they decide to change their registration status).

According to existing national legislation, unemployed people who are registered as active job seekers are required by law to accept the activation measures offered (training, retraining as

<sup>1</sup> This part builds on the author's work in the context of the European Social Policy Network.

well as public work). Hence, work requirements and activation in a narrow sense are legislated and enforced, because they are part of the programme. Also, able-bodied recipients of social assistance transfers need to prove that they are actively seeking a job in order to claim social and financial assistance (SFA). This can be done through regular registration or re-registration with the Employment Agency (EA), by attendance at job interviews, responding to job referrals by the EA, participation in active labour market programmes (ALMPs), and so forth.

Tailor-made activation support for the unemployed is provided only through the Employment Agency. Policies and measures aiming to improve the employability of those furthest away from the labour market are stipulated in the National Action Plans for Employment and in the Operational Plan for Active Programmes and Measures for Employment. The newest Operational Plan for 2016 emphasizes the following employment measures and services (see Table 2).

**Table 2: Labour Market Measures and Services and anticipated coverage for 2016**

<i>Labour Market measures (targeted only toward actively registered unemployed)</i>	<i>Beneficiaries 2016</i>	<i>% of all unemployed</i>	<i>% of actively registered unemployed</i>
<i>Self-employment</i>	<i>1,270</i>	<i>0.63%</i>	<i>1.22%</i>
<i>Subsidized employment</i>	<i>5,716</i>	<i>2.87%</i>	<i>5.51%</i>
<i>of those: Sub-programme Conditional Cash Transfer for subsidized employment</i>	<i>166</i>	<i>0.08%</i>	<i>0.16%</i>
<i>Trainings (including trainings through subsidized employment)</i>	<i>6,084</i>	<i>3.05%</i>	<i>5.86%</i>
<i>Public works</i>	<i>200</i>	<i>0.10%</i>	<i>0.19%</i>
<i>Pilot programs</i>	<i>200</i>	<i>0.10%</i>	<i>0.19%</i>
<i>Total</i>	<i>13,470</i>	<i>6.76%</i>	<i>13.0%</i>
<i>Labour Market services (targeted towards all unemployed)</i>			
<i>Services for employment</i>	<i>24,000</i>	<i>12.05%</i>	<i>23.15%</i>
<i>Total (LM measures + LM services)</i>	<i>37,470</i>	<i>18.81%</i>	<i>36.15%</i>

Source: Operational Plan for Active Programmes and Measures, 2016.

Table 2 shows that the estimated coverage of all active labour market measures is very low, namely around 7% of all registered unemployed persons. Similar evaluation undertaken in 2014 (Corbanese, 2015) showed that the Employment Agency “treats approximately 7% of the annual stock of unemployed in the live register with active labour market programmes” (p. 27). In addition, if we compare the number of actively registered unemployed with lower qualification skills (Table 1) and the estimated coverage of programs related to training (5.86% of the actively

registered unemployed), it seems that there is a shortage of offers related to up-skilling of registered job-seekers. Also, the comparison between active measures such as subsidized employment, grants (self-employment) and those including training (although here forms of subsidized employment for training are included) show that the former dominates the activation agenda. This seems questionable in a context where most registered unemployed are low-skilled people that require training and up-skilling to improve their employability. Notwithstanding the fact that on-the-job training does take place, existing evaluations of these programs (Mojsoska-Blasevski and Petreski, 2015) indicate that “there was no effect on improving employability afterwards and no evidence that the program brought effects in terms of employment after the program ended” (p. 69).

Active programmes aimed at inclusive growth are focused on the following vulnerable groups: social assistance beneficiaries, children without parents and parental care, victims of family violence, homeless people, former drug-users, parents of street children, single parents, parents with more than four children, Roma, long-term unemployed and others.

Although there is a large list of defined vulnerable groups, the number of programs offered does not correspond with their actual representation. This inequality mainly results from a limited funding of ALMPs but also from the implicit targeting strategy, which seemingly prefers those who need less resources for activation, and those with higher chances to find and retain a job (i.e. the better qualified). The success of these activation measures cannot easily be achieved under conditions of a low number of jobs offered and high demand with increased competition, as there are large numbers of unemployed with higher education. According to a World Bank report (2012), spending on active labour market programs is low according to regional standards. Although funding of EUR 30 per unemployed person is comparable to other Western Balkan countries, it is still far below the EU average (e.g. EUR 95 and 165 in Bulgaria and Lithuania, respectively). In addition, low financing of active labour market measures (0.15% of GDP for active measures in 2015) and the lack of their continuous follow-up and evaluation further prevents their effective utilization.

According to the World Bank (2013), most of the existing ALMPs are biased towards the young and well educated, while low education levels and long spells of unemployment characterise the current recipients of SFA. Although it may be a deliberate choice by the government to target those that are easy to reach, the lack of a more concrete offer for those with lower educational qualifications hampers the possibilities for their labour market participation in the long term. Given that workers with low levels of education are under-represented in the ALMPs, it is also questionable to what extent ALMPs can reach the “activable” SFA recipients. Until recently, explicit targeting of SFA recipients was impossible, mainly due to the lack of cooperation

between the EA and the Social Work Centres (SWCs) and lacking data on the percentage of SFA recipients that are also registered as unemployed. However, there have been some improvements in recent years, and the authorities have been explicitly targeting SFA recipients, mainly by adding a few pilot programs in 2012 (World Bank, 2013: 54).

The same report notes that ALMPs are further constrained by the lengthy spells of unemployment among SFA beneficiaries. It is evident that the existing ALMPs are not well positioned to target capable SFA recipients that are either unemployed for long periods of time or out of the labour force. For instance, one of the target groups for start-up business loans are the long-term unemployed. Of the registered unemployed in Macedonia, about 80% were unemployed for more than one year; about half were unemployed for more than three years; and 30% were unemployed for more than eight years. It is, hence, questionable whether a person who has been out of the labour market for eight years and whose skills and knowledge will have degraded, will be able to start a business. Exceptions are cases where those unemployed are informally employed, but there is a special activation programme for the formalisation of businesses (World Bank, 2012).

SFA beneficiaries rarely participate in ALMPs, which makes their activation even more difficult. Interviews with local SWCs have shown that SFA beneficiaries are seldom involved in activation programmes and are offered jobs even more rarely. The CCT programme for the subsidised employment of SFA recipients is one step towards mitigating this (though it will only cover a small proportion of unemployed SFA beneficiaries). SFA beneficiaries were involved on a larger scale in public work programmes in 2009, when the government introduced public works as part of the ALMPs. However, after the expiration of the activation grant, SFA beneficiaries do not receive preferential treatment in placement on the labour market but instead are left to compete for jobs with other registered unemployed (World Bank, 2012).

Apart from the annually adopted active labour market programmes, a governmental project called “Employing Macedonia” was solemnly announced and initiated in March 2015. Its main goal is to speed up the decrease of high unemployment in the country (27.3% in the first quarter of 2015) through a set of governmental measures. The project targets five categories of registered unemployed persons. Their employment is encouraged by incentivising employers with tax and/or social contribution exemptions. All of them are required to be registered as unemployed at least three months before the start of the measure.

- The *first group* of unemployed are people up to 35 years of age who have previously been unemployed for at least three months. The companies hiring people from this group of unemployed are exempted from paying compulsory social insurance contributions as well

as from personal income tax for a period of three years. The employer is obliged to keep the person employed one more year after expiry of the tax/social contribution exemptions.

- The *second group* of unemployed includes persons between 35 and 50 years of age who in the last 15 years have been unemployed for at least ten years. Companies hiring these people are exempted from paying compulsory social insurance contributions for a period of five years. The employer needs to keep the person employed one more year after expiry of the tax/social contribution exemptions.
- The *third group* of unemployed includes persons aged above 50.
- The *fourth group* of unemployed includes unemployed parents of three and more children; unemployed single parents or members of single-parent households; social assistance beneficiaries; children without parents and parental care; victims of family violence; disabled persons with a certified 50% remaining capacity for work; professional soldiers; and parents of children with disabilities receiving the special child allowance. Employers of persons belonging to the third and fourth group are exempted from paying compulsory social insurance contributions for a period of five years without any further obligations.
- The *fifth group* of unemployed are persons above 58 years of age who have been unemployed for the last two years. Employers of persons belonging to this group are exempted from paying compulsory social insurance contributions until the persons fulfil the criteria for an old age pension.

There are several protective mechanisms related to employers, requiring 1) not to have reduced the number of employees as of 15.03.2015 (except in cases of retirement or death); 2) to have a record of regular payment of salaries/contributions/taxes, with allowed late payment of two months; 3) in case of dismissing according to the labour law to employ another person from the same category of unemployed.

This project has a target of 20,000 persons to be employed within one year. The first persons employed under this project started work at the beginning of May 2015.

Official representatives of the Trade Unions as well as the Employers' organisation have welcomed this project. However, some of the employers' representatives have indicated their doubts about the project's effectiveness. According to them, "the companies in the country have problems related to liquidity and current maintenance, so very few of them can maintain the same number of employees and in addition employ new persons, for whom they need to secure salaries".

Some of the project's strengths include high political priority, emphasis on vulnerable groups of unemployed persons, which may increase social inclusion of these categories, and the opening of dispersed focal points throughout the country for project promotion, which may raise awareness about employment possibilities among more disadvantaged unemployed persons.

Potential weaknesses include the following aspects:

- 1) The fiscal implications of the project are unclear and not sufficiently transparent.
- 2) There is an exclusive reliance on tax/social contribution exemptions, which may jeopardise the solvency of social insurance funds and discriminate against employers who are regular tax/social contribution payers.
- 3) The measures are inconsistent with other reforms undertaken, e.g. the introduction of a mandatory fully-funded pension insurance, which is based on regular payments of social contributions is likely in conflict with the reduction of social contribution rates.
- 4) Employers are often unable to guarantee jobs for a period of three to five years, which would be a requirement for taking up these measures.

According to governmental sources (Ministry of Labour and Social Policy, 2016), the project has succeeded in reaching its goal, with around 19,000 persons being employed in 10,140 companies. Hence, it now entered into a next phase, labelled as "Employing Macedonia 2".

From the above review of ALMP design and additional active employment projects in Macedonia, it may be concluded that predominantly they are focused on subsidized employments and financial support as an incentive for employment creation. Such design may have beneficial effects in the short-term related to start-up businesses and jobs. But, taking into consideration the fragile economic condition of the private companies in the country, such "passive" support may prove as counter-effective in the long run. Namely, after resources are spent (when ALMP ends), beneficiaries will remain with the same skills and competitiveness as before they entered the programme. Hence, a policy design of ALMP favouring subsidized employment, should be minimized in socio-economic contexts of high unemployment or simultaneously require continuous training and/or requalification of the beneficiaries. While on-the-job training provides skill enhancement, still those that do not benefit from state subvention for jobs (registered as passive, or workers with low educational qualifications) should be provided with other options for improving their employability.

## Conditional Cash Transfers and Employment

By definition, conditional cash transfers (CCT) are considered as passive labour market programs. However, such measures may be used to improve the access to education and health of vulnerable groups. Indirectly, they are also beneficial in terms of reducing child labour among impoverished households and communities. The assessment of CCTs' impact is overwhelmingly based on research and reviews from Latin America, often driven or supported by the World Bank (that is at the same time financing CCTs through loans and credits, thus having a biased role in such research). Hence, analysis of CCTs' impact and effectiveness should consider the socio-economic, political, demographic and financial context under which they function. Upon analysis of 403 papers involving a quantitative review of the economic impact of different CCTs, Kabeer et al. (2012) conclude that research "that meets strict methodological criteria is extremely scarce, which reduces the credibility of claims as well as the extent to which they can be generalized" (ibid., 2012: 43). Furthermore, they indicate that 46 papers meeting such standards and focusing on a limited number of countries, show that "CCTs' educational effect was generally stronger than their labour market effect" (p. 44). Analysing CCTs' long-term impact on work and earnings among young (non-migrant) beneficiaries in rural Mexico, Parker et al. (2012) found "only one labour market indicator – probability of working – where the program showed positive and significant impact" (2012: 15). According to them, some possible explanations regarding a lower indirect labour market impact of the *Oportunidades* programme are "low school quality in rural areas of Mexico or lack of employment opportunities in the areas of residence" (ibid., 2012: 16). Hence, education quality and employment opportunities are important factors to consider when designing and implementing conditional cash transfer programmes. Comparing employment guaranteed schemes (EGS) and CCTs, Zepeda and Alarcon (2011) suggest that "while CCTs might pose less demands on implementing institutions and have lower operating costs, still they have more limitations than EGS to achieve long term reductions in poverty" (p. 19). Assessing active labour market tools in conditional cash transfers programmes in Argentina, Mourelo and Escudero (2016) observed that "support in skills, vocational training, job-seeking and job placement of CCT beneficiaries, at least in a short-run, is associated with a decrease in the probability of having an informal job and with higher hourly wages" (2016: 3). Some positive aspects were also indicated by an ECLAC/ILO research (2014) that associated greater liquidity provided through CCT with "better decisions regarding their employability under decent and fair conditions, as well as avoidance of child labour, associated with dropping out of school" (p. 21).

It may be argued that the impact of CCTs is not easily detectable, especially in situations where there is an already developed social protection system. As rightly argued by Stubbs “the very different context of post-socialist transition countries, with a tradition of full coverage of social benefits and widespread social rights, is not considered in any meaningful way, and there is no discussion of what may happen to those excluded from benefits” (2009: 176). Others have also challenged the impact of CCT payments directly to women (mothers) as persons that would administer and distribute resources in a more meaningful/resourceful way. Namely, the gender focus of CCTs has been criticized as having a “biased, traditionalist view of women as mothers or housewives, which makes it hard for them to engage in productive employment outside the home, in a less precarious way” (Lomeli, 2009: 170).

The literature analysis of CCTs’ impact shows important constraints related to their effects in employment. While few have noted some positive outcomes related to avoidance of child labour, informality and improved probability of employment, these premises are not sufficiently explored in the context of post-socialist Eastern European societies. In countries, such as Macedonia, it is questionable to what extent the financial transfer itself can make a difference for vulnerable communities if it is not accompanied by appropriate training and skills upgrade. If financial transfers are not accompanied by adequate integrated support (services such as: training, psycho-social support, etc.), they might prove as short-term employment solutions, which may only detach the beneficiaries from the basic social protection support they have.

## **The Conditional Cash Transfer Program Targeted Towards Unemployed Youth in Macedonia**

A Conditional Cash Transfers programme was introduced in Macedonia in 2009, as part of a World Bank Loan (IBRD 7735-MK/2009). Prior to its introduction, no public debate or transparent analysis of potential costs and benefits of such a programme had taken place. This style of non-transparent social policy reform and adoption is not a novelty in Macedonia, yet it has been practiced more vigorously over the past ten years. The first generation of CCTs introduced a monthly subsidy for students in secondary schools from households that are social and financial assistance beneficiaries. As secondary education is obligatory in Macedonia, it was targeted mainly towards impoverished Roma families, which have higher drop-out rates, and which are not able to follow up their education for socio-economic reasons. According to the World Bank’s project information document “the initial CCT benefit level has been established at MKD 12,000 per child per year, which is similar to the amount of the child allowance benefit,

and it constitutes approximately 17% of the average per-capita consumption among SFA recipients” (World Bank, 2009: 7). As of June 2015, around 7,500 high school students from low-income families were supported through this project. Evaluations and publicly available documents about this project are not easily accessible. According to the World Bank, the project was rated as moderately satisfactory. Academic research on the implementation impact of this project in Macedonia was mainly concerned with an economic analysis regarding the effectiveness of different modalities of payment (Armand, 2014; Armand et al., 2016). Internal World Bank documents show that “interviews with social welfare centres, beneficiaries and school directors and managers of the CCT program reveal that the program is having an impact on school attendance, although possibly less pronounced on enrolment as compared to attendance” (World Bank, 2013: 5). Hence, without any hard evidence regarding the overall project impact on improved enrolment rates among low-income families, or reduced drop-out rates, the project has been restructured and expanded to cover implementation of the new CCT program on youth employment.

Towards the end of 2013, the Government issued a new programme for subsidized employment of unemployed beneficiaries of social and financial assistance. The programme targeted young unemployed (16-29 years of age) from among household beneficiaries of social and financial assistance, which are registered with the Employment Agency and actively looking for a job. The subsidized employment included an amount of MKD 17,000 (EUR 276) per employed person per month (MKD 14,000 gross wage and MKD 3,000 for the employer’s costs). The subsidized scheme lasts for six months after which the employer is obliged to retain the employed person for an additional six months.

According to the internal World Bank document on the implementation status of this project “the first year of implementation of the new CCT subsidized employment program faced some challenges” (World Bank, 2015: 1). Taking into consideration that the newly reformed public call for potential beneficiaries was redesigned to include other vulnerable groups, it may be speculated that the (low) educational profile of registered social assistance beneficiaries was not attractive for the employers.

Hence, a new public call for potential beneficiaries of the redesigned CCT-subsidized employment program was published in early 2015. Apart from young people from households that are social and financial assistance and CCT beneficiaries, other vulnerable groups targeted include the following categories: young people (19-26) that have been children without parents and parental care; family members of households that are beneficiaries of continuous financial assistance or child supplement; victims of family violence accommodated in shelter centres; persons who were beneficiaries of state stipends in the last 15 years (income-tested); young

people up to 29 years of age whose overall household income per household member is lower than 50% of the average wage. The new call included two additional payment modalities, namely the possibility of combining 6 months of financial transfer (net wage) and 60 months of exemption for payment of social contributions, or 6 months of financial transfer (net wage) plus 36 months of exemption from paying social contributions and income tax. The latter payment modality obliges employers to keep the person from the vulnerable social group for an additional 12 months. As of 31 December 2015, a total of 47 employers have asked for 136 employees from this vulnerable social group. However, the number of applicants from the eligible socially vulnerable population was 543 persons. The estimated coverage of this programme for 2016 is 166 persons.

Looking into the design of this programme as well as at the initial numbers of applicants and interested persons, few challenges come to immediate attention. Namely, the programme itself is focused exclusively on providing direct financial transfers in the form of a net salary for the workers (vulnerable categories) or net wage/tax exemptions for the potential employers. Taking into consideration the educational profile of vulnerable social categories as well as the duration of their unemployment, it is questionable why the CCTs are solely focused on direct provision of short-term jobs rather than on skills improvement and/or upgrading. Secondly, in a country where there is a large informal sector and where social insurance funds face serious liquidity issues, social contribution exemptions as well as income tax exemptions do not contribute to the overall improvement of economic and social standards. Finally, the programme coverage is so limited, that it cannot sufficiently contribute towards improvement of employability among potential beneficiaries.

## **Final Remarks**

The example of CCTs targeted towards unemployed vulnerable youth in Macedonia has been chosen to demonstrate serious socio-economic and political issues that are underestimated in the process of social policy-making in this country.

The incorporation of international programs (like CCTs) in the national employment and social protection systems should be undertaken with a prior in-depth socio-economic analysis of potential costs and benefits, not only for the public budgets, but also for the socially vulnerable population in the country. Even more so, the extension of such programs without public debate and disclosure of evaluated results and impacts should be avoided. In general, ad-hoc and non-transparent social policy-making and implementation should not be supported by international organizations.

The creation of active labour market programs in a socio-economic context of high unemployment in general, high long-term unemployment, low educational profiles of the unemployed as well as high informality (non-declared jobs) in the labour market calls for a highly harmonized, integrated and transparent process involving all relevant stakeholders. In terms of durability of employment and indirect financial benefits, the partial or populist creation of ALMPs with short-term duration will only contribute to higher public expenditures, rather than to benefits in a mid-term perspective.

The establishment of any tangible activation measures needs to consider and start from the educational profile of potential ALMP beneficiaries. In a context where more than 50% of the registered unemployed are without primary or with incomplete primary education, it is unfair and unfounded to introduce activation measures that exclude low-educated people. Neglecting their educational needs will contribute towards continuous and further rising long-term unemployment rates. Hence, literacy courses and other educational and vocational trainings should represent the thrust of activation measures. Finally, while grants for self-employment and subsidized employment may contribute to on-the-job training, these should still be complemented by similar preparatory training programs.

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# **Welfare Politics in Kosovo: Growing Role for the State and Benefit Disproportionality**

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## **Abstract**

This paper examines welfare state policies in Kosovo by focusing on cash benefits for different groups in society considered to be vulnerable or eligible for social benefits. It is argued that the direct role of the state in social policy implementation became more relevant compared to the situation in Kosovo under communism. However, due to the legacy of war and the restricted development of democratic institutions, benefit levels and their focus grew disproportionately. Social policy, especially from around independence and afterwards, failed to contribute towards coherent citizenship and nation-building.

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## Introduction

War seldom ends when arms are laid down. This is especially true for the people most at risk such as the poor and old aged. In the case of Kosovo, three years were needed to establish any social welfare protection since the United Nations installed a temporary neutral administration in June 1999. Engaged in tempering the conflict between ethnic Albanians and the government of Serbia over the territory, the UN Mission in Kosovo (UNMIK) never prioritized social welfare, addressing it merely through humanitarian assistance provision. And in doing so, it faced no significant local resistance because categories at risk were severely disempowered by the experience of war.

The first welfare state programme was eventually launched in summer 2002 by means of a minimal flat-rate basic pension scheme. The Parliament of Kosovo had itself been installed only a few months before. Between then and 2016, 27 welfare schemes were created in Kosovo. Formally the programmes were installed by the UN and the local government, but practically the World Bank (WB) and the International Monetary Fund (IMF) played a leading role in their design and implementation. Around the year of independence (2008) and onwards, the World Bank and IMF maintained a close advisory and monitoring role but gradually local politics representing interest groups and voters became more significant.

The internationally mediated negotiations on the Kosovo conflict during the late 1990s devoted only marginal attention to social policy. The subsequent UN reconstruction project primarily centred on immediate conflict management and did not meaningfully extend to social policy despite its reconciliatory potential (Cocozzelli, 2006; 2009). For almost a decade during the conflict, communities had organized a parallel quasi welfare protection system. Thus, when official welfare programmes of the UN began to appear, the challenge was how to bridge the existing separate bodies and build an inclusive citizenship (Cocozzelli, 2009: 16). Although local political competition in some municipalities had a positive impact on the quality of welfare provision, generally the role of local politics was limited and the Serbian population by and large opted for additional schemes offered by the government of Serbia. The programmes were ideologically underpinned by an overall liberal market orientation. The imposing role of the international players and the weak local structures thus contributed to “de-democratization” rather than to consolidated citizenship (Stambolieva, 2015: 390).

UNMIK intensified the transfer of authority towards the local institutions it had helped create after the riots of March 2004. In a two-day frenzy directed against the Serbian minority, several people were murdered and hundreds of homes, educational and religious sites were burned. The international administration had failed to bring the economy forward and the political status

quo added up to the unrest of the Albanian majority. However, the increased role of politics during the last phase under UNMIK and after the declaration of independence in 2008 did not translate into an improved welfare state. On the contrary, the new programmes introduced by Kosovo politics contributed to asymmetries in benefit levels, and their concentration on the Albanian community further challenged the principles of inclusive citizenship and state building.

The overall social policy turned even more neo-liberal in an expanded general setting of crony-capitalism, clientelistic political mobilization and captured public resources. The welfare state as such replicated transformations of different post-communist societies (see section “Discussion”), characterised by a highly liberal minimum benefits system that, however, compensated for merits of work during communism and for contributions to the war against the government of former Yugoslavia.

## **Welfare Policies and Coverage**

Eligibility, level of benefits, coverage, financing, management, circumstances of emergence of welfare programmes and their impact are among the criteria considered in ideal types of the welfare state and country studies across Western capitalism and post-communist spaces. Countries or regimes relying more on market and residual social protection institutions, are considered to be liberal. At the opposite end, social-democratic models are characterized by more universal access and higher redistribution. Post-communist welfare states have been considered hybrids of neo-liberalization, communist legacy, globalization feedback, other emerging solutions etc. (Esping-Andersen, 1990; Korpi and Palme, 1998; Aidukaite, 2006). Against this theoretical and methodological backdrop, this paper is based on data gathered through document analysis with respect to Kosovo law, available public documents and reports as well as by explorative expert interviews, which served problem structuration and provided insightful information (see Audenhove, 2007; Bogner et al., 2009).<sup>1</sup> The paper covers the post-

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<sup>1</sup> From expert interviews that served to inform this article and are referred to in the text:  
 President of the Association of the Former Political Prisoners of Kosovo – 18.02.2016, Prishtina.  
 Country economist at the World Bank Group (Kosovo) – 20.04.2016, Prishtina.  
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war period of Kosovo (1999-2016), in particular the time span around and after independence, and refers occasionally to Kosovo's welfare state under communism prior to 1989.

Welfare state schemes that appeared in post-war Kosovo can be divided into four major groups: 1) pensions; 2) social assistance and family policy; 3) benefits for categories affected by the war; and 4) benefits for former political prisoners. It is a lively sector, somehow continuously drifting and with unique features, but in general growing disproportionately in targeting (targeted schemes) and benefits.

For instance, within a period of 14 years ten pension schemes have emerged. Eight of them remain fully funded by taxes and are managed by the state. They include pensions for disability and old age. The most renowned scheme is the universal old age basic pension established under UNMIK. Two other pension schemes are financed through market savings, where one scheme is mandatory and operated by a public fund and another is supplementary and privately managed. In December 2015, there were 204,008 people benefiting from all pension schemes, compared to 46,000 in 1984 (Miljkovic et al., 1986). Pension payments totalled 4.16% of GDP calculated on constant prices, or 73% of the total spending on all welfare programmes. Only around 8% of pension payments were financed from market (savings).

After independence, an important share of the state-paid pensions covered pre-war work-related pension contributors because Serbia cancelled payments to most of the non-Serbian population of Kosovo when its administration was removed from the territory in 1999. Kosovo had 88,901 people under pensions in 1998. The Association of Kosovo Pensioners claimed more than EUR 1 billion from Serbia for post-war and pension terminations during the wars in former Yugoslavia (Fetahu, 2015). Pensioners pressured the Kosovo government to negotiate contributions with Serbia towards finding a collective solution. A government committee, involving the representatives of pensioners, was established in 2013 to prepare for a potential

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 (access June 2016)

dialogue. Prior to 1989, when Belgrade installed central organization and revoked Kosovo's autonomy, pensions were managed by Kosovo's Self-governing Union of Interest for Pension and Invalidity Insurance according to a pay-as-you-go (PAYG) programme. Pension payments replaced market income in rates reaching up to a maximum of 85% according to the decade with the highest wage levels (Gubbels et al., 2007; Fetahu, 2015).

In the then Socialist Autonomous Province of Kosovo, several programmes offered social protection reaching out to children, adults and old-aged persons endangered by poverty, victims of war and to residents with behavioural, physical and mental disabilities. A majority of the cash payments were dedicated to adults at risk of poverty. These were the only non-market related cash payments. However, like everywhere under communism, cash transfers not related to the working force were limited. In Kosovo, for example, in 1985, the total number of beneficiaries and their family members did not pass 2% of the entire population, according to data from the Statistical Office of SAP Kosovo (EKS, 1987).

After the war, Kosovo built five social assistance and family policy programmes involving cash benefits, namely: family assistance; children with disability assistance; family care for orphaned and abandoned children; care centres for people with limited abilities and old-aged; and maternity leave. In 2015, only Social Assistance covered 6.7% of the entire population on cash payments.

UNMIK issued a regulation on categories of war in December 2000 covering invalids and their next kin upon death as a consequence of the armed conflict. In practice the aim of the regulation was to integrate former soldiers of the Kosovo Liberation Army (KLA) whose dissolution was one of the primary goals of the mission when the conflict between the KLA and the Serbian government had ended. An administrative instruction to implement the regulation was issued in November 2001 and payments started later. The Kosovo Parliament adopted a law in 2006 that extended the financial and in-kind benefits to families of KLA martyrs, of missing KLA members and civilians, of deceased KLA invalids and civilians, and the right to custody for KLA and civilian invalids. By September 2015, the government took a decision to implement benefits for KLA veterans as well. The scheme covering categories from war became one of the major welfare programmes that, according to International Monetary Fund estimates, amounted to around 1.7% of the country's GDP in 2016. Categories related to the former KLA were the best paying schemes of the entire welfare sector.

The last scheme covers former political prisoners of Kosovo and was established with a law enforced in 2010. Former political prisoners, convicted and prosecuted during the period from March 1993 to June 1999, or their next kin upon death, became eligible to claim a financial

compensation for every day in prison if person had spent 60 or more days in prison. The implementation of the scheme started in 2015. While the law did not specify ethnicity, in practice it targeted former Albanian prisoners imprisoned by Serbian or Yugoslav authorities for promoting the unification of Kosovo with Albania. According to the Association of Political Prisoners of Kosovo, there are about 12,000 former prisoners.<sup>2</sup>

**Table 1: Key indicators of welfare schemes' coverage, 2003-2015**

Year	Individuals in welfare schemes	Withdrawing Accounts	Employed
2003	312,729	167,329	163,179
2004	353,463	189,400	179,304
2005	363,313	203,694	193,377
2006	360,238	202,676	198,435
2007	353,137	205,258	204,008
2008	333,041	194,121	214,542
2009	345,799	204,945	233,338
2010	365,255	220,055	245,505
2011	359,187	218,287	251,510
2012	348,110	222,595	266,026
2013	339,435	221,569	277,267
2014	350,578	230,413	285,914
2015	372,098	261,478	297,466

Source: Data released from the Ministry of Labour and Social Welfare and based on the Kosovo Office of Statistics reports on social welfare (2003,2015); employment data (KPST 2009,2015).

Population coverage of the welfare programmes is relatively far-reaching, as indicated in Table 1, even though a large proportion of the poor is not covered. There were 261,478 withdrawing accounts for cash benefits in 2015, covering 372,098 persons or nearly 21% of the total population of the country. This means that the number of individual beneficiaries in Kosovo was nearly four times higher compared to 2002, when the first welfare programme had been installed. And it even surpassed the number of the formally employed citizens who were paying

<sup>2</sup> Interview with the chairman of the Association of Political Prisoners of Kosovo (18 February 2016).

pension contributions (297,466). The total adult population above 15 years of age of Kosovo is around 1.25 million people.

In 1978, in communist Kosovo, 19.2% of the population had received cash transfers, with 17.2% of them taking the form of pensions, sick leave and child allowances for employed persons and their families, as based on official statistics (EKS, 1980). The absolute majority of all welfare state payments was financed from workers' contributions and pensions were wage-related. In the next section, it will be shown that the financing, payment and management of post-war welfare programmes were differently organized.

## Financing and Management

Kosovo legislation (key is the law on state-paid pensions) regulated that most social benefit amounts should be based on the official poverty rate calculated by the cost of 2,100 calories of food per day, according to World Bank recommendations. Exceptions are war categories, former contributory pensioners and former political prisoners. Many benefits were well below the minimum wage, which in 2011 was set at EUR 130 for under 35-year-olds and EUR 170 for all others. Still, there were huge differences between categories in terms of the amount of benefits, with social assistance being at the bottom line. While the more universal schemes such as basic pensions and social assistance were low in benefit levels, some targeted schemes became lucrative to individual beneficiaries. On the other hand, in most cases there was no connection between the amount of benefits and the growth of GDP or wages.

Benefits are usually means-tested and of minimum flat rate. Private-savings pensions replace the saving rather than the salary, maternity leave is partially earnings-related, and the only two earnings-related benefits cover pensions for the military – the Kosovo Protection Corps and the Kosovo Security Force (KSF). In terms of covering consumption per capita costs, categories related to the former KLA – such as KPC, KSF, families of martyrs of war, families of missing KLA members and KLA invalids – constitute the highest benefit level schemes in Kosovo. Former political prisoners receive a one-time compensation for days spent in prison.

In general, programmes are financed through the national budget. Social transfers constitute the third most important part of the national budget, however far less important than capital investments and payments of per diems. As shown in Table 2, the impact of pension savings' replacements in financing pensions, and thus the total of welfare programmes, remain marginal, even though they increased from around 0.02% in 2002 to 0.33% of GDP in constant prices in 2015.

All public expenditures for welfare cash transfers equalled 5.66% of the GDP in 2015, without taking into account government payments for up to 80% of electricity bills for families in social assistance programmes and in-kind benefits. Already approved new programmes for veterans of war and former political prisoners have increased this figure to a record level in 2016. The spending of the previous year in these two categories is therefore only an inaccurate indicator of the programmes' scale, as the implementation began very late and many more beneficiaries became eligible. Additional categories of citizens were also requesting protection and some are expected to be included during the coming years, such as people with (mainly physical) disabilities, victims of rape during the war, members of the Kosovo police etc.

**Table 2: Total Kosovo welfare schemes spending as percentage of GDP (constant prices) and national budget: 2002-2015**

Year	Welfare Spending as % of GDP	Of which financed from pension contributions	Welfare Spending as % of National Budget
2002	0.54	0.02	5.0
2003	2.17	0.02	12.3
2004	2.70	0.02	16.3
2005	2.94	0.02	15.8
2006	2.93	0.02	17.1
2007	2.60	0.02	16.0
2008	2.98	0.05	14.7
2009	3.23	0.04	14.5
2010	3.47	0.10	13.6
2011	3.43	0.12	12.9
2012	3.80	0.17	13.2
2013	4.23	0.19	15.7
2014	5.12	0.25	19.3
2015	5.66	0.33	19.8

Source: Own calculations. Financing from KPST pension contributions for 2002-2009 is average. GDP data based on IMF (2016) country data, budget based on Ministry of Finance (2015).

The national budget itself is funded by taxes, mainly those on consumption, international trade, personal incomes and government service revenues. In 2015, the total revenues constituted 28.6% of GDP with VAT as the most relevant tax contributing 10.5% (own calculation, Kosovo Customs, 2015; Kosovo Tax Administration, 2015). The other revenue taxes include excises (such as on purchase of cars, oil, 'sin' taxes etc.) with 6% and personal income tax with 3.1% of GDP.

The total spending on social welfare increased by 16 times from nearly EUR 19 million in 2002 to around EUR 303 million in 2015, while the national budget rose by 6 times from EUR 283 million in 2002 to EUR 1,684 million in 2016. Donor funding has been relatively limited after 2001 and generally covers programmes that do not include cash benefits. In total, cash benefits made up 5.6% of the GDP in 2015. Comparisons to communist times are certainly difficult to undertake but may show some tendencies. For instance, the provinces' overall social expenditure was around 7.4% of GDP in 1981, and only 1.1% of GDP was spent on cash benefits.

The Ministry of Labour and Social Welfare (MLSW) is the main authority involved in the management of welfare schemes in Kosovo. Through the Kosovo Pension Administration, it manages all publicly funded pensions, i.e. most pension payments. The Union of Independent Syndicates of Kosovo (BSPK), representing workers, has an indirect say in the general policy-making through the Social Economic Council – the advisory tripartite forum consisting of ministers and representatives of employers and unions – but it does not play any role in implementation. The MLSF executes payments and is responsible for managing the lists of beneficiaries. Only the union of Trepça miners had some role in management as it was crucial in determining the eligibility of beneficiaries for the early retirement scheme of Trepça workers.

The Kosovo Savings Pensions Trust (KPST) manages obligatory saving accounts. Both employers and employees are contributing with a minimum 5% of wages. Employers and unions are not involved in management. It is expected that only two out of ten members of the Board of Directors at KPST will represent social partners. The Board is nominated by the Kosovo Parliament whereas KPST reports to the Central Bank of the Republic of Kosovo (CBK). The Slovenian-Kosovo Pensions Fund is private and reports to CBK. SKPF is the only private fund managing third-pillar supplementary pensions.

Most of the social assistance programmes are managed by the municipal Centres of Social Work (CSW). They are responsible for deciding cases and for managing and preparing payment lists. The CSWs are supervised by the Ministry of Labour and Social Welfare. The ministry directly manages residential facilities for older people and people with disabilities. Maternity Leave is managed by the municipal Employment Offices under the supervision of the MLSW.

The ministry is also responsible for executing payments for “categories of war” beneficiaries and former political prisoners. However, the lists of beneficiaries and the amounts they receive are prepared by “The Office of War Categories” at the Prime Minister’s Office and the Government Committee on Former Politically Convicted. At both these institutions, the associations representing the social groups – The Association of Veterans, Families of Martyrs and Invalids of KLA and The Association of Political Prisoners of Kosovo – play a crucial role in determining

benefit entitlements. Both institutions are or were chaired by the chairman of the respective association.

Under communism, pensions and health insurance programmes were organised and managed by self-governing institutions of workers. Thus, although being a centrally planned economy, in practice the direct management was vested on workers and insurance bodies. The government was more involved in the smaller programmes of social protection.

Like in most communist societies, Kosovo's welfare state development was minimalist when it came to providing poverty relief and non-work related cash transfers. Work-related cash payments were relevant and connected to the market earnings although Kosovo had a smaller ratio of employment and social production per capita compared to all other former Yugoslav regions. After the war, the state became directly engaged in welfare provision. Most of the welfare state expenses are financed from consumption taxes. Most schemes are related to savings accounts or offer minimum payments (flat rates), unveiling the welfare state's neo-liberal rationale. However, specific categories – former contributory workers, KLA-related categories and former political prisoners – receive higher payments, include non-union stakeholders (associations) in management, and target the majority ethnicity and in fact the male population. Unlike the former communist welfare state, the modern one does not provide social protection for neither unemployment, children and sick leave nor does it provide for obligatory health insurance (prior to 2017), leaving large segments of the population uncovered.

## **Institutions and Politics**

Kosovo's welfare state was designed by international finance institutions, i.e. the World Bank and the International Monetary Fund, working closely with the United Nations towards a liberal market economy that would differ from the communist experience of inefficiency in Yugoslavia. Aiming at a pro-investment and flexible 'hire & fire' labour market, early social welfare programmes were framed with the aim to avoid taxes, and thus involved modest benefits with universal coverage and special attention for minorities (World Bank, 2001: 7-8; Snelbecker, 2003: 3-7; Gubbels et al., 2007: 17-18). The Government of Serbia and major Serbian political actors in Kosovo worked towards territorial partition or autonomous governance. Indeed, the partition of at least four northern Serbian-dominated municipalities, including North Mitrovica, became reality as of 1999. The welfare state programmes – universal basic pensions and social assistance – constituted a rare example of national policy keeping a larger group of the Serbian community connected to central programmes of Kosovo even though the Serbs continued to

benefit from the Serbian PAYG pension system and other social protection and healthcare schemes of Serbia.

From around 2005 and onwards political representation grew in significance. All communities were represented in Kosovo's Parliament. The Democratic Party of Kosovo (PDK), the Democratic League of Kosovo (LDK), the Alliance for the Future of Kosovo (AAK), Vetëvendosje, an Independent Liberal Party (SLS)/Progressive Democratic Party (PDS) – the most successful parties during elections – together with the associations and unions representing social groups were the most important stakeholders in the welfare sector and the entire political system. However, the weakest groups, such as universal pensioners and social assistance beneficiaries, have not been represented by associations speaking on their behalf. The Serbian political party SLS/PDS headed the Ministry of Labour and Social Welfare from 2008 to 2014.

The central political cleavage within the Albanian majority community relates to the stance towards the war, namely, between those who had actively supported the former Kosovo Liberation Army (KLA) and those who had not. The pro-KLA group was in general rural, more conservative and often highly affected by the war. However, the majority of the Albanian population in both rural and urban areas had not been active in or close to the KLA, including the better educated and the better-off citizens. The Democratic Party of Kosovo (PDK) and the Alliance for the Future of Kosovo (AAK) represented and voiced the interests of those related to the 'war wing', while the LDK represented and voiced the interests of the moderate 'peaceful wing'. The performance of the PDK in government had clear links to this cleavage.

From before independence until late in 2014, the key government parties were the Democratic Party of Kosovo (PDK) and the Independent Liberal Party (SLS)/Progressive Democratic Party (PDS). While the PDK represented the Albanian 'war wing', and translated it into social programmes in exchange for their votes, the SLS had a smaller basis with some support among the Serbian population and had chosen to accept Kosovo institutions. While the party elite benefited from power, it had no strong democratic incentives to represent the interests of the Serbian community. Indeed, during the period when the SLS headed the Ministry of Labour and Social Welfare, most programmes targeted at the Albanian population were launched. Also other major Albanian parties – the centre-right Democratic League of Kosovo (LDK) and the Alliance for the Future of Kosovo (AAK) – generally supported the design of these programmes, sharing a similar ideology. Overall, however, expertise in and interest for social policy was limited among all parties. This can be demonstrated by the way parties voted in Parliament on welfare state legislation (Table 3): all parties, except Vetëvendosje, voted quite similarly, with the law on social assistance getting the least support.

Among the major parties, only Vetëvendosje (Self-Determination, VV) declares itself as a left-wing party with a marked connection to a new intellectual and often poorer part of society, but not to workers because the public sector remains the most important employer in Kosovo. This is also due to the affiliation of the unions to the parties in power. While VV promotes a PAYG pension system, increased benefit levels for all programmes, a stronger role of public authorities in care provision and potential anti-austerity measures, VV does not regularly oppose targeted programmes, including former political prisoners and KLA-related categories of beneficiaries. However, it opposed the strengthening of the municipal powers of the Serbian majority and its coordination through a joint legal entity and maintained a rather nationalist voice.

While other factors such as regional and stakeholder objections were relevant in Kosovo's welfare politics as well, political stakeholders established schemes and programmes often in search of short-term stability rather than based on clear goals and a general concept of social welfare policy. Some interest groups such as, for instance, the association of KLA categories of beneficiaries, have a high protest capacity and backstopping of their members. Political parties successfully contributed to divide the major social groups by negotiating and implementing benefits for different categories separately, with the clear intention to weaken their bargaining power and to limit public spending. As to the Serbian community it must be noted that Serbian citizens have continued to participate only partially in Kosovo's welfare schemes and opted for Serbia's pension and social protection system.

The stronger unions had some success in negotiating with the government but, being close to the parties in power, they failed to also represent women and minorities. They surprisingly supported and participated in the privatization and deindustrialization of Kosovo. Non-union actors – such as the KLA and associations related to former political prisoners – were more successful and powerful. Against this backdrop, the government remains the major employer as the post-war project to boost international investment by reducing labour costs did not result in relevant foreign investment (most direct investments originated from the Diaspora) but rather in high unemployment, remaining the highest of the entire Balkan region.

**Table 3: The voting of Kosovo MPs on major welfare legislation 2008-2016**

Law on	Date	PDK y - a - n	LDK y - a - n	AAK y - a - n	VV y - a - n	SLS/PDS y - a - n
Income Tax amendment	17.12.2008	17 - 1 - 1	16 - 0 - 1	2 - 0 - 5	(*)	Not present
Work	02.11.2010	32 - 0 - 0	19 - 0 - 0	9 - 0 - 0	(*)	4 - 0 - 0
Economic-Social Council	21.07.2011	18 - 0 - 0	19 - 0 - 2	9 - 0 - 0	11 - 0 - 0	0 - 0 - 0
Syndicalist organization	28.07.2011	26 - 0 - 0	16 - 0 - 0	5 - 1 - 0	2 - 0 - 0	0 - 0 - 0
Modifying law on Strikes	06.09.2012	15 - 1 - 0	12 - 1 - 1	4 - 0 - 0	10 - 0 - 0	1 - 0 - 0
Pensions for KSF	15.03.2012	18 - 0 - 0	18 - 0 - 0	6 - 0 - 0	12 - 0 - 0	4 - 0 - 0
Pension funds	06.04.2012	26 - 0 - 0	8 - 3 - 1	7 - 1 - 0	1 - 0 - 0	7 - 0 - 0
Blind Persons	14.06.2012	24 - 0 - 0	13 - 0 - 0	7 - 0 - 0	2 - 0 - 8	6 - 0 - 0
Modifying Law on Pension funds	12.03.2013	20 - 0 - 0	15 - 0 - 0	7 - 0 - 0	0 - 0 - 5	8 - 0 - 0
Pensions financed from the state	06.05.2014	23 - 0 - 0	22 - 0 - 0	7 - 0 - 0	0 - 0 - 9	0 - 0 - 0
Paraplegics and tetraplegics	25.05.2016	26 - 0 - 0	21 - 0 - 0	0 - 0 - 0	0 - 0 - 0	1 - 0 - 0
Rehabilitation for Disable	18.12.2008	23 - 0 - 0	19 - 0 - 0	7 - 0 - 0	(*)	1 - 0 - 0
Modifying Law on Social Services	02.03.2012	23 - 0 - 0	13 - 0 - 0	10 - 0 - 0	9 - 0 - 0	5 - 0 - 0
Social Assistance	10.05.2012	23 - 0 - 0	9 - 1 - 0	0 - 0 - 0	0 - 0 - 9	5 - 0 - 0
Status & rights of KLA categories	08.12.2011	22 - 0 - 3	21 - 0 - 0	2 - 2 - 0	0 - 0 - 0	1 - 1 - 0
Veterans of KLA	03.04.2014	32 - 0 - 0	0 - 0 - 0	11 - 0 - 0	11 - 0 - 0	0 - 0 - 0
Former Political Prisoners	29.10.2010	29 - 0 - 0	19 - 0 - 0	10 - 0 - 0	(*)	0 - 0 - 0

Notes: y = yes, a = abstention, n = no; (\*) not represented in Parliament during that mandate.

Source: Data based on Kosovo MPs voting on second reads of draft laws 2008-2016 [Kosovo Parliament 2016].

## Discussion

Kosovo's post-war welfare state is characterized by rigorous eligibility conditions and the dominance of minimum flat-rate benefits and thus constitutes primarily a poverty relief system. The eligibility conditions caused 30-50% under-coverage of the poor for many years. Most benefits were below minimum wages as their levels have been based on consumption costs.

Even though all Eastern European countries in their transition from communism to liberal market economies established low levels of welfare benefits (Hemment, 2009; Lendvai and Stubbs, 2015), the structure of benefits and the mechanisms behind their levels in Kosovo turned out to be particularly low. While many countries in Western Europe are spending around 25-30% of their GDP in welfare state programmes, in the Balkan region this indicator is much lower – in 2015 Albania spent 11.7%, Macedonia 17.5%, Montenegro 13.9%, Serbia 17.8%, Bosnia 17.1% (World Bank Group, 2016); Kosovo reached its highest spending figures in 2015 when total welfare expenditures equalled 5.66% of GDP.

Even experts representing the World Bank maintain that Kosovo has insignificant social spending.<sup>3</sup> This can be explained by an economic strategy that aimed at attracting foreign investment to boost employment but eventually failed – market performance was minimal and dented by informality, corruption and absence of innovative reforms. As a result, the actual employment rate in 2015 was 25%, which is incidentally almost equal to the employment rate in the 1980s. However, Kosovo shares at least three more features with several other post-communist societies: the growing role of the state, the return of various institutions from the past, and compensation for powerful groups from the transition conflicts.

Cerami and Stubbs argued that the state as a major political agency returned in several transitional countries by interfering in or even enabling market economies (Cerami and Stubbs, 2001). In Kosovo, as evidenced above, the state role grew because it directly manages around 95% of all welfare state payments that are by and large financed from consumption taxes. In addition, around 30% of all employees work for the government in public jobs. It is not the direct involvement but rather the general economic and citizenship context that is problematic.

Several programmes that expanded in terms of their number of beneficiaries and payments or were launched as completely new schemes – e.g. former contributory pensioners, war veterans and other schemes related to the former Kosovo Liberation Army, and former political prisoners – were in general a result of an electoral connection to the Democratic Party of Kosovo (PDK). In the case of contributory pensioners, the programme reversed the role of social class from the past: the higher educated get better payments than others. All programmes overall concentrated on the Albanian majority and the male population due to the history of Kosovo's labour force. In all these programmes, the female population participated with 12% while the non-Albanian communities with only 2% in 2015. Since the size of the programmes was large, they consequently created disproportional coverage and payment levels within the system. These welfare state developments took place within a larger-scale context of corruption

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<sup>3</sup> From the interview with a country economist at the World Bank Group, Kosovo (20 April 2016).

and misuse in privatization and public funds, which came to delegitimize an essential part of the political players of the independence movement in Kosovo politics during 1990-2008.

With regard to other post-communist countries, in Russia Putin's government reformed the widespread in-kind so-called 'L'goty benefits' by monetization. The benefits – such as free access to transportation services – covered various categories of merit from war and work. Public protest made many different regions to keep the in-kind benefits but many people lost them. The propaganda machinery was activated to portray monetization in a positive light. In Croatia, the Croatian Democratic Union (HDZ) that ruled for more than two decades from 1989 to 2011 (except for one mandate) was strongly connected to the war veterans through welfare programmes and economic power. Also, it excluded minorities, especially during the war period. In Hungary, minimum social benefits went parallel with growing nationalism. Kosovo shares with such features of post-communist countries in its neo-liberal minimum and monetized welfare benefits, in its context of crony-capitalism, state capture and political circumstances of clientelism manifested through the exchange of votes for public resources, administrative power and particularism (Franičević and Bičanić, 2007; Wengle and Rasell, 2008; Cerami, 2009; Hemment, 2009; Cook, 2010; Stubbs and Zrinščak, 2015; Lendvai and Stubbs, 2015).

Developments in other countries were used as direct models for Kosovo. Croatian parliamentarians were even invited to speak at the committees of Kosovo Parliament to share practices on veterans. Legislation on veterans and former political prisoners seems to have largely been based on Croatian models. But while clientelism could be expected to be embraced by elites in search of maintaining power (camouflaging it as a party-political mobilization), during transition in Kosovo neo-liberal policies were pushed one step further in a period when international actors, their usual promoters, were less directly involved. A prominent example includes the law on personal income, which was passed through two parliamentary readings within one week in late December 2008. Kosovo was still to become one year old as a state. The richest were charged up to 20% under UNMIK; with the new amendments, the highest personal income bracket was charged 10%. Income taxes became more regressive. Value Added Tax (VAT) was set at a 15% flat rate under UNMIK; it became 18% by 2015. This is in line with Serbia's experience with the role of international actors that, according to Arandarenko and Uvalic (2014), left room for manoeuvre for local actors but did not necessarily produce better results. While Kosovo declared its independence, Kosovo and Serbia evolved quite similarly over years in their independent paths of "jobless growth", low redistribution and "winner takes it all" economies (see Pavlovic and Arandarenko, 2011).

The politics of particularism continued when the Democratic League of Kosovo (LDK) took the lead in government. In 2016, major Serbian politicians in Kosovo, including the parliamentary

group of the Serbian List, and Vetëvendosje announced that the Government had taken legislative actions to transform the universal basic pension – available to all persons 65-years-old and over and a unique universal old age pension in the entire Balkans set under UNMIK – into a means-tested social assistance scheme. The Ministry of Labour and Social Welfare had already issued an administrative directive to restrict universal pensions for all Kosovars who could not prove regular residence. Serbian politicians argued that it went directly against the interests of refugees who fled Kosovo into Serbia after the war. While the politicization of the issue by the Serbian list, other Serbian politicians and Vetëvendosje, shows the positive impact of democratic voting – translating into public interest representation – the overall actions of Kosovo politics around and after independence have added to contest citizenship and state building. Under UNMIK, even the law on invalids and victims of war, which practically targeted the former KLA, had a universal outlook based on which the rights of civilian victims emerged as well. But Kosovo politics increased benefits to KLA-related categories of beneficiaries disproportionately compared to civilian victims and all other benefits and targeted the Albanian majority with the new programmes. Removal of the basic pensions that constitute the most effective poverty-averting institution, would only mean the low point of an exclusionary social policy.

## **Conclusion**

Kosovo gradually built a completely new welfare state after the war. In 2015, this new welfare state covered 21% of the entire population by direct cash payments. It is dominantly managed by the state and financed from consumption taxes. However, typical of neo-liberal post-communist welfare states, the benefits left many poor out of coverage due to restrictive eligibility conditions and minimum flat-rate benefits. During most of the post-war period, benefits did not even cover the costs of food consumption. Around independence in 2008 and later, owing crucially to the rather authoritarian rule of the Democratic Party of Kosovo (PDK), welfare benefits and economic public resources were used as an electoral machinery in exchange for the votes of former fighters, political prisoners and the mostly rural population. Social policy was not complemented by programmes to cover major social risks such as unemployment, childcare or sick leave, which Kosovo used to have decades ago under communism. Rather than strengthening solidaristic protection systems, neo-liberal policies were even further promoted when international players reduced their involvement and clientelism was instrumentalised for political mobilization. Thus, particularistic policies as well as insufficient and unequal benefits did not contribute to consolidating inclusive citizenship and state building.

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# **The Georgian Welfare Regime at the Threshold of Challenges of Demographic Change**

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## **Abstract**

Georgia, a country characterized by an aging population with a high incidence of poverty and limited public financial resources, offers virtually complete non-contributory basic pension coverage. The basic pension has, to date, proved effective in dealing with poverty arising from political instability, military conflicts, economic deterioration, transition to a market economy, emigration of its younger population, and aging. But Georgia's fiscal constraints and aging population also highlight the importance of developing and improving the state welfare system to ensure its sustainability.

The paper is based on the findings of desk-research implemented in the framework of the project "Opportunities and Barriers at the Transition from Education to Work. A Comparative Youth Study in Azerbaijan, Georgia and Tajikistan", supported by the Volkswagen Foundation.

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Table A1: Review of key reforms across social policy areas in Georgia

## **Introduction**

The Georgian welfare system consists of three main components: pensions, social assistance and public health care.

Responsibility for social protection in Georgia is predominantly with the Ministry of Labour, Health and Social Affairs (MoLHSA), its regional departments, and municipal services. A special state institution, the Social Service Agency (SSA), was created in 2006 under the MoLHSA to administer social benefits, pensions, targeted social assistance and health insurance. SSA regional and district branches are responsible for identifying social beneficiaries, delivering benefits, and monitoring distribution.

Georgia inherited the Soviet system of social security, which guaranteed a decent living for pensioners, the unemployed, the disabled, families with many children and persons of countless other vulnerable groups. Since the collapse of the USSR, however, Georgia has been unable to afford such lavish social spending, nor has it revised the existing model in a systematic and comprehensive manner.

Dramatic changes in the country – economic deterioration provoked by the decline in industrial and agricultural production, a challenging transition to a market economy, military conflicts, a rising informal sector, migration of the younger population, and aging – caused a high incidence of poverty that had to be addressed by social policy.

## **The State Welfare System in Georgia**

### ***The Pension System in Georgia***

Unlike most East European countries, which in the early period of transition offered early retirement and assumed full responsibility for the provision of pensions, the Georgian government proved to be more pragmatic due to its severe financial limitations.

In 1995 Georgia replaced the Soviet system of differentiated pensions, according to which a pension was calculated based on an individual's number of years of active work or on his/her previous salary, with a uniform sum for all pensioners – a flat-rate pension system. In 1996, the retirement age was increased from 55 to 60 for women and from 60 to 65 for men; in case of early retirement, an individual would not begin to receive a pension until reaching this age. Another provision eliminated the practice of paying pensions to individuals of retirement age

that were still working. However, pensions were low and even if entitlements existed there disbursement was delayed for months and years due to budget limitations.

In 2003, the social insurance system was changed to a tax-based system, and the issue of financing of health and social affairs in the public policy sector has completely been incorporated in the realm of economic (tax) regulation. Compared to 1995-2003 there was no qualitative breakthrough in the organization of pension schemes; only the amount of benefits along with the effectiveness of their administration was increased. By 2004, the Georgian tax code was changed. Consequently, the system of individual social insurance contribution was abolished and general taxes were determined to be the only source of revenue for the state budget. Because of these changes, the state budget turned into the only source of funding of social expenditure.

In 2006 Georgia introduced its basic non-contributory pension, which is financed by tax revenues. In terms of coverage, spending, and poverty reduction, the basic pension is the pillar of the Georgian pension system and the largest source of public support for older people. It provides universal coverage for the elderly and is virtually complete. All citizens, stateless persons and foreign nationals residing in Georgia for the last 10 years who are above retirement age (60 for women and 65 for men) are automatically entitled to old-age pensions without any contribution or means-testing requirements. The monthly pension benefit in Georgia since September 2015 is GEL 160 (EUR 60). The basic (old age) pension is the largest component of social provision: it then accounted for over 15% of the total state budget expenditure and contributed up to 4.7% of the GDP.

The country's current guiding principle in funding social security is 'solidarity across different generations', the sustainability of which is questionable, taking into consideration the aging of the population and the resulting increase of age dependency ratios: the ratio of the population aged 65 and above to the 15-64-year-old population is over 20%. The number of old age pensioners has significantly increased over the past 12 years (in 2000: 550,000 with a share in the total population of 12.4%; in 2012: 682,000 with a share in the total population of 15.1%). According to a UN forecast the population of Georgia will decrease by nearly one million by 2050. The population aged over 60 made up 18% of the total population 2001-2008.

The government understands this challenge very well and already has declared the need for a pension reform. Since 2012, the Georgian government has put forth a systemic reform proposal – a compulsory pension insurance – including the implementation of contributory pension schemes to supplement the basic non-contributory pension. The aim is to establish a system in which residents of the country will receive a pension based on the funds accumulated by contributions. However, the exact type and shape of the system has not been decided yet:

whether it will be voluntary or compulsory, whether it will be a combination of state and non-state elements or not, etc.

Currently, the Georgian retirement income landscape includes income from the non-contributory old-age pension, state compensation (pensions for civil service), private, voluntary defined-contribution pension schemes, and other forms of retirement income support, such as formal health care, traditional family support, home and land ownership, etc. However, the old-age pension is the largest system of public support for older people and is fundamental in terms of its coverage, spending, and its contribution to older people's income. The other components of the Georgian pension system, such as state compensation and voluntary pensions, are characterised by low coverage. Furthermore, voluntary pensions are not yet developed in Georgia. It is noteworthy that today there are several private pension funds. However, according to most recent statistics less than 20,000 persons participated in their retirement benefit programmes, although it was completely voluntary and the government until now did not take any stimulating or obligating action towards these funds aimed at gaining profit from them.

### ***Social Assistance to Poor Families***

One of the most important components of social expenditure in Georgia is the Targeted Social Assistance (TSA) programme launched in 2006 and providing state assistance to socially vulnerable families through a so-called 'subsistence allowance'. The total number of persons receiving a subsistence minimum in Georgia is currently about 436,000; 27% of the beneficiaries are aged 18-40; 7.2% of the Georgian population aged 18-30 currently receive this state allowance.<sup>1</sup> These rates are lower than those corresponding to old-aged (65+) people (11-12%), but are quite high anyway.

Until 2006 the state provided financial assistance, a so-called 'family allowance' amounting to GEL 22 (less than 8 Euro), for five categories of households including persons identified by legislation as vulnerable (as single non-working pensioners, IDPs, war veterans, single mothers, orphans, etc.) without considering the financial conditions of a person/household. This system received a lot of criticism at that time due to a lack of transparency of the procedure for granting allowances and the non-targeted approach – relevant categories of beneficiaries did not always represent those households most in need of state social assistance.

The TSA programme in Georgia focuses on protecting people from extreme poverty only. Before 2013, TSA benefits consisted of a core sum of GEL 30 (EUR 14) per month per family,

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<sup>1</sup> [http://ssa.gov.ge/index.php?lang\\_id=GEO&sec\\_id=1196](http://ssa.gov.ge/index.php?lang_id=GEO&sec_id=1196)

complemented by a benefit of GEL 24 per month per additional family member. The amount of benefits doubled in 2013, changing the core amounts to GEL 60 (EUR 28) and GEL 48 (EUR 20) per additional family member. Now approximately 10.1% of the Georgian population is receiving TSA.

In the opinion of experts, the TSA programme design needs to be improved, as it may create incentives for beneficiaries to hide their revenues and lead to informal employment. The problem of hiding revenues was revealed in January 2013, when the TSA database was linked to the State Revenue database and as a result up to 20,000 families lost their right to assistance. Problems still exist, as informal employment is very prevalent in the country and the programme design is not giving incentives to informal workers to register their employment. Moreover, it may create disincentives to work for families near the threshold. This point is partly included in the government 2020 strategy, which states that the TSA score evaluation mechanisms will be improved and the administration of the programme will be changed to increase its efficiency (Hakkert et al., 2015: 36).

### ***Health Insurance System***

A definition of an insurance system in the public policy environment was introduced 1997 by a law on health insurance, which determined the types of system: state mandatory health insurance and voluntary health insurance. This law regulated the insurance business in the healthcare sector. Eventually, three agents shared and expended financial allotments for health – the State Medical Insurance Company, the Municipal Healthcare Funds and the Public Health Department. The State Medical Insurance Company (irrespective of its name), basically, had never been engaged in the insurance business but rather had been collecting and spending funds for the implementation of the state healthcare programmes. The Public Health Department financed or directly implemented several public health programmes.

Services were procured under the framework of the state healthcare programmes on a contractual basis. Reimbursement mechanisms by these programmes incorporated general budgets (number of cases per diagnosis) as well as per-capita financing. Reimbursement mechanisms, service prices or limits of payment were determined by the Ministry (specified in the state programmes). Patients also participated in the procurement of services in the form of co-payments.

The healthcare system still could not cope with its funding function. Despite the introduction of innovative schemes the deficit in the budget for healthcare persisted, the share of government's

expenditure in total expenditures on health remained low and the accessibility of health services for the public decreased.

Because of restricted financial resources the state insurance mechanism only covered a very limited group of the population. Moreover, this insurance package was not properly promoted; most people were unaware of their new rights and thus continued to pay informal fees charged by the medical staff, and finally there were no sufficient resources pooled in the fund to finance all declared programmes, requiring co-financing by patients.

In 2003, the social insurance system in Georgia was changed to a tax-based system, although the deficit of public funds in financing of healthcare services continued. It can be said that since that time the burden of healthcare financing borne by society has been 'blurred' and integrated with overall social responsibility. Since then the issue of financing of health and social affairs in the public policy sector has completely been incorporated in the realm of economic (tax) regulation.

In 2007, the government made a rather revolutionary decision aimed at the development of a private insurance market, along with improvement of management and administration of existing resources, and ensuring better access to medical care for vulnerable groups of the population. While prior to 2007 the state purchaser managed the procurement of medical services under the state programmes, after the introduction of reforms in 2007 private insurance companies became involved in the process. Under the new model, state funds were allocated for purchasing health insurance for certain groups of the population (persons living below the poverty line and other groups) from private insurance companies, which became buyers of medical services for these groups.

In 2009, the insurance coverage expanded to include not only the population below the poverty line but also families of IDPs, families who fled their homes after the Russian Federation's occupation of Georgian territories as well as beneficiaries of child-rearing institutions, small family-type group homes and boarding schools, etc.

The state further expanded the groups of beneficiaries of health insurance. Four months later, in April 2010, the government changed the terms and conditions of health insurance.<sup>2</sup> Instead of the voucher mechanism, prospective beneficiaries were distributed among insurers in 26 health districts based on a tendering procedure, i.e. beneficiaries' freedom of choice of insurer had been restricted for three years.

In April 2010, the number of beneficiaries covered by the government-provided health insurance was 1,104,785; most of them were individuals living below the poverty line and about two third

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<sup>2</sup> The resolution of the Government of Georgia #110 as of April 9, 2010

of Georgia's population was not covered by health insurance and had to incur health-related out-of-pocket expenses (Jadugishvili, 2010: 8). Even though the volume of funds mobilized by private insurance companies has been increasing, it still accounts for only a small fraction of private health expenditures. In 2012, only 8% of the population was insured in private insurance, while 36% were covered by state insurance and 56% were uninsured (Hakkert et al., 2015: 33).

After the general elections of October 2012, the new administration came with much more social sector oriented policies and with the declared goal to improve the social and health status of the Georgian population. The new government announced an unprecedented, almost twofold expansion of budgetary allocation for health (from GEL 365 million or an estimated USD 225 million in 2012 to GEL 635 million or USD 391 million for 2013) (ibid).

To provide better financial access to healthcare services for large groups of the population and to reduce out-of-pocket and private healthcare expenditures, the Georgian government in February 2013 launched a universal health care programme. The programme covers all people that are uninsured and, in addition to primary care, it includes planned surgical operations, treatment of oncological diseases and deliveries. The budget of the programme was GEL 200 million, which represented 7.5% of the MoLHSA's budget.

In addition, Georgia is receiving external resources for health in form of funds or in-kind services. The resources come from international organizations, other countries through bilateral arrangements, or foreign non-governmental organizations such as the Global Fund, the World Bank, USAID, the European Union, etc. However, despite the increase in public financing, private expenditures continue to be the primary source of health care expenditures, with a decrease of their share from 95% in 1995 to 70% in 2013.

### ***Unemployment Assistance in Georgia***

Georgia had no experience with unemployment as such till the beginning of the 1990s. An unemployed person used to be a rare individual from a marginal group (without permanent residence, recently coming from prison/detention). Unemployment became a real problem since the beginning of the 1990s. The law on "employment of the Georgian population" of 1991 was a reaction to fast changes that were taking place in labour relations in Georgia. This law determined the age (16-60 for females and 16-65 for males) and definition of an unemployed person, i.e. as someone not having a job, seeking a job and being ready to start working. This law also officially determined two categories of unemployed: the unemployed and the registered unemployed. Citizens become entitled to unemployment benefit from the first day they acquire unemployment status. An unemployed person may receive a benefit no longer than 12 months.

Unemployment benefit is paid on a monthly basis; during the first three months, it is provided by the employer and during the remaining nine-months period by the employment agencies. In 1998, unemployment benefit's duration has been shortened to six months. Benefits are provided by the State Employment Fund in which taxes paid by employers according to special state directives have been accumulated each year.

In 2001, the United State Employment Fund has been annulated and unemployment benefit is now paid from the state budget in the framework of assignments to the state programme on "social security of unemployed and support of employment". By the new law on "employment of the Georgian population" introduced in 2001, citizens become entitled to unemployment benefit from the first day they are registered by the State Agency of Employment on a monthly basis for six months. Unemployment benefit is paid to those who: 1) before losing their work had a continuous paid job for no less than one calendar year; 2) have been officially registered by the State Agency of Employment during the first six months after losing their job; 3) were ready to start working on a corresponding job suggested by the State Agency of Employment. A means-test did not exist. The benefit was provided to the unemployed person on a monthly basis during six months at the fixed level of GEL 14 (EUR 2.5) per month before 2005 and GEL 20 since January 2005.

Since May 2006, unemployment benefit is not provided anymore in Georgia. Experts mention that among the reasons for abolishing the benefit at that time were the lack of proper means of monitoring, difficulties in identifying eligible candidates, and high levels of corruption (Ambroladze, 2012: 24). In 2006, the law on employment was abolished in Georgia and no legislative act on unemployment has been adopted afterwards. State and employers do not have obligations toward the unemployed anymore.

### ***Labour Market Policy in Georgia***

Until recently, the Georgian government considered that under conditions of a free economy the labour market does not need any management and, hence, it almost did not interfere in relationships between employers and employees. The lack of proper public institutions created significant obstacles for an effective management of the labour market.

However, since 2005 the Georgian Government launched several programmes aiming to reduce unemployment. Among these programmes were projects aimed at developing small businesses, providing vocational training and re-training, training internships, and employment-generating activities through the development of small- and medium-sized businesses. Unfortunately, none of the programmes was devoted to the problems of youth but some of them could have had an

influence on the facilitation of the process of transition from education to work through the creation of new jobs and wider employment opportunities.

The scale of the programmes was limited and outcomes in terms of actual employment were miserable. The participants were mainly offered cash benefits instead of enhancing their qualification levels, leading to a labour market policy that failed to tackle the core problem of employment creation. Finally, according to experts these programmes were not able to provide tangible results due to a lack of proper evaluation and control mechanisms and their relatively small size (Ambroladze, 2012: 25).

The extent to which on-the-job courses contributed to upgrading the programme participants' skills and their employment possibilities has not been investigated.

Currently, the Georgian Government has no labour market programmes of any kind. Experts note a lack of proper means for monitoring the labour market in Georgia and difficulties in identifying eligible candidates.

Efforts to improve labour market management are still at their very initial stages. There is no State Employment Agency: it was created in 2006 but dissolved one year later. There are some private employment agencies, which mainly deal with organizing labour emigration.

The responsible agency for administering the financing and implementation of employment policy in Georgia is the Ministry of Labour, Health and Social Affairs (MoLHSA), created in 1995 as a merger of three different ministries. However, the department implementing employment policy was abolished in 2005 and has been reinstalled only in 2013.

To facilitate employment, a special web platform – [www.worknet.gov.ge](http://www.worknet.gov.ge) – has been created with information on existing vacancies for job seekers registered on this web portal. It is necessary to register on the web portal to receive information about existing jobs via messages. To apply for a job, job seekers need to join the Social Service Agency and fill in an application form. As it seems, the web portal is not very popular among Georgian citizens, most people do not know about the above-mentioned possibilities.

Some long-standing Georgian online platforms ([www.jobs.ge](http://www.jobs.ge), [www.hr.ge](http://www.hr.ge), [www.hr.gov.ge](http://www.hr.gov.ge)) also help job seekers in finding work but available data shows that most job seekers in Georgia find a job using informal contacts. According to a study by CRRC in 2013, useful connections (alongside with education) are considered to be the most important factor for getting a good job in a country where unemployment is widely spread.<sup>3</sup> A representative survey of Georgian

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<sup>3</sup> <http://crrc-caucasus.blogspot.com/2015/06/connections-or-education-on-most.html>

enterprises recently conducted by the Georgian Ministry of Labour, Health and Social Affairs (MLHSA) also revealed that a key source of local employers for finding personnel are these informal connections: this was mentioned by 60% of the persons interviewed in the survey (MLHSA, 2015: 26). Employers also contribute to the problem of unemployment since they are seeking experienced employees; hence, new arrivals have problems in finding appropriate jobs in Georgia.

Since many Georgians tend to look for a job using informal networks, it is not surprising that job interviews are uncommon in Georgia. According to a study conducted in 2014 by the Center for Social Sciences (CSS) of Tbilisi State University, only half of the interviewed formally or informally employed individuals from various parts of the country have participated in a job interview. Even when someone is interviewed for a job, it is highly possible that he/she will be asked personal questions not related to his/her career. During an interview, over 65% of all respondents – men and women – were asked about their marital status, and 40% of them were asked about their number of children. Such questions can lead to discriminatory treatment because having a family may be regarded as an advantage for a man but as a disadvantage for a woman (Popovaite, 2015).

In its Strategy 2020 the Georgian government announced the main policy directions in which it plans to support the labour market. Most parts of the directions are dedicated to the reduction of the labour market mismatch through labour market infrastructure development, raising awareness and consulting job seekers, as well as development of the system of professional education and promoting entrepreneurship.

In this regard, it should be mentioned that in 2016 a Concept on Active Labour Market Policy and its Implementation Action Plan for 2016-2018 were approved, stating that "... upon its successful implementation, the population will have access to a wide range of employment services. The resolution aims to implement a comprehensive strategy on active labour market policies to address the issues such as labour integration, productive employment and income generation as well as capacity building".<sup>4</sup>

## **Informal Institutions in Georgia**

It should be mentioned that Georgia's present social protection system is focused on social assistance as the key social safety net. In spite of a considerable increase in the amount of social

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<sup>4</sup> [http://gov.ge/index.php?lang\\_id=ENG&sec\\_id=442&info\\_id=54785](http://gov.ge/index.php?lang_id=ENG&sec_id=442&info_id=54785)

assistance in Georgia it still does not cover the subsistence minimum and hence is not sufficient to sustain a basic standard of living. Despite significant increases in pension levels, pensions in Georgia do not contribute to poverty reduction. As of 2013, the replacement rate of the old-age pension reached only 17% of the average wage (Nutsubidze and Nutsubidze, 2015: 12).

Pensions are not dependent on individual contributions nor are they targeted at vulnerable groups; thus, they cannot fulfil an appropriate role in combatting poverty and ensuring decent living for the elderly. Moreover, the amount of state pensions is significantly lower than the official subsistence minimum and therefore does not meet the basic requirements of everyday life. Therefore, everyday reality in Georgia is completely different from formal reality: older people depend on other forms of social assistance or family support. The traditionally important role of informal support in social risk management in Georgia did not change significantly over the past decades.

In Georgia, family networks and family solidarity have always been strong. The majority of households are 'complex households',<sup>5</sup> in which parents and their adult children live together. This type of inter-generational solidarity enabled the population to survive the economic crisis and the decreasing living standard during the 1990s. Available data show that mutual support and assistance between family members and relatives is still a crucial feature of the Georgian family. The practice of generational transfers is part of a routine of family relationships and is applied in both directions, from adult children to parents and vice versa. Even when adult children live separately from their parents, they still support each other. Single persons account for only 6% of Georgian households; most older people live in families, either with their own children or with close relatives. Available research shows that the population is not expecting the state to expand the number of care facilities for older people. The main expectation from the state is to develop monetary support and welfare benefits for older people. Despite sudden social changes within the new economic reality in Georgia, public opinion unequivocally supports older people: 98% of citizens think that children should take care of their parents and support them financially when parents are in need; 90% think that children should have their parents live with them when they can no longer look after themselves; three-quarters declare that adult children must adjust their working lives to the needs of their parents (Badurashvili et al., 2010: 66).

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<sup>5</sup> 'Complex households' are households that comprise members other than the parent-child nucleus. These might be three-generation households or households that include collateral relatives or members who are not blood relatives.

## Conclusions

The Georgian welfare system consists of three main components: pensions, social assistance and public health care.

By 1996, the government had eliminated the Soviet system of differentiated pensions based on occupation and replaced it by a flat-rate pension system. These fundamental adjustments introduced eligibility for pension benefits only for those who had previously contributed to the system. Pension levels were low and, due to budget limitations, their payment was delayed for months and years even for entitled pensioners. By 2003, the social insurance system was changed to a tax-based system, and the issue of financing of health and social affairs in the public policy sector has completely been incorporated in the realm of economic (tax) regulation. Compared to 1995-2003 there has been no qualitative breakthrough in the organization of pension schemes; only the amount of benefits was increased along with an enhanced effectiveness of their administration. In 2006, Georgia introduced its basic non-contributory pension, which is financed by tax revenues. It provides universal coverage for older people and is not based on any contribution or means-testing requirements. Since 2012, the Georgian government has put forth a systemic reform proposal – a compulsory pension insurance – including the implementation of contributory pension schemes to supplement the basic non-contributory pension.

Until 2006 the state provided financial assistance, so-called ‘family allowances’, to five categories of households including persons identified by legislation as vulnerable (as single non-working pensioners, IDPs, war veterans, single mothers, orphans, etc.) without considering the financial conditions of a person/household. The system focused on social assistance and was considered as a social safety net. The changes in the social assistance system in Georgia started with the introduction of the Targeted Social Assistance, one of the most important components of social expenditure. However, in spite of the permanently increasing amount of social assistance, it is not sufficient to sustain a basic standard of living. The everyday reality in Georgia completely differs from the formal reality: older people thus depend on other forms of social assistance or family support. The traditionally strong role of informal support in social risk management in Georgia almost did not change over the recent period.

From 2007 onwards, the government started to support the development of private insurance companies, which became purchasers of medical services for the vulnerable groups of the population. Even though the volume of funds mobilized by private insurance companies has been increasing, it still accounts for only a small fraction of private health expenditures. In 2012, only 8% of the population was privately insured, while 36% were covered by state insurance and 56%

were uninsured. In February 2013, a universal health care programme was launched to eventually cover all uninsured people.

Until recently, the Georgian government considered that under conditions of a market economy the labour market would not need any interventions and thus abstained from interfering in the relationships between employers and employees. This lack of proper public institutions created significant obstacles for an effective management of the labour market.

Georgia is a country characterized by an aging population with a high incidence of poverty and limited public financial resources. The importance of developing and improving social policies and the statutory welfare system in the nearest future is evident to ensure social cohesion and societal sustainability.

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## Annex

**Table A1: Review of key reforms across social policy areas in Georgia**

	1990-1995	1996-2000	2001-2005	2006-2010	2011-2016
<b>Pension system</b>	System had been functioning in accordance with the legislation pertinent to the socialist state system. Universal social protection was declared but the expenditures had not met actual needs since 1992. The pension age in Georgia in that time was 55 years for females and 60- for males.	Pension age has been increased for 5 years both for males and females; it has been stated as 60 years for females and 65- for males.	In 2003 the social insurance system was changed to a tax-based system, and the issue of financing of health and social affairs in the public policy sector has completely been incorporated in the realm of economic (tax) regulation. Compared to 1995-2003 there was no qualitative breakthrough in the organization of pension schemes; only the amount of benefits along with the effectiveness of administration was increased.	In 2006, Georgia introduced its basic non-contributory pension, which is financed with tax revenues. It provides universal coverage for the elderly and is virtually complete without any contribution or means-testing requirements. However, the pension system was left “up in the air” during the entire period and not only created a dissonance in the architecture of the social system’s organization but also became a heavy burden for the state budget.	Since 2012, the Georgian government has put forth a systemic reform proposal – a compulsory pension insurance – including the implementation of contributory pension schemes to supplement the basic non-contributory pension. However, the exact type and shape of the system has not been decided yet: whether it will be voluntary or compulsory, whether it will be a combination of state and non-state elements or not etc.
<b>Health care</b>	Health care system maintained only formally the configuration of Soviet style ‘Semashko model’.	Services were procured under the framework of the state healthcare programmes, on a contractual basis, and covered a very limited group of the population.	In 2003 the social insurance system was changed to a tax-based system, and the issue of financing of health and social affairs in the public policy sector has completely been incorporated in the realm of economic (tax) regulation.	From 2007 government started to support the development of private insurance companies, which became buyers of medical services for the vulnerable groups of the population (population living under the poverty line, families of IDPs and some other categories);  state funds were allocated for purchasing health insurance from private insurance companies.	In February 2013, a universal health care programme has been launched. The programme covers all people who are uninsured and, in addition to primary care, it includes planned surgical operations, treatment of oncological diseases and deliveries.
<b>Unemployment insurance</b>	1991 the age (from 16 to 60 for females and 16-65- for males) and definitions of the unemployed were determined, as a person not having a job, seeking a job and being ready to	In 1998 unemployment benefit duration has been shortened to 6 months. Benefits are provided by the United State	In 2001 the United State Employment Fund has been annulated and unemployment benefit is paid from the State Budget in the framework of assignments to the State programme ‘On Social security of unemployed and support	Since May 2006 unemployment benefit is not provided anymore in Georgia.	Unemployment benefit is not provided anymore in Georgia.

	start it. An unemployed person may receive a benefit no longer than 12 calendar months. But due to low unemployment benefits people do not apply for registration.	Employment Fund in which taxes paid by employers were accumulated each year.	of employment'. Citizens become entitled to unemployment benefit since the first day they are registered by the state agencies of employment on the monthly basis during 6 months. Mean test did not exist for the unemployed. The fix level benefit was providing to the unemployed during 6 months.		
<b>Active labour market policies</b>	Georgia had not experienced unemployment as such till the beginning of the 1990s. An unemployed person used to be a scarce individual from a marginal group (without permanent residence, recently from prison/detention). Unemployment became a real problem since the beginning of the 1990s. But no active labour market policy existed.	In this period the government did not take real measures for developing the labour market except for some (basically formal) interventions in employment.	No policy at place	Since 2006 the Georgian Government launched several programmes aiming to reduce the unemployment level. Among these programmes were projects aiming at developing small businesses, providing vocational training and re-training, training internships, and employment generating activities through the development of small- and medium-size businesses.	In 2013 a department implementing employment policy has been created in the MoLHSA.  In its Strategy 2020 the Georgian government announced the main policy directions in which it plans to support the labour market. Most parts of the directions are dedicated to dealing with the labour market mismatch through labour market infrastructure development, raising awareness and consulting the job seekers, as well as development of the system of professional education and promoting entrepreneurship.
<b>Social assistance</b>	In effect, since 1992 the social burden had almost completely fallen on individuals and informal mechanisms, on so-called direct social monetary transfers and social services (shelter, care and nursing). As a result, poverty and vulnerability of the population increased.	In 1997, the concept of a "subsistence minimum" appeared in the public policy space. The targeted social assistance programme for needy families has been introduced and financed from the state budget in 1997.	Until 2006 the state provided financial assistance, so-called "family allowance" of GEL 22 (less than 8 Euro), for 5 categories of households including persons identified by legislation as vulnerable (as single non-working pensioners, IDPs, war veterans, single mothers, orphans etc.) without considering the financial conditions of a person/household. The system focused on social assistance and considered it as a social safety net.	The changes in the social assistance system in Georgia started with the introduction of the Targeted Social Assistance (TSA), one of the most important components of social expenditures. It is administered through a proxy means-test that uses a complex formula to measure the welfare of a specific household. If the test score is below a certain threshold (currently 57,000), the household automatically gets access to benefits.	In spite of the fact that the amount of social assistance is increasing, it is not enough to sustain a basic standard of living. Therefore, the everyday reality in Georgia completely differs from the official one.  According to experts, the TSA programme design needs to be improved, as it may create incentives for beneficiaries to hide their revenues and lead to informal employment.



# **Reduction of Child Poverty in Serbia**

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## Abstract

This research used the most recent data from the 2013 Survey of Income and Living Conditions (SILC) to assess the coverage and targeting of child allowance benefit programmes in Serbia and provides policy proposals to improve benefit performance aiming to reduce child poverty. Our results indicate that improved targeting and coverage performance of child allowance can be achieved by better inspection of informal income and its inclusion in the means-test of benefit recipients. This could reduce budgetary expenditures going to not-so-poor households, thus enabling the increase of the current benefit amounts and leading to the reduction of child poverty.

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## Introduction

Child poverty has important and long-lasting negative effects on child development. These effects can be grouped into three categories: poor physical health (Politt, 1994), lower intellectual attainment and poor school performance (Dubow and Ippolito, 1994; UNICEF, 2000), and increased likelihood of social, emotional, and behavioural problems (Duncan et al., 2010). This suggests that poverty in childhood considerably increases the risk of poverty through the rest of life, with a significant intergenerational pass-through effect, implying that poor children are more likely to raise their children in poverty (Atkinson et al., 1983; Harper et al., 2003).

Child poverty rates in Serbia are well above the average poverty rates for the general population and considerably higher than the EU average child poverty rate. According to the 2012 Survey on Income and Living Conditions (SILC), the at-risk-of-poverty rate of the total population in Serbia equalled 24.6% while among children reaching 30%. At the same time, the EU average child at-risk-of-poverty rate amounted to 19% (Council of Europe, 2014).

Child poverty may be tackled by different government policies, which can be grouped into three types (Sutherland, 2000): 1) direct financial support to poor families with children (means-tested cash transfers, e.g. child allowance); 2) policies aimed at promoting work of poor children's parents (e.g. in-work benefits or conditional child tax credits), 3) policies aimed at reducing child poverty before government intervention via the tax-benefit system (e.g. measures to reduce teenage pregnancy, raising the standards of literacy and numeracy, tackling school truancy and exclusions, etc.).

The effectiveness of governmental tax and benefit policies in tackling child poverty depends on the amount of resources invested in these programs, but also on the design of the benefits. A study by Levy et al. (2005) finds that the UK child benefits would trigger a large decline in poverty in Spain, if implemented in the same manner as in the UK, even when the total fiscal costs of the program are kept constant as before the reform. Empirical literature suggests that child benefits play a major role in tackling child poverty in Europe, but that their poverty-reduction impact differs greatly between countries, depending on generosity and design of the benefit system (Lancker et al., 2003). For instance, Adamson et al. (2000) find that in some countries tax-benefit policies reduce child poverty by 20%, while in other countries by 5% only. At the same time, Lancker and Van Mechelen (2014) find that redesign of the means-tested benefits (by enhancing eligibility criteria) could trigger a further reduction of child poverty at the same fiscal costs.

Total non-contributory social benefit spending in Serbia amounts to 2.1% of GDP, thus being slightly higher compared to the Eastern European average (World Bank, 2006). However, the

structure of non-contributory spending is rather unfavourable in terms of poverty reduction, since the share of means-tested benefits (monetary social assistance and child allowance) is rather low, while the significant share of funds is disbursed through non-means-tested transfers (wage compensation during maternity leave, birth grant, war veteran benefits, etc.). Although, as the result of several waves of reforms and due to the impact of the crisis, total spending on means-tested benefits increased to approximately 0.6% of GDP, it is, however, still significantly below the EU average of 1.1. % of GDP (World Bank, 2006; Matkovic and Mijatovic, 2009: 21).<sup>1</sup>

Empirical studies have shown that the high poverty rate among children in Serbia is not only the consequence of the low spending on child-related benefits, but also the consequence of the poor design of major benefit programmes. Both coverage and targeting of child allowance in Serbia are found to be weak – almost 60% of poor children do not receive child allowance while more than half of those who receive child allowance do not live in poor families (World Bank, 2006; Matkovic et al., 2012; Matkovic and Mijatovic, 2012). In order to evaluate poverty effects of several policy reform scenarios, we use the microsimulation tax-benefit model for Serbia on 2013 SILC data.

The paper is organized as follows. Section 2 presents the survey data and stylized facts on the child poverty profile and performance indicators for child allowance. Section 3 describes the methodology and proposed benefit reform scenarios. Section 4 presents the results and offers a discussion. The final section concludes and offers policy recommendations.

## Data and Stylized Facts

We use 2013 SILC data to analyse the performance of the main means-tested benefit in Serbia aimed at reducing child poverty – the child allowance.<sup>2</sup> SILC is the most comprehensive and detailed survey in Serbia on individuals' income, labour market status as well as on socio-economic features, thus enabling microsimulation of different reform options and detailed evaluation of the contribution of each parameter to the overall performance of the particular benefit program. This is also why SILC is commonly used for the evaluation of the effects of tax-benefit policies across Europe, allowing comparability of the results.

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<sup>1</sup> Child allowance was a quasi-universal benefit prior to these reforms. An income test was applied for the first two children, whereas the third and subsequent children were entitled to the benefit regardless of income conditions. Reforms abolished the universal feature of the benefit and introduced a means-test instead of an income test.

<sup>2</sup> The SILC survey was conducted by the Statistical Office of Serbia in 2013; the income data are related to 2012.

SILC 2013 is conducted by the Serbian Statistical Office, on a representative sample of 6,501 households (20,069 individuals), stratified on two levels: enumeration districts, as primary, and households, as secondary selection units. The survey is based on the EU-SILC methodology developed by Eurostat.<sup>3</sup> The data are collected on the household and the individual level, depending on the content. The dataset also includes the respective weights assigned to each unit, thus enabling a macro-extrapolation of the results.

According to the SILC survey, the at-risk-of-poverty rate<sup>4</sup> of the total population in Serbia (at 60% of median income) equals 24.6%. The at-risk-of-poverty rate of children in Serbia stood at 30.7%, being considerably higher than for the entire population as well as among children in the EU (19%). Households with children face a considerably higher at-risk-of-poverty rate (28%) than childless households (22.3%).<sup>5</sup> When the poverty line is set at 30% of median income, the poverty rate is again higher among children (11.7%) than in the general population (9.6%).<sup>6</sup>

**Table 1: Overall and children at-risk-of-poverty rates based on different thresholds in Serbia**

	<i>Total Population</i>	<i>Children</i>	<i>Childless HHs.</i>	<i>HHs. with children</i>
<i>60% of median income per adult equivalent</i>	<i>25.6</i>	<i>30.7</i>	<i>22.3</i>	<i>28.0</i>
<i>30% of median income per adult equivalent</i>	<i>9.6</i>	<i>11.7</i>	<i>8.2</i>	<i>10.6</i>

Source: Authors' calculation based on 2012 SILC data.

Our results (Annex: Table A1) suggest that the risk of poverty is associated with the family structure, education and labour market status of the adult household members. The households

<sup>3</sup> SILC has not yet been conducted by the statistical offices in many Western Balkan countries. Therefore, we can only compare the poverty indicators between Serbia and Macedonia, since Macedonia also uses SILC to estimate poverty. Albania uses the Living Standard Measurement Survey, Bosnia and Herzegovina and Montenegro use the Households Budget Survey to calculate poverty indicators. Those countries apply a consumption approach instead of an income approach, which is the EU standard.

<sup>4</sup> The share of people with an adult-equalised disposable income (after social transfers and taxes) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equalised disposable income after social transfers.

<sup>5</sup> According to the 2013 SILC, at-risk-of-poverty amounted to 24.2% in Macedonia, whereas among children it was 30.9%, considerably higher than for the population as a whole. Households without children have significantly lower at-risk-of-poverty rates than those with dependent children, 19.5% vs. 26.5%, respectively. Therefore, the poverty profile in Macedonia is quite similar to the one in Serbia. Data source is the Statistical Office of Macedonia, for more details see: [http://www.stat.gov.mk/PrikaziSoopstenie\\_en.aspx?rbtxt=115](http://www.stat.gov.mk/PrikaziSoopstenie_en.aspx?rbtxt=115)

<sup>6</sup> A poverty line set at 60% of the median income is too high for circumstances in Serbia given that according to this line, a quarter of the population is poor. In that way, it is not best suited to be used for the evaluation of the proposed reform options, given very limited government funds for helping poor people. Also, a poverty line set at 30% of the median income is closer to the administrative eligibility threshold for the monetary social assistance benefit.

with three or more children have a child poverty rate that is 9 percentage points higher than those with up to two children. Also, households with only one adult, most of them being single-parent families, are at much greater risk of poverty compared to households with more adults. We also find that the child poverty rate significantly decreases with the parental level of education. Finally, more than 58% of poor children in Serbia live in “low work intensity households”, which is a much higher value than the EU average (Frazer and Marlier, 2014).<sup>7</sup> Poverty-profiling results also show that child poverty is associated with the properties of the household head – child poverty being lowest when the household head is older than 65, and considerably higher when she/he is 50-64 years old. The child poverty rate is also higher in rural than in urban areas, which is very important, since almost two-fifths of poor children live in non-urban areas. At the same time, our results show that the labour market status is one of the key determinants of the poverty status, since the at-risk-of-poverty rate of children is particularly high when a head of household is unemployed, slightly lower when the household head is non-participating in the labour market and considerably lower when the household head is employed or retired (Annex: Table A2).

The child allowance is the benefit for children from low and lower middle-income families.<sup>8</sup> The income census for one child amounts to RSD 7,300 (about EUR 59), thus being much higher than in the case of the monetary social assistance program where the income census amounts to RSD 2,500 (about EUR 21) per child.

A fixed amount of benefit is ascribed to the first four children in the family aged 0-19, the entitlement to benefit being conditional on a means-test (RSD 7,300, which is equal to 20% of the average net wage per family member), as well to children in school enrolment after 7 years of age. The benefit per child amounts to 4% of the average gross wage. Child allowance covered 370,000 children in 2012 or around 29% of those in the 0-19 age group, which is quite low compared to similar programs in EU countries. Most of the beneficiaries (almost one half) are households with two children, followed by single-child households. According to our estimates, child allowance reduces the poverty rate among children by about 4 percentage points.

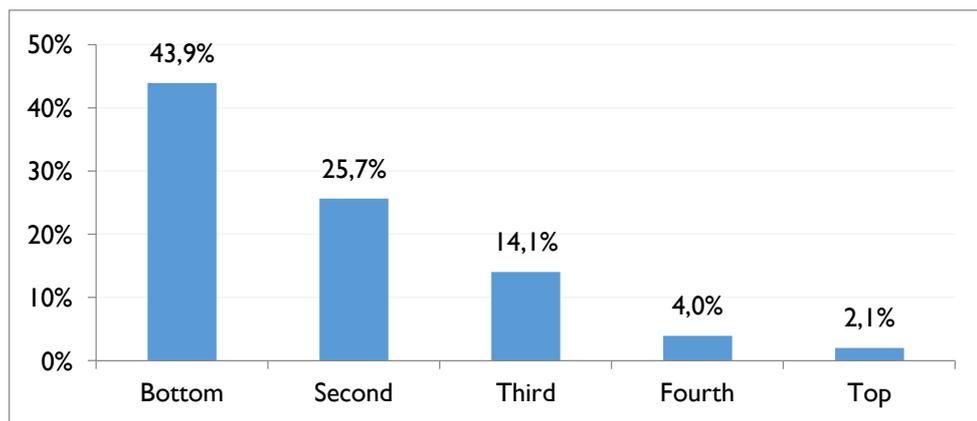
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<sup>7</sup> “Low work intensity household” refers to the households in which working age members work less than 20% of their working potential.

<sup>8</sup> For instance, the eligibility threshold for a two-parent family with two children is equal to 150% of the average net wage.

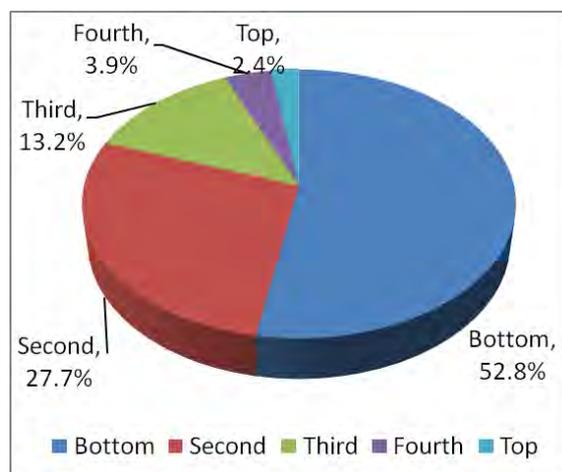
Child Allowance (CA) coverage<sup>9</sup> results, based on the SILC data, show that only 43.9% of those at the bottom of the income distribution receive CA (Figure 1). At the same time, only slightly more than half of CA expenditures are targeted to the beneficiaries from the lowest quintile, while almost one-fifth of the CA payments is made to the top three quintiles' beneficiaries (Figure 2). These results suggest a weak performance of the program, both in terms of coverage and targeting, implying that there is considerable space for improvement through parametric reform.

**Figure 1: Coverage across quintiles CA**



Note: Quintiles are based on the disposable income before all social cash transfers.  
Source: Authors' calculations based on SILC 2013 data.

**Figure 2: Targeting across quintiles CA**



Note: Quintiles are based on the disposable income before all social cash transfers.  
Source: Authors' calculations based on SILC 2013 data.

<sup>9</sup> The coverage rate is the share of the poor households with children receiving CA in the total population of the households. The targeting rate is the share of child allowance transfers disbursed to the poor. The poverty threshold is set at 30% of the median income, since it is closer to the absolute poverty threshold than the standard 60% median income threshold.

## **Methodology**

### ***Tax and Benefit Microsimulation Model***

Like in similar studies for other countries (Levy et al., 2005 for Austria, Spain and the United Kingdom; Salanauskaite and Verbist, 2011 for new EU Member States; Levy et al., 2009 for Poland; Immervoll et al., 2000 for the Netherlands and the UK; De Lathouwer, 1996 for Belgium and the Netherlands; Popova, 2013 for Russia), reforms of the design of the benefits are tested using a microsimulation model.

The tax and benefit microsimulation model for Serbia, SRMOD, is based on the EUROMOD platform, EUROMOD being the tax and benefit microsimulation model for the European Union (Randjelovic and Zarković-Rakić, 2013). Like other microsimulation models, SRMOD is a tax and benefit calculator based on micro data on income, earnings, labour force participation as well as on various socio-demographic features. It is based on the accounting approach, in the sense that it computes taxes and transfers according to characteristics of the household prior to reform. This approach does not consider possible behavioural reactions to the reform, and is particularly useful for the analysis of the short-term, day-after effects of the reforms. The use of data disclosed in the 2013 SILC and the tax-benefit rules programmed in SRMOD, enable computation of taxes and main means-tested benefits (including child allowance and monetary social assistance) for each individual and household. Starting from the (gross) income data and simulated taxes and benefits, the main output of the model is the disposable income for an individual/household, which can then be used to calculate poverty indicators.

Based on the child-poverty mapping results, an analysis of benefits' performance indicators and the results of other studies focusing on redesign of benefits to reduce child poverty, we develop reform scenarios, and calculate disposable incomes before and after the reforms.

### ***Reform Scenarios***

The analysis of child allowance beneficiaries shows that 41.5% of all recipient households have income from informal employment. The same data further suggest that for 12,500 households (or 8% of the total number of recipient households) informal income alone is high enough to push them beyond the eligibility threshold. What is mainly distinguishing benefit recipients in the first and higher income quintiles is disposal of income from informal employment.<sup>10</sup> This is due

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<sup>10</sup> According to the latest Labour Force Survey data, the informal employment rate in Serbia stands at a very high 23.4%, while the shadow economy is estimated at 30.1% of GDP (Krstic and Schneider,

to the assumption in our baseline scenario that households are not declaring any informal income when they are means-tested for the child allowance. Namely, the current law on financial support for families with children stipulates that income from unregistered activity is to be included in the means-test. However, it is not estimated and imputed in the means-test by the municipal administrative worker but depends on the willingness of benefit claimants to report true income. In other words, if a person is unemployed it only signs a written statement confirming how the family provides for a living, that is, how much monthly income it has at its disposal.<sup>11</sup> For instance, administrative workers in the capital of Belgrade estimate that around 10% of child benefit recipients work in the informal economy and would not be eligible for the benefit if their income from unregistered activity would be included in the means-test.<sup>12</sup>

In our reform scenario, on the other hand, we impose more stringent eligibility criteria by imputing information on income from informal employment in the means-test for child allowance. We assume that provisions regarding income from informal employment that currently exist in the law that regulates monetary social assistance, would be implemented in the Social Welfare Law that regulates the child allowance program. These legal provisions allow social workers to estimate income from informal activity and impute it in the income test. Obviously, this kind of income is not easily observable and, in case of monetary social assistance, it is estimated by frequent home visits to verify information reported by benefit applicants and evaluate their true social situation. Social workers also use external databases to check standards of living of benefit applicants. Thus, in our reform scenarios we first impute the entire income from informal employment in the means-test, and then assess the reform effects with 70% of informal income included in the means-test.

In the next step, following proposals suggested by Matkovic et al. (2012: 62), we introduce other changes to the child allowance design. They are mainly motivated by the need to change some old-fashioned elements of the benefit design and make the programme more alike similar benefits in the European Union. First, we replace the eligibility threshold based on income per family member by income per adult equivalent to take into account economies of scale present in each household, that is, the fact that household costs are declining with each family member. The

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2015). The definition of informal employment includes: 1) employed and self-employed workers with no social contributions paid; 2) people employed in a private unregistered firm; and 3) unpaid family members.

<sup>11</sup> An interesting ethnographic research among child allowance beneficiaries in Serbia suggests that the allowance is still considered among recipients to be a pro-natalist measure although this policy objective was abandoned a decade ago by major benefit reforms (Dikovic and Crnobrnja, 2013). In that regard, most beneficiaries rationalise their strategy of not reporting their true means of living by justifying their behaviour with their contribution to rising natality.

<sup>12</sup> See: <http://www.novosti.rs/vesti/beograd.74.html:401760-Sve-vise-zahteva-za-deciji-dodatak>

beneficiary of the child allowance is the family (a part of the household). Currently, the eligibility threshold is determined as the ratio of monthly family income and number of family members. We propose to replace this by the ratio of monthly family income and equivalence scale factor obtained from the OECD equivalence scale (assigning a value of 1 for the first adult in the family, 0.7 for a subsequent adult, and 0.3 for children up to 18 years of age). This eligibility threshold is compared to the income threshold to determine eligibility. Second, currently the income threshold is 20% of the average wage, and we propose to increase it to 30% of the average wage. The introduction of the new OECD scale would reduce the number of eligible households given that their equivalent income would be higher than for households of equal size but with more adults. Thus, to roughly maintain the current number of households, the income threshold in the reform scenario is increased from currently 20% to 30% of the average wage per adult equivalent.

Finally, in the last step, we increase the benefit amount to spend all the money that is being saved after inclusion of the informal income in the means-test, that is, to come to the current level of spending of the child allowance programme. In this manner, our policy proposal is revenue-neutral. However, one should bear in mind that trying to capture informal income is costly. This procedure is applied by the social workers in case of monetary social assistance but they are more experienced than administrative workers in municipalities. There were proposals to move application for child allowance from municipality offices to Social Work Centres given the expertise that Centres have and the currently bad administration of the child allowance (especially regarding the leakage of the benefits to not-so-poor households). There are estimates that the higher costs imposed on the Social Welfare Centres in the beginning would be compensated by the savings on the programme (Matkovic and Mijatovic, 2009).

## **Results of Child Allowance Reforms**

Informal income, being part of the disposable income, makes households better off, and pushes them in higher income quintiles but if the administrative worker does not invest an effort to estimate and impute informal income in the means-test, some of these not-so-poor households become eligible for child allowance benefits. Therefore, in the first change to the current child allowance benefit system we assume that income from informal activity is imputed in the means-test.

In Table 2, the baseline system refers to the simulated child allowance in the SRMOD according to current law provisions. The number of recipient households according to our simulations is

20% higher when compared to the administrative data showing that the average number of beneficiary households per month was 203,294 in 2012.<sup>13</sup> The higher number of households according to simulations can be explained by the fact that there are poor households that qualify for the benefit but simply do not claim it.

**Table 2: Child benefit reform scenarios in Serbia**

	Number of HHs receiving CA	Average amount of CA	Total CA expenditure (in million RSD)
<i>Baseline</i>	<i>256,278</i>	<i>4,229</i>	<i>1,083</i>
<i>R1: 100% of informal income included in the means test</i>	<i>175,379</i>	<i>4,441</i>	<i>778</i>
<i>R2: Introducing new OECD scale</i>	<i>181,839</i>	<i>4,526</i>	<i>823</i>
<i>R3: Increased benefit amounts</i>	<i>181,839</i>	<i>5,895</i>	<i>1,071</i>
<i>R1: 70% of informal income included in the means test</i>	<i>197,478</i>	<i>4,379</i>	<i>864</i>
<i>R2: Introducing new OECD scale</i>	<i>201,770</i>	<i>4,504</i>	<i>908</i>
<i>R3: Increased benefit amounts</i>	<i>201,770</i>	<i>5,312</i>	<i>1,071</i>

*Note: The R2 scenario includes changes already introduced in the R1 scenario, while the R3 scenario includes the changes from both the R1 and R2 scenarios. All amounts are in monthly terms.*

In the first reform scenario, R1, we assume that the entire income from the informal economy can be estimated and included in the means-test for child allowance. This reduces the number of eligible household to 175,000 and government saves 305 million dinars (about EUR 2,452 million) (compared to the baseline, Table 2). However, the reform slightly increases the child poverty rate from 11.7% to 11.8% (Table 3).

If we adopt the assumption that only 70% of the informal income can be estimated, government saves around 219 million dinars (about EUR 1,761 million) and the poverty rate remains at 11.7%.

<sup>13</sup> The observed number of households that receive child allowance in the SILC data is 162,000. The number of overlaps, that is, the percentage of households that report receipt of child benefit in SILC and are at the same time eligible for the benefit according to our simulations, is high, almost 64%, suggesting a good performance of SRMOD.

**Table 3: Child poverty rates and gaps in Serbia: baseline and reform scenarios**

	Poverty rate	Number of poor children	Poverty gap
Baseline	11.7%	165,453	4.6%
R1: 100% of informal income included in the means test	11.8%	167,453	4.7%
R2: Introducing new OECD scale	11.3%	159,713	4.6%
R3: Increased benefit amounts	9.7%	138,326	4.2%
R1: 70% of informal income included in the means test	11.7%	165,957	4.6%
R2: Introducing new OECD scale	11.2%	159,551	4.6%
R3: Increased benefit amounts	10.5%	149,107	4.3%

Note: Poverty line is set at 30% of the median simulated disposable income before all social cash transfers. The R2 scenario includes changes already introduced in the R1 scenario, while the R3 scenario includes changes from both the R1 and R2 scenarios.

In the R2 scenario, we add other elements of the reform: replace the eligibility threshold based on income per family member by the income per adult equivalent and increase the income threshold from 20 to 30% of the average wage per adult equivalent.

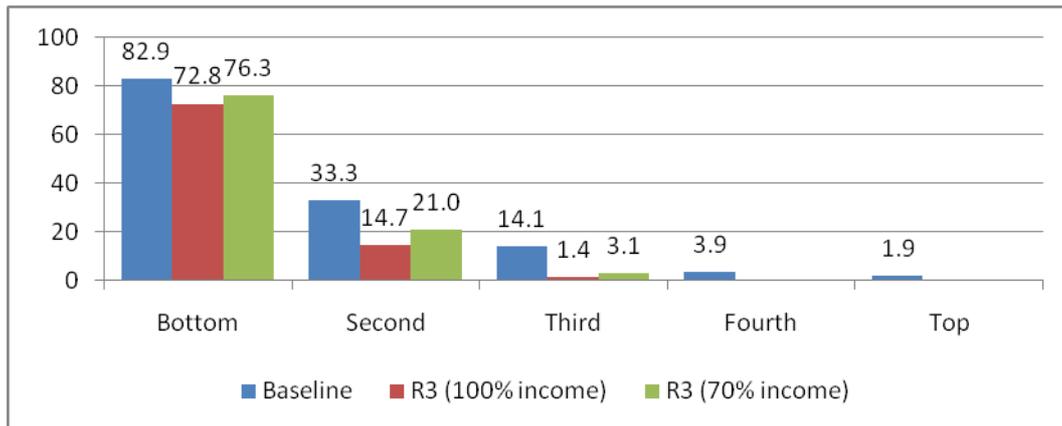
Finally, in the last step, in the R3 scenario we increase the benefit amount in order to spend all the money that is being saved after the inclusion of the informal income in the means-test, that is, to come to the current level of spending on the child allowance programme. This amounts to 30% and 18% increase for 100% and 70% of the informal income included in the means-test, respectively. Because of the reforms, the poverty rate is reduced from 11.7% to 9.7% (to 10.5% in case 70% of informal income is included in the means-test). The poverty gap is reduced from 4.6% to 4.2% (to 4.3% when 70% of the informal income is included in the means test).

In Figure 3 we notice that, due to the introduction of the R1-R3 reforms, coverage is being reduced across all income quintiles, with the reduction being larger for higher income quintiles<sup>14</sup>. This is primarily driven by the inclusion of informal income in the means-test. After the reforms, there are no more recipients in the fourth and top-income quintiles, a negligible number in the third quintile while the number of households with children belonging to the second income quintile is being reduced by 18.6 percentage points (12.3 percentage points when 70% of the

<sup>14</sup> The difference between actual coverage (Figure 1) and baseline coverage (Figure 3) in the bottom income quintile could be explained by the fact that certain vulnerable groups, such as Roma, refugees and IDPs are underrepresented in the SILC, and those groups are more likely to be at risk of poverty and therefore CA beneficiaries.

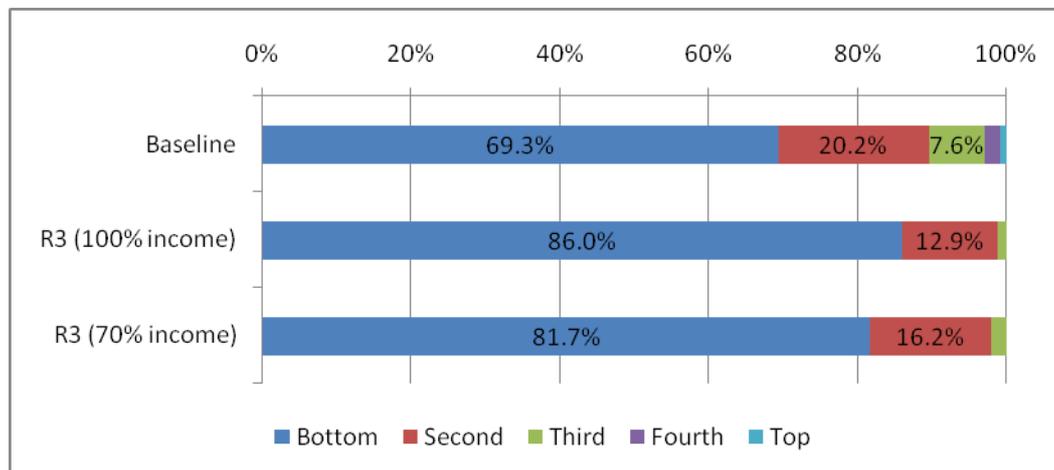
informal income is included in the means-test). Given more stringent eligibility criteria, the number of eligible households from the first quintile is also being reduced, by 10.1 percentage points (6.6 percentage points when 70% of the informal income is included in the means-test). Overall, the coverage performance improves in terms of less leakage of resources to not-so-poor households.<sup>15</sup>

**Figure 3: Coverage across quintiles**



Note: Baseline refers to simulated values of child allowance. In Figure 1, coverage across quintiles is presented based on the data from the SILC survey. The R3 scenario includes changes already introduced in the R1 and R2 scenarios.

**Figure 4: Targeting across quintiles**



Note: Baseline refers to simulated values of child allowance. In Figure 2, targeting across quintiles is presented based on the data from the SILC survey. The R3 scenario includes changes already introduced in the R1 and R2 scenarios.

At the same time, reforms improve the targeting given that expenditures on child allowance going to the first quintile of the income distribution increase by 16.7 percentage points. Following

<sup>15</sup> It should be noted that the receipt of the benefit depends on household size.

the assumption that 70% of informal income is included in the means-test, expenditures on child allowance going to the first quintile increase by 12.4 percentage points (Figure 4). In the reform scenarios, fewer public resources are devoted to individuals in the second and higher income quintiles.

## Conclusions and Policy Implications

A year ago, the Government of Serbia introduced a new fiscal consolidation program, which relies on cuts in public wages and pensions. Lay-offs in the public sector have also been announced. These measures are expected to trigger further increase in the poverty rates. In many EU countries children and their families have been disproportionately affected by the economic and financial crisis and by austerity measures developed in response to it (Marlier and Frazer, 2014). Therefore, increased efficiency of social policy in protecting the most vulnerable groups in the coming period is seen as a prerequisite of the sustainability of economic reforms and the social stability of the country. This research aimed to investigate how much child poverty could be reduced by fighting fiscal evasion and improving the performance of the current child allowance program.

Using the Survey on Income and Living Conditions data, we start with constructing the child poverty profile and then assess performance indicators of the child allowance program. This serves as an input in devising policy reforms whose poverty effects are estimated using a tax and benefit microsimulation model for Serbia.

We propose changes to the child allowance design and evaluate its impact on child poverty. Results of our reform scenarios show that both coverage and targeting of child allowance could be improved after the inclusion of income from unregistered activity in the means-test. There is less leakage of resources to better-off households and the number of the poor targeted by the benefit increases. If budgetary resources saved in that respect are to be spend on higher benefit amounts, this would reduce the child poverty rate from 1.2 to 2 percentage points – depending on the ability of the administration to estimate the size of income from the informal economy.

However, one should bear in mind that our reform proposal for better inspection of informal income of child benefit recipients would require additional expenditures, at least in the short run. For instance, if the administration of the benefit is moved from municipalities to social workers in the social welfare centres, that would increase their workload and some new people would probably have to be employed. Even if the administration of the child allowance remains in the municipalities, administrative workers would have to be trained to increase their capacities

to evaluate the actual social situation of benefit claimants. The former Minister for Social Welfare made similar proposals (Matkovic and Mijatovic, 2009) and claimed that these one-off costs imposed on the social welfare centres would be compensated by the savings on the programme later on.

The new government as well as the previous one, as expressed in the exposé of the new government's Prime Minister, is determined to increase the inspection capacity of the administration to combat the informal economy.<sup>16</sup> Therefore, our proposal fits well into other reform initiatives. Preventing leakage of benefit expenditures to not-so-poor households can divert already limited welfare spending to those who need it most.

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<sup>16</sup> See: <http://cdn.tf.rs/2016/08/09/EKSPoze-I.pdf>

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## Annex

**Table A1: Poverty rate, gap and composition of population/children by household characteristics in Serbia**

	<b>Child poverty rate</b>	<b>Child poverty gap</b>	<b>Comp. of children</b>	<b>Comp. of poor children</b>
<i>No. children in household</i>				
1	8.9	54.9	21.2	28.6
2	10.2	36.6	43.5	51.1
3+	21.0	46.9	35.3	20.2
Total	12.0	42.5	100.0	100.0
<i>Age group of youngest child</i>				
0-4	11.8	39.6	33.5	34.0
5-9	14.1	38.6	30.6	26.0
10-14	9.5	44.6	17.2	21.8
15-18	12.4	52.5	18.8	18.2
Total	12.0	42.5	100.0	100.0
<i>Number of adults in the households</i>				
1	23.0	27.7	5.6	3.0
2	10.7	42.1	30.8	34.7
3	12.0	41.3	22.5	22.6
4+	12.4	44.6	41.0	39.8
Total	12.0	42.5	100.0	100.0
<i>Highest educational level of parents</i>				
Pre-school, 1-4 grade, primary school	28.6	44.6	11.9	29.8
High school, specialization after high school	11.9	39.8	61.4	64.1
Higher education	2.6	36.9	26.8	6.2
Total	11.4	42.1	100.0	100.0
<i>Work intensity</i>				
Very low(<20%)	44.8	43.1	15.8	58.6
Low	12.2	46.9	11	11.2
Medium	8	40.1	22.8	15.2
High	4.9	39.4	14.1	5.7
Very high	3.1	34.1	36.3	9.4
Total	12.1	42.5	100	100

Source: Authors' calculation based on the 2013 SILC data.

Note: Poverty rate set at 30% median disposable income. Work intensity represents the number of months in which all working-age household members worked compared to the hypothetical number of months in which they could work (in the reference period). Work intensity can be very low (0 to 0.20), low (0.20 to 0.45), medium (from 0.45 to 0.55), high (0.55 to 0.85) and very high (0.85 to 1).

**Table A2: Poverty rate, gap and composition of population/children by characteristics of the household head in Serbia**

	<i>Child poverty rate</i>	<i>Child poverty gap</i>	<i>Comp. of children</i>	<i>Comp. of poor children</i>
<i>Age of the household head</i>				
19/34	13.3	30.4	15.1	13.6
35/49	11.1	42.8	46.1	50.1
50/64	16.3	46.9	32.6	24.0
65+	6.1	27.2	6.2	12.2
Total	12.0	42.5	100.0	100.0
<i>Gender of the household head</i>				
Male	12.3	43.1	84.1	81.9
Female	10.6	37.0	15.9	18.1
Total	12.0	42.5	100.0	100.0
<i>Education of the household head</i>				
Pre-school, 1-4 grade, primary school	22.5	44.6	50.2	26.8
High school, specialization after high school	10.0	38.6	46.5	56.2
Higher education	2.4	-	3.4	17.0
Total	12.0	42.5	100.0	100.0
<i>Activity status of the household head</i>				
Employed	6.4	47.5	61.7	33.2
Unemployed	36.8	43.1	16.5	50.7
Retired	4.7	19.5	18.2	7.2
Other inactive	29.7	37.3	3.6	8.9
Total	12.0	42.6	100.0	100.0
<i>Occupation of the household head</i>				
Senior officials and managers	3.1	75.6	2.3	6.2
Professionals	2.3	30.4	3.3	12.3
Technicians and associate professionals	0.0	3.5	0.0	10.2
Clerks	1.2	24.6	0.7	4.9
Service and sales workers	5.4	42.8	7.8	12.2
Skilled agricultural	24.9	68.1	51.6	17.5
Craft and trades workers	10.7	25.2	21.9	17.4
Plant and machine operators	2.7	34.7	3.2	10.0
Elementary occupations	10.0	44.6	9.2	7.8
Armed forces	0.0	30.4	0.0	1.5
Total	8.5	42.8	100.0	100.0
<i>Settlement</i>				
Other	17.1	46.5	55.8	39.3
Urban	8.8	38.2	44.2	60.7

Source: Authors' calculation based on the 2013 SILC data.

Note: Poverty rate set at 30% median disposable income

## Section 2

### Research findings and innovative approaches in health and long-term care





# **‘Lack of Strategy Is a Strategy!’ Governmental Approaches to International Recruitment of Healthcare Workers**

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FÜR WOHLFAHRTSPOLITIK UND SOZIALFORSCHUNG  
IN ZUSAMMENARBEIT MIT DEN VEREINTEN NATIONEN

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## **Abstract**

The projected lack of healthcare workers for many EU/EEA (European Union / European Economic Area) states is significant. The demand is not only due to an increased need for healthcare and social care services in the coming years but also to retirement, high turn-over rates, high student attrition rates and emigration of healthcare labour. Officially, many EU/EEA countries strive towards healthcare labour sustainability. But lack of strategic planning and lack of determination to invest in healthcare workforce training and education, coupled with continuous recruitment from abroad, indicate that reliance on migrant healthcare workers is likely to become a path dependency and a convenient cost-containment measure. The paper presents some findings of a Delphi study conducted in the UK and Norway on governmental strategies related to the international recruitment of healthcare workers for employment in the public healthcare sector.

## Introduction

This paper is concerned with delineating the complexities of global healthcare labour migration with emphasis on governmental healthcare workforce management, recruitment practices and strategic future planning of international recruitment in the United Kingdom and Norway, both active recruiters of migrant healthcare workers. It builds upon the consistent findings of scholarly and policy-oriented research that reveal the ongoing persistence and endurance of the global demand for healthcare workers and the increasing vulnerability of public healthcare systems to workforce fluctuations. In the recent report *No Health Without a Workforce* the World Health Organization estimates that over 7 million health workers are in demand across the globe and the number is estimated to reach almost 13 million by 2035 (WHO, 2013). In absolute numbers, the demand is highest in poor-income countries, but high-income countries experience significant shortages themselves, especially in remote, rural regions and in certain unpopular medical specialities.

According to the Action Plan for the EU health workforce, adopted in 2012, the healthcare sector faces major challenges, including an ageing workforce and too few new health workers to replace retirees. Further, there is significant turnover due to demanding working conditions and relatively low pay, the need for new skills to deal with new disease patterns, the rise in chronic diseases such as diabetes and heart disease among the elderly, and innovative technologies. It is estimated that there will be about seven million additional job openings between 2010 and 2020, with most jobs, more than five million, requiring highly-qualified healthcare personnel (Action Plan, 2012). The high demand for healthcare workers in most EU Member States coincides with an ageing European population. It is projected by Eurostat that the number of elderly persons aged 65 or over will almost double in the next 50 years, from 87 million in 2010 to over 152 million by 2060 (Action Plan, 2012). This means that more people will need healthcare, while the percentage of the active labour force will decrease. Growing employment of women in the healthcare sector<sup>1</sup> means that less informal carers will be available, which will put pressure on the state to provide more social care workers or – and this is a prevailing strategy across EU Member State – allow the market to offer and provide care services. On the other hand, the demanding nature of the job, relatively low overall wage levels, burnout and dissatisfaction with working conditions lead many women into resigning. Reconciliation of professional and private life, in other words maintaining a satisfactory work-

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<sup>1</sup> According to Eurostat, more than 13,1 million women were working in the healthcare sector in 2010, which is more than three quarters of the health workforce in the EU. Admission of women to medical schools is now over 50% in many EU Member States (Action Plan, 2012).

life balance, has not been effectively addressed and it is a factor that has been increasing the difficulties in recruiting and retaining the healthcare workforce (ibid.).

The retirement bulge will have a significant impact on the EU health workforce, as by 2020 more than 60,000 doctors or 3.2% of all European doctors are expected to retire every year. Most European countries are not attracting enough students and graduates to join the healthcare workforce and replacement rates are too low.<sup>2</sup> The problem is further exacerbated by a high emigration rate of healthcare professionals from Europe to popular destinations such as the USA, Canada, Australia and New Zealand. According to the European Commission's study on forecasting the needs of the health workforce, workforce planning and health workforce trends, shortages in the healthcare sector by 2020 are estimated to be 230,000 physicians (13.5%) and 590,000 nurses (14.0%) (Matrix Insight, 2012). This is a rough estimate of average shortages within the EU. It should again be noted that there is an unequal distribution of healthcare workers across the EU Member States and within each state, an undersupply particularly noted in rural and scarcely populated areas. Healthcare workers from Eastern and Southern Europe tend to look for jobs in Western Europe, while the reverse, i.e. mobility of healthcare workers from Western to Eastern Europe is practically non-existent.

Still, many EU/EEA countries have difficulties with the supply of healthcare workers for a variety of reasons. The current economic downturn and unfavourable demographic forecasts pose significant challenges to the sustainability of European healthcare regimes. The dependency ratio, i.e. the proportion between the dependent and labour-active population, is rising and will continue to rise in the coming decades due to a decrease in birth rates and an increase in the percentage of the elderly.<sup>3</sup> This trend, coupled with surging structural unemployment, spiralling budget deficits, pressures to engage in global capitalist competitiveness and observed emigration of healthcare workers to booming economies due to few incentives to remain in the physically and emotionally demanding and relatively low paid profession, has immense repercussions for the European labour markets (see for example Jurado and Brochmann, 2013; Holtslag et al., 2013). A variety of strategies for ensuring the sustainability of the healthcare workforce have been developed, with recruitment of healthcare workers from abroad being one of the most economically viable options, albeit ethically questionable if not coupled with comprehensive bilateral agreements and left to the market. It will be argued in the paper, however, that even

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<sup>2</sup> "In Italy, 13,400 nurses were due to retire in 2010, but only 8,500 graduated in 2008-2009. Germany is facing serious difficulties in training sufficient numbers of graduates, Slovakia has insufficient numbers of nurses, midwives, physiotherapists, radiological assistants and paramedics and Hungary faces serious bottlenecks in supply caused by reductions in nurse training" (Action Plan, 2012).

<sup>3</sup> Note: variations across the EU.

recruitment from abroad might not ensure sufficient staffing levels if systemic solutions are not developed to tackle high attrition rates.<sup>4</sup>

### ***Methodology and data collection***

This paper presents some findings of an empirical Delphi study<sup>5</sup> that has turned to experts on the international recruitment of healthcare workers in the UK and Norway, in order to collect their reflections on the interrelated themes of labour shortages in healthcare, immigration of healthcare workers, public policy and future strategic planning of recruitment from abroad. Sixteen experts in the UK and seventeen experts in Norway were identified using the purposive sampling technique, taking into consideration the relevance of their expertise for the study in question. The respondents included scholars/academic researchers, who have published in the field of migration and human resources for healthcare and identified themselves as experts in the field, public healthcare sector managers who have experience in the recruitment of healthcare workers from abroad, government officials and investigative reporters. In the first stage, they were asked to provide their opinion on governmental strategies related to healthcare workforce planning and recruitment from abroad, reflecting first and foremost on whether the demand for migrant healthcare workers has become or is likely to become structurally embedded.<sup>6</sup> Based on their responses, some reflections were purposefully extrapolated and Likert-scale questionnaires were designed. The experts were then asked to state their level of agreement with the reflections from 1 (strongly disagree) to 5 (strongly agree) and provide justification for their choice. Consensus was ascertained when at least 80% of the respondents either (strongly) agreed, (strongly) disagreed or neither agreed nor disagreed with the reflection.

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<sup>4</sup> The European Commission is currently funding a feasibility study on EU-level collaboration on forecasting health workforce needs, workforce planning and health workforce trends, called The Joint Action Health Workforce Planning and Forecasting. The study is coordinated by the Belgian Federal Public Health Service and involves 80 partners from 28 countries.

<sup>5</sup> The Delphi methodology is used for the systematic collection and aggregation of informed judgment from a group of experts on specific questions and issues (Keeney et al., 2011). It is a multi-stage approach with each stage building on the results of the previous one, usually until consensus on an issue is reached. The Delphi technique has been subject to criticism on many accounts, the principal critique being a lack of universal guidelines, which could affect the integrity of the method. The demanding nature of the method, viewed as time-consuming, administratively complex and labour-intensive, is another drawback. This refers primarily to the recruitment and retention of experts, which requires significant social and persuasion skills, constant follow-up and prompt and appropriate feedback to enhance the response rate and keep the experts interested in participating.

<sup>6</sup> Structural embeddedness of the demand for migrant workers (Cornelius, 1998) refers to: (i) path dependencies in the employment of migrants in the sense that “once their workforce includes a substantial share of migrants it may be difficult and costly for employers to switch to alternative responses (Ruhs and Anderson, 2013: 76); and (ii) the lower social status of jobs performed by stigmatised groups, such as immigrants, and difficulties to attract the native population even if pay and conditions improve (Gordon and Lenhardt, 2008: 301).

Their responses contributed to understanding how recruiting countries, i.e. Norway and the UK, design their strategies, which holds significant value also for the policy planning and management of the healthcare workforce of the sending countries.

## **Recruitment of Healthcare Workers in the UK and Norway**

Both the UK and Norway are facing a low supply of healthcare workers on the labour market and have difficulties in ensuring an uninterrupted and high-quality delivery of public healthcare services, especially in geographically remote regions. In both countries, nurses are reported to be put off by poor wages, bad working conditions and heavy shifts (Ford, 2013; Eliasson in Isaksen, 2010: 137). The demand for healthcare workers will continue to rise in both countries, as demographic projections show, since the population is rapidly ageing (UN News Centre, 2013). In Norway, it is predicted that over 40,000 nurses will leave their jobs by 2022 and that simultaneously the demand for nursing and caregiving will increase by more than 50% from 2010 to 2030. In the UK, the demand will also continue to grow. The Royal College of GPs has estimated that by 2021 there could be 16,000 fewer GPs than are needed, while the Royal College of Nursing has forecast a shortfall of over 47,000 nurses by 2016 and 100,000 by 2022, as more nurses retire or emigrate to work abroad and fewer would-be nurses start training (Campbell, 2013).

Since vacancies cannot be filled by the native population and fewer trainees seem to be expressing an interest in a medical career, the national health system became increasingly reliant on recruitment of healthcare workers from abroad – from within the EU but also from third countries. The percentage of foreign-born doctors who work for the National Health Service (NHS) in the UK is roughly 33.7 and the percentage of foreign-born nurses is over 15. In Norway, the number of foreign-born doctors is 16.6%, and foreign-born nurses represent 6.1% (OECD, 2011). Both national health systems, which can be considered as employers, have been recruiting migrants either through agencies or directly. Their common feature is also a strong declarative commitment to the provision of quality public healthcare to their residents. In the UK, in particular the NHS is considered as a defining feature of British society (Page, 2011: 89), and Norway prides itself in providing universal and quality healthcare to all residents.

The increased demand for healthcare workers in the UK and Norway over the next decades stems mainly from an ageing population, a rising age dependency ratio, new disease patterns and changes in service delivery from the acute sector to the community setting. In terms of supply,

the challenges that both countries are facing are similar, too. Both states have difficulties in recruitment of nurses, GPs and medical specialists, high turnover rates and a high percentage of healthcare staff approaching retirement. Both are also facing a substantial challenge in assuring the supply of healthcare staff in rural and geographically remote regions. In terms of satisfaction with employment, healthcare staff in both countries speak out about the physically and emotionally demanding nature of their profession, exhaustion due to understaffing and frustration over pay and/or conditions in the workplace. In general, the interest in healthcare education and training by prospective students is still manifested in both countries. But certain medical and nursing specialties, placements and workplaces are significantly more wanted than others. For example, nurses tend to prefer employment in hospitals more than in communal settings such as nursing homes or supported housing, doctors tend to avoid specialization in general practice and new graduates tend to look for employment in urban centres rather than in rural or remote regions (*cf.* Buchan et al., 2013; Buchan et al., 2014; Bach, 2012; Elliot, 2012; Isaksen, 2010).

Shortages in healthcare staff have been, to varying extents, relieved by active governmental recruitment of healthcare workers from abroad. In the UK, recruitment from the (former) colonies has been a distinctive feature of the NHS and was, with some fluctuations, pursued by Conservative and Labour governments. Recruitment was accompanied by heated political debates on the desirable numbers of immigrants in the country versus the commitment to assure undisturbed and quality delivery of the public healthcare services and about neoliberal tendencies that promote labour market flexibility, limited investments into the public sector and the state's withdrawal from the provision of services, to name just a few. In the UK, more so than ever, marketization of (health)care is adopted as the policy of choice (Brennan et al., 2012: 388). Norway, too, has resorted to recruitment from abroad, but mainly because it has largely underestimated the demand for specific healthcare profiles in its quest to limit unemployment and has consequently limited the medical school intake in the 1980s. This decision resulted in severe physician shortages a decade later (Brenne, 2007: 3). The same argumentation is used when justifying reluctance to increase the wages of unsatisfied nurses: if wages are higher, the interest in the nursing profession would increase with possible unemployment as an outcome (Van Riemsdijk, 2008: 130). This rationale is understandable since high levels of taxation are required for sustaining a robust universal welfare state regime and keeping the unemployment rates as low as possible is an important part of the equation. Future projections show, however, that shortage of healthcare professionals will be so significant that both the UK and Norway, regardless of the national plans and strategies adopted to increase domestic supply, will not be able to meet the demand without resorting to recruitment from abroad.

### ***Recruitment as a cost-containment measure to reduce public expenditure for health***

The UK and Norwegian governments as employers can develop many responses, or a combination of responses, to healthcare staff shortages, such as increase wages, improve working conditions, develop retention and return-to-work schemes, invest in education and training of local workers, and hire immigrant workers. While the combination of responses to labour shortages in healthcare has been different both have considered recruitment from abroad as an appealing option because it is a quick-fix solution that does not require long-term human resource planning and costly investments into the education programmes, training programmes and public campaigning to encourage employment of domestic staff in the healthcare sector. The availability of a flexible labour force that is more willing to work long hours and perform less desirable tasks than native workers and that may be prepared to accept jobs whose skill requirements are below their qualifications, may also contribute to the development of preferences for migrant healthcare workers. The “high quality workers for low wage jobs” phenomenon (Anderson et al., 2006; Lucas and Mansfield, 2012; Anderson and Ruhs, 2012) is observed in both countries. One example is employing highly educated and trained nurses as care workers in the social care sector. In Norway, while fluent Norwegian is required to work in hospitals, less strict rules apply for employment in the nursing homes or home-based elderly care, where the demand is highest (Kolyako, 2012). Hence, foreign nurses with university degrees who have not yet mastered the language are employed in those positions that require significantly fewer skills and are consequently paid less.

In the UK, where the NHS has been built up with a significant contribution from healthcare workers immigrating from the Commonwealth, a clear path dependence can be established. It has been costly to switch to alternative measures, because there has been a long-standing and mutually constitutive nature of supply and demand that involved recruitment and immigration as a key factor. Norway has been late to start active recruiting compared to the UK and has, after a period that seemed a quick-fix short-term solution, now declared a determined shift towards achieving self-sufficiency in healthcare labour. But healthcare staff is still being targeted by recruitment agencies, primarily across the EU labour market, as there is continuous demand from the employers for specific profiles and for employment in more geographically remote and rural regions. The Delphi study expert panel agreed that governmental mechanisms to ensure self-sufficiency, while positively evaluated, will not suffice to balance out the demand and supply in the labour market. And it just may be that immigration targeted to address short-term shortages will persist in the future.

While it is too hasty to speak of the Cornelius' (1998) structural embeddedness of the demand for migrant healthcare workers regarding the Norwegian healthcare system, there is indication that the concept could be applied to the case of the NHS, especially to the UK's social care sector. Long-term immigration of certain (health)care profiles to the UK has contributed to sustaining the condition of the domestic healthcare labour market, i.e. keeping wages low, not putting enough effort into improving workplace conditions and lack of incentives to invest in education and training. For example, raising wages and improving the conditions and job status in the social care sector would help to attract more resident workers, but also inevitably raise the cost of care and thus require an increase in public funding. Therefore, there is a clear trade-off between providing care at low cost and the share of resident workers employed in the sector (Ruhs and Anderson, 2012: 44; Moriarty, 2012).

The Delphi panel in the UK pointed out that there is a lack of long-term comprehensive strategy for healthcare staffing and lack of commitment to invest in education and training of healthcare staff. The profit- and cost-containment-driven market logic in the UK is placing the burden of recruitment of healthcare staff on the employer who might resort – this pattern has been observed in the field of private social care providers – to the cheapest possible alternative, i.e. foreign-trained professionals. Somewhat in contrast to the UK, the expert panel in Norway agreed that the goal of the government is to strive towards sustainability by investing in education and training of healthcare staff and current efforts have been evaluated positively, albeit with limited success rate – indicating that strategizing has been insufficient and done with limited commitment. While both states have declared their commitment to ensuring the sustainability of the healthcare workforce, in reality, especially in the UK, the healthcare providers are struggling with ensuring safe staffing levels and continue to resort to market-based recruitment agencies. Delphi panellists agreed that the current UK government has no official strategy on the recruitment of healthcare workers from abroad and that the burden of ensuring safe staffing levels is placed entirely on the NHS. NHS trusts, facing a severe shortage of healthcare staff, turn to the market to ensure the supply: either by outsourcing recruitment agencies operating in the market or hiring expensive agency staff. The problem is exacerbated by the fact that the state has adopted a restrictive immigration policy in the past few years which has made recruitment from third countries more difficult and has increased the competition between the NHS trusts in attracting and retaining EU/EEA nurses. But lack of strategic planning, one Delphi panellist commented, should itself be understood as a clear governmental strategy, which is in line with the pressing neoliberal tendencies and is coinciding with the logic of retrenchment. It should be noted at this point that the relatively low socio-economic status of healthcare workers from third countries has enabled the NHS to successfully recruit and retain

doctors and nurses for decades. This strategy has also been used by the Norwegian governmental agency Aetat in the 1990s, after realizing that nurses recruited from Finland and Germany were not settling down in Norway but returned to their countries of origin in large numbers. Hence, they turned their recruiting efforts to Poland, the Baltic States and the Philippines (Van Riemsdijk, 2008: 19). This is a clear indicator of the cost-containment logic behind international recruitment.

In sum, as the governments are confidently assuring sustainability of the healthcare workforce, employers and recruitment agencies actively cooperate in developing new incentives for attracting doctors and nurses. They are increasingly taking into account the variables influencing migrants' choices of destination as discussed by Papademetriou (2013: 46-47). Agencies and NHS trusts emphasise first-tier variables such as capital infrastructure, innovativeness, opportunities for further professional development, as well as second-tier variables such as lifestyle and environmental factors. The latter seem to be most emphasised by specialties that are most demanding and least desirable, such as emergency and family medicine. An innovative twist in recruiting involves advertising vacancies and posting recruitment videos on social media. In many videos posted on YouTube, the recruiters are the actual employees themselves, talking about satisfaction with the work environment, continuing professional development, friendliness of staff and high quality of life in general. The trust employees thus act as promoters of employment in their healthcare institution.

## **Mitigating the Negative Effects of Recruitment for the Sending Countries**

How to achieve fair and development-sensitive healthcare worker migration, which is mutually beneficial for both sending and receiving states, is still subject to debates. The WHO Global Code of Practice on the international recruitment of healthcare workers was adopted by the EU Member States due to ethical concerns about a (health)care drain from low-income countries, especially African, Indian and some Latin American countries.<sup>7</sup> Member States agreed that active recruitment from those countries may further amplify health inequalities with possible knock-on effects for other sectors in the sending states. Since Eastern European countries<sup>8</sup> are

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<sup>7</sup> The current WHO list of states with a critical shortage of healthcare professionals includes 57 states based on the following two criteria: (1) the sum of employed doctors, nurses and midwives is equal to or less than 2.28 per 1,000 population; and (2) fewer than 80% of births are attended by skilled health personnel.

<sup>8</sup> Countries of the Eastern Partnership and EU acceding countries of Eastern Europe.

not included in the list of countries with critical shortages, it can be expected that recruitment from those countries will continue at an increased pace. Until now, recruitment from Eastern European countries by the UK and Norway has been limited due to intra-EU mobility and other historical/traditional channels of recruitment but Delphi panellists, especially in Norway, estimate that recruitment from countries such as Russia, Moldova, Georgia and former Yugoslavian republics will pick up the pace in the future. They agreed that auxiliary nurses and care workers to be employed in public and especially market-oriented elderly care institutions will be particularly targeted. Medical doctors and highly-skilled nurses will most likely continue to be recruited from inside the EU or from countries with similar curriculums (such as in the case of the UK and India), because of less bureaucracy relating to entry visas and recognition of professional qualifications.

The negative effects of recruitment of healthcare workers from Eastern European countries can be mitigated by drafting bilateral agreements that benefit the sending countries' healthcare systems but do not limit the freedom of movement and pursuance of goals of individual healthcare workers. Healthcare workforce planning should therefore move from short-sighted cost-containment strategizing and ad-hoc solving of acute shortages to adopting a well-informed, evidence-based approach to planning in both sending and receiving states. Angenendt and colleagues (2014) propose two policy options: temporary and circular migration and transnational training partnerships. Temporary migration, which has been more extensively discussed than transnational training partnerships, meets some goals of both states, i.e. filling labour shortages in rich states and receiving remittances in low-income countries, while assuming return of healthcare workers with possibly improved capacities and knowledge, and might also be convenient for some healthcare workers who do not wish to settle abroad. Transnational training partnerships have been less explored, but could grow to become a successful bilateral cooperation. Direct financial support to training of future migrant healthcare workers in their countries of origin would eliminate the fiscal drain from migration of publicly subsidized trainees and build up renowned training institutions in the countries of origin. For the countries of destination, benefits are tangible, too. Involvement in the training process means that they could tailor the training that prospective migrants receive in accordance with their professional standards and guidelines. The cost of the training would most possibly be less expensive in the countries of origin than in the high-income countries and, thus, could mean cost-containment and a positive effect on public revenue. Migrants could benefit too, because they would receive subsidized training and proper preparation for jobs in the countries of destination (Angenendt et al., 2014: 8).

More country-specific research is required to develop efficient strategies suited to the labour market and public sector conditions of individual countries, keeping in mind that an inequitable distribution of healthcare workers leads to health inequalities that have spiralling effects on other social policy areas.

## **Concluding Remarks**

The experts participating in the Delphi study agreed that recruitment of healthcare workers from abroad is to be perceived as a cost-containment strategy that can be sporadic or continuous and that fluctuates in time in accordance with the current political orientation and fiscal situation. Especially in the UK, however, the lack of public training programmes in healthcare, a simultaneous need for effective provision of public services given budget constraints, historical reliance on foreign healthcare workforce and adoption of exit-based policy options (Baggesen Klitgaard, 2005; *cf.* Esping Andersen, 1990) that opt for the commercialisation of healthcare, all indicate that demand for healthcare workers will strongly persist and recruitment from abroad will continue. This trend will most likely lead, as it is the case with migrant workers employed in social care in the UK, to structural embeddedness of the demand for healthcare workers. Anderson and Ruhs's (2012) theorisations on the political economy of shortages linked to labour immigration policy can provide some important theoretical insights here. Drawing from their work, it can be argued that the UK's dependence on migrant healthcare workers is an inherently normative question. The state has the power to produce vacancies for migrant nurses by, for example, offering low wages and increasing the workload that have a negative impact on employment and turnover rates, just as it can produce incentives to fill them. But incentives seem to be strongly linked with neoliberal reasoning. Some public services in the UK, including social care, are currently based on a model of low-cost employment, which creates a persistent demand for migrant workers. Raising wages to attract domestic workers is not considered an option because that would mean an inevitable increase of public expenditure attributed to the sector and create knock-on effects to other sectors and professions. There is a clear trade-off, they write, between the state providing social care at low cost and the share of resident workers employed in the sector (*ibid.*: 44). In the case of healthcare staff, a similar logic seems to apply. Nurses and some medical practitioners, such as GPs and E&A doctors, are becoming increasingly dissatisfied with their employment conditions and NHS managers must resort to recruitment from abroad, which further increases dependence on migrant healthcare workers. Here, too, the mutually conditioning relation between labour supply and demand is

evident. Experts participating in the Delphi study in Norway, too, acknowledged such trade-off in the case of Norwegian healthcare.

Links between retrenchment, international recruitment of migrant healthcare workers and the neoliberal agenda should therefore not be easily dismissed. Decreasing the costs of labour by resorting to recruitment clearly resonates with the logic of the neoliberal free market, cost-containment and the ideology of reduced public accountability, especially when recruitment is done in the absence of bilateral agreements to mitigate the adverse effects associated with emigration. Bilateral agreements have been repeatedly and urgently called for in the context of global healthcare labour shortages (Dhillon et al., 2010) but they are losing their value in recruitment business to private agencies that have occupied the niche (Plotnikova, 2014: 339). Currently, migration mostly takes place outside the channel of bilateral agreements and rather through recruitment agencies, family links and social networks, with some notable exceptions.<sup>9</sup> The primary concept underpinning the development of bilateral agreements is one of shared responsibility, which reflects needs, admission policies and responsibilities of the destination countries, and various concerns of the source countries and migrant workers themselves (Panizzon, 2009). In that respect, it is a mechanism that ensures regulated, transparent and fair exchanges, reduces the need to utilize commercial recruitment agencies and directly addresses and responds (possibly also in economic terms) to the negative effects of recruitment for the sending country. It is of importance that Eastern European countries, which will most likely be continuously targeted by recruitment agencies in the future, start developing workforce planning methodologies and projections of workforce supply and demand in the future. Forecasting based on the input of relevant stakeholders within the state as well as bilateral/multilateral cooperation between states that involves sharing information, are mutually beneficial and should become a norm in healthcare workforce planning.

Resolving labour shortages in the healthcare systems by recruiting immigrant labour raises a variety of issues that have yet to be researched case-specifically: the decision to recruit and the process of recruitment; ethical issues concerning recruitment from individual low-income states or specific regions; attribution of social rights to immigrant healthcare workers; gaining consensus for recruitment in the general public; challenges of working in an intercultural workspace; and the impact of the structural embeddedness of the demand for migrant healthcare

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<sup>9</sup> Current bilateral agreements that explicitly adopt a shared responsibility or 'migration and development approach' (i.e. creating joint faculties of medicine, attributing funds for development etc.) include those between France and Senegal, Spain and Morocco, the Philippines and Bahrain and India and Denmark. Germany has also been signing a number of bilateral agreements lately, for example with Ukraine, Poland, Bulgaria, Romania and Serbia (Dhillon et al., 2010: 19-21).

workers in the economy, to name just a few. For Eastern European countries in particular literature is scarce and fragmented, leaving the niche for further research wide open.

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# **Circular Migration as a Policy Tool to Foster Development in Kosovo**

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## **Abstract**

Kosovo's population has a longstanding migration experience: An estimated one out of four Kosovars currently lives abroad. Migration expands the options for Kosovo's workforce and contributes to (human) development. On the other hand, Western European countries are currently experiencing shortages of professionals in their labour markets. Due to demographic changes, this trend will grow stronger in the future. Already, severe shortages are observed in certain professions, sectors and/or regions, particularly in healthcare-related professions. Against this background, the need for skilled labour in Western Europe (and other countries) and the need for human capital development of Kosovars become obvious because of the direct contribution to human, social and economic development in Kosovo.

If managed in a proper way, circular migration can contribute to this development. However, so far no holistic and/or targeted approaches towards the management of circular labour migration have been considered in Kosovo and existing programmes have had a rather ad-hoc character of isolated activities.

This paper will address the question of how the management of circular migration can contribute to development in Kosovo. To answer this question the paper will elaborate on a pilot project currently planned by the Ministry of Labour and Social Welfare (MLSW) of Kosovo in the field of care for older people. Based on a theoretical and conceptual introduction, the paper will briefly sketch the planned project and highlight its potentials.

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Figure 1: MLSW's Policy Approach Towards Labour Migration

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## Introduction<sup>1</sup>

*Migration is, has been, and will remain  
an important everyday reality for many Kosovars!*

The phase in which this article has been conceptualised and written down was a successful period for Kosovo with regard to migration-related topics. This assessment particularly stems from the decision of the European Commission to propose to the European parliament and to the Council of the European Union to abolish visa requirements for Kosovo nationals and thereby to allow visa-free short visits of Kosovars to the Schengen area. Moreover, the psychological impact of the accession of the Kosovo Football Federation to the European Football Association (UEFA) and the International Football Federation (FIFA) is not to be underestimated.<sup>2</sup> However, these success stories cannot conceal the difficult socio-economic situation in Kosovo. At the end of 2015, the main political opposition parties several times blocked the work of the parliament and organised public protests, which were attended by thousands of Kosovars. These disputes were triggered by an agreement on boundaries between Kosovo and Montenegro as well as by an agreement to establish a Serbian Association of Municipalities in Kosovo, but also by other, more far-reaching issues such as the widespread public discontent with the country's elites, the extent of corruption, the lack of rule of law and the generally poor socio-economic conditions. The tense situation on the labour market contributes to the dissatisfaction and hopelessness of many Kosovars.

The latest 'migration wave' end of 2014, beginning of 2015 during which thousands of Kosovars tried to settle down in Western Europe, needs to be analysed against this background. The number of migrants and their abrupt appearance presented substantial challenges, not only to the government of the Republic of Kosovo.

While in recent years thousands of people died on their way to Europe<sup>3</sup> and while currently thousands of people are on their way to Europe, xenophobic and racist tendencies widely emerge across the continent. The complexity of related debates impressively shows that migration is a multidimensional phenomenon.

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<sup>1</sup> The authors would like to thank Nicole Carey for intense proof-reading!

<sup>2</sup> The relation of this question to migration can be easily seen in the fear of the Swiss Football Association to lose a part of its national team to the Football Federation of Kosovo.

<sup>3</sup> The International Organization for Migration (IOM) has identified Europe as the world's most dangerous target area for illegal migrants: between 2000 and 2014 more than 22,000 people died in their attempt to illegally migrate to Europe. In 2015 alone, around 3,800 migrants drowned while crossing the Mediterranean Sea (IOM, 2015; ECRE, 2014).

Such realities raise a variety of questions, e.g. in regard to the causes or better management of migration. The paper presented here tries to structure these questions and to reveal possible answers and approaches for policy-making in Kosovo. The hypothesis presented here is that potential-oriented management of migration will positively impact on the life situation of individuals as well as on societal sustainability. In order to reduce complexity in the field of migration, the paper focuses on labour migration only, leaving many other aspects of migration for further research. The paper first entails a brief introduction to its conceptual framework. The following two sections provide an overview on Kosovo's socio-economic and political framework and on the genesis of current migration processes. Central to the analysis is the final section, in which the approach of the Ministry of Labour and Social Welfare (MLSW) towards circular migration will be presented.

## Conceptual Framework

Although migration is a conditioning factor of human history (*conditio humana*) – Hahn (2012) coined the term of *homo migrans* – and human culture has continuously been affected by migration, one can agree with Castles et al. (2014) that addressed the recent decades as an “era of migration”. What is quite new to the recent history of migration is its development towards a global phenomenon: The level and penetration of migration-related information has risen sharply, whereas for many migrants the average costs of migration have declined over time, for example for those from the Western Balkans seeking asylum in the European Union Member States. In reaction to the increasingly restrictive measures to prevent migration flows (as recently observed in Europe), we observe the global expansion of an informal migration economy and the reorientation of migration flows into illicit channels.

Migration as a social phenomenon cannot be understood monocausally. Countless theories deliver explanations for the reasons of migration decisions and about the type of migration processes. Scientific consensus exists only in regard to the lack of conceptual consensus. Hence, this paper builds on migration-related theories, theoretical approaches, methods and models to analyse various issues at different levels: gravity and push/pull models, historical and structuralist approaches, the theory of segmented labour markets, neoclassical economics, the new economics of labour migration, human capital theories, household theories, diaspora theories, network theories, system theories, trans-nationalistic approaches and globalisation theories.<sup>4</sup> All of the mentioned approaches explain some aspects related to migration but none is able to

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<sup>4</sup> For an overview on the theories, e.g. refer to Castles et al. (2014) or to Brettell and Hollifield (2015).

capture its entire complexity. If the objective is to understand migration as a multicausal phenomenon, an interdisciplinary approach incorporating different perspectives is requested. The basic requirement for any powerful and empirically relevant migration-related analysis is conceptual, methodological and disciplinary openness.

However, we focus in the following on a conceptional framework suited to applied empirical analysis rather than on a more profound review of individual migration theories. This framework is essentially inspired by Ravenstein's (1885) and Lee's (1966) idea of push and pull factors explaining migration. Push and pull factors are to be understood as those conditions that may induce migration for economic, political, social, cultural and/or environmental reasons. Push factors are negative factors that induce people to leave their homes whereas positive pull factors are related to the destination country and impact on the migration decision. The combination of both bundles of factors influences the scope and direction of migration. This push-pull model is known for theoretical and methodological shortcomings. For example, the model can neither explain the simultaneity of emigration and immigration nor the fact why similar groups make different migration decisions.<sup>5</sup>

Based on the terminology provided by the International Labour Organization (ILO, 2016) migration can be defined as a spatial movement of a person or groups of persons, which entails a permanent or temporary change of residence or a permanent movement. The distance of the movement is not important, nor questions related to reasons for migration, the duration of migration or whether the movement is of voluntary or enforced nature. What is particularly relevant for the following analysis is the fact that migration is embedded in global and transnational processes, which relate to micro, meso and macro structures. Central to the following discussion are the terms labour migration and circular migration. Labour migration is the movement of a person or groups of persons within a state or across state borders with the objective to seek employment.<sup>6</sup> Circular migration refers to a temporary movement of persons between a country of origin and one or more destination countries. (Circular) labour migration can contribute in many ways to development at the individual and societal level, e.g. through money transfers, such as remittances, Diaspora spending during annual visits in the country of origin or direct investment. But also, the influx of human capital (brain gain), the transfer of technology and innovation or social capital gains may be considered as important contributions. However, labour migration can also induce negative effects, which stem from the brain drain

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<sup>5</sup> In-depth criticism of the model is beyond the scope of this paper; for further insight see, for instance, Han (2010).

<sup>6</sup> In the analysis presented here the notion of labour migration also covers migration related to training and/or education.

problem such as the loss of investment in education, income inequality, increasing unemployment and the undermining of labour standards in receiving countries.

## **Socio-Political and Economic Framework**

On 27 October 2015, the Republic of Kosovo and the European Union (EU) signed a so-called Stabilisation and Association Agreement (SAA) (European Union and Republic of Kosovo, 2015), which defines Kosovo's path of integration into EU structures. The European Commission's decision to suggest to the European parliament and to the Council of the European Union to abolish the visa requirement for the people of Kosovo and thereby allow visa-free short visits of Kosovars to the Schengen area (European Commission, 2016), is directly linked to the SAA. A political prerequisite for these procedures was the establishment of a special court under the auspices of EU special jurisdiction, which was legitimised after months of intensive debates in the Kosovo parliament in August 2015. The court, which has its headquarters in The Hague and which shall become operational during the year 2017, will deal with war crimes that were allegedly committed against the population during the Kosovo war by members of the Kosovo Liberation Army (KLA). After the failed application for membership in the United Nations Educational, Scientific and Cultural Organization (UNESCO) in November 2015, in May 2016 Kosovo celebrated its accession as a full member to UEFA and FIFA.

However, these accomplishments cannot hide essential domestic problems. The politically tense environment has been triggered by two agreements of the Government of Kosovo with the neighbouring countries of Montenegro and Serbia. On the one hand, the demarcation agreement with Montenegro might, as the political opposition claims, lead to a loss of up to 8,000 hectares of Kosovo's territory. On the other hand, the agreement between Kosovo and Serbia, which had been negotiated in August 2015, addresses the establishment of an association of Serbian majority municipalities in Kosovo. Since then, the government parties (the two major parties PDK and LDK,<sup>7</sup> as well as some minor and minority parties) and the opposition parties (mainly VV, AAK und NISMA)<sup>8</sup> are fiercely disputing over the power of interpretation concerning the content and implications of both agreements. One of the opposition's key arguments is based on the Constitutional Court's judgment, which in principle approves the agreement with Serbia, however, partly rejects the agreement as being in conflict with Kosovo's Constitution (Balkan

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<sup>7</sup> Partia Demokratike e Kosovës (PDK, Kosovo Democratic Party) und Lidhja Demokratike e Kosovës (LDK, Kosovo Democratic League).

<sup>8</sup> Vetëvendosje (VV, self-determination), Aleanca për Ardhmërinë e Kosovë (AAK, Alliance for Kosovo's Future) und NISMA për Kosovën (NISMA, Initiative for Kosovo).

Insight, 2015). The opposition demands from the government to cancel both agreements or to hold early elections. Besides this conflict, the opposition multiply interrupted parliament sessions (usually by throwing tear gas), boycotted the work of the parliament and organised public protests in which thousands of Kosovars expressed their discontent with the government's work. Although the two agreements are mostly referred to as triggers of the current protests, other reasons should be added as underlying causes for the far-reaching frustration in the population, such as the lack of progress regarding human rights (specifically freedom of press), the lack of progress with regard to the rule of law, the level of corruption, and the lack of confidence in most public institutions. However, the core of frustration is grounded in the unsatisfactory economic situation of most Kosovars (European Commission, 2015): Most socio-economic indicators show the multiple risks that the Kosovar population is currently facing. Based on a selective choice of topics (labour market, education, economics; one could have also selected aspects such as health, inclusion, human rights, etc.) the corresponding challenges will be presented in the following.

**Labour Market:** While the population structure of Kosovo – with an average age of about 30 years, Kosovo has the youngest population in Europe – is considered as one of the country's comparative economic advantages (Republic of Kosovo Ministry of Trade and Industry, 2011), the situation is a major challenge for society at the same time. According to estimates, up to 36,000 young Kosovars enter the labour market each year to seek for employment, whereas only about 10,000 people leave the labour market for reason of old age (UNDP, 2015).

Despite a 4.0% annual average growth of GDP, the unemployment rate (*ceteris paribus*) has remained constant. Although the unemployment rate has significantly dropped to 26.2% in the second quarter of 2016 (Kosovo Agency of Statistics, 2016b), the labour market in Kosovo is characterised by multiple structural problems: an extremely low labour force participation, especially among women, a high level of long-term unemployment, a high level of informal employment, etc. Based on data retrieved from the Labour Force Surveys 2014 and 2015, Table I provides an overview of the current labour market structure.

**Table I: Labour Market Structural Data**

Participation rate	2015 (%)	$\Delta$ 2014-2015 (%-points)
Total (15-64 y.)	37.6	-4.0
Old persons (60-64 y.)	25.9	-3.1
Young persons (20-24 y.)	33.2	-6.7
Women (15-64 y.)	18.1	-3.3
Men (15-64 y.)	56.7	-5.2
employment rate		
Total (15-64 y.)	25.2	-1.7
Old persons (55-64 y.)	27.2	-2.6
Young persons (15-24 y.)	8.5	-0.5
Women (15-64 y.)	11.5	-1.0
Men (15-64 y.)	38.7	-2.6
unemployment rate		
Total (15-64 y.)	32.9	-2.4
Old persons (55-64 y.)	12.6	-2.6
Young persons (15-24 y.)	57.7	0.0
Women (15-64 y.)	36.6	-5.0
Men (15-64 y.)	31.8	-1.5
Share of long-term unemployed (> 12 months)	72.2	-1.6

Source: Kosovo Agency of Statistics (2015a & 2016a).

**Education:** Almost 30% of Kosovo's population (513,000 in 2013) are pupils and students (Kosovo Agency of Statistics, 2015b). Approximately one-third of the young Kosovars, however, is neither in school/further education, nor follows vocational training, or is currently not employed (so-called NEET: Not in Education, Employment or Training). This figure illustrates the immense challenges of the reform of the education sector, especially with regard to the status passage between (higher) education and the labour market. The lack of well-qualified and trained young Kosovars remains one of the biggest obstacles for Kosovo's social and economic development. The challenging lack of employability among Kosovar workers is essentially due to the lack of alignment of curricula with the requirements in labour markets. Career planning along rational criteria rarely exists in Kosovo. This can be exemplified by the number of students of the University of Prishtina: While about 70% of all students are enrolled at the sociological, linguistic, legal, philosophical or educational science faculties, the number in the technical and natural science faculties is under 25% (Kosovo Agency of Statistics, 2015b). This consequently leads to a paradox situation regarding the domestic labour market: Despite a high rate of youth

unemployment of about 70%, vacancies, in particular in engineering, cannot be filled by Kosovars and the corresponding demand has to be satisfied by foreign workers. Kosovo's education system is characterised by problems in terms of access, lack of quality, chronic underfunding and inadequate staffing of institutions. Exclusion from education is significantly high for girls from rural areas and for minorities, though the Serbian minority is an exception. Up to 10% of female adolescents (16-19 years) in rural areas cannot read and write. The quality of education can be regarded as comparatively poor and essential prerequisites for the development of Kosovo's society are not met by the educational sector. On 6 December 2016, the results of the latest PISA study were published, which for the first time also covered Kosovo (OECD, 2016). As assumed by experts, Kosovo is ranked at the end of the scale with only Algeria and the Dominican Republic having a lower mean score in the study. In 2014, public expenditure on education amounted to 4.7% of GDP (UNICEF, 2015), a value that is in line with the average in other Western Balkan countries (UNESCO, 2016). However, if Kosovo's specific demographic situation is taken into account, a substantial funding gap can be observed in the regional context.

**Economy:** The Government of the Republic of Kosovo (2016) has recently published a national development strategy 2016-2021, in which sustainable development of the economy is identified as a primary development objective, and which is broken down into the following four fields of intervention: human capital, rule of law, competitiveness and infrastructure. Focusing these areas is largely compliant with the analysis of the most recent European Union's progress reports (European Commission, 2015 and 2016). The national development strategy can be seen in the light of an annual average 4.0% GDP growth in the years 2005 to 2015 (World Bank, 2016a), improvement of the business climate and macroeconomic and fiscal stability in Kosovo's economy. Besides this positive assessment, the country's economy faces a multitude of challenges: The profound trade deficit is a strong obstacle to development and makes Kosovo dependent on funds from abroad, in particular from remittances, but also from financial support provided by the international community. The production base of Kosovo's economy and its competitiveness are still weak. Further challenges arise in particular from the implementation of legal reforms and the fight against organised crime and nepotism; both factors that significantly contribute to the still low levels of foreign investment. Problematic as well is the structure of companies in Kosovo. The absence of medium- or large-sized companies is worrisome: the share of private companies employing less than 9 employees is over 99%, whereas only 0.1% of all companies employ more than 50 people (Eurostat 2016).

**Table 2: Data on Kosovo's Economic Development**

Indicator	2013	2014	2015
Foreign direct investment, € mn	280	151	324
GDP growth, %	3.4	1.2	4.0
GDP per capita, € at PPP	6,600	6,800	7,300
Average net monthly wages, €	356	416	446
Consumer prices, % p.a.	1.8	0.4	-0.5
Fiscal balance, % of GDP	-2.5	-2.9	1.6
Public debt, % of GDP	8.9	10.5	13.0
Current account, % of GDP	-6.4	-7.8	-9.1

Source: WIIW (2016).

## Genesis and Status of Current Migration Processes

Kosovo's population has a strong history of migration, and migration is an essential part of the Kosovar nation (Gashi and Haxhikadrija, 2012), which is mainly (but not only) articulated by its vital ties to the Diaspora. Large areas of social life were and are strongly influenced by historical and current migration flows. Especially against the background of a limited social security system, individual strategies for the provision of risks such as migration-based financial support systems, are gaining in importance. The size of Kosovo's Diaspora is difficult to estimate: The lower limit of estimates is 380,000 whereas the upper limit amounts to 874,000 people (UNDP, 2015: XII-XIII). In their seminal migration study, Gashi and Haxhikadrija (2012) estimate the number of Kosovars who left the country between 1969 and 2011 at around 500,000 and the scope of Kosovo's Diaspora at approximately 800,000, out of which around 550,000 people are concentrated in the German-speaking countries. The significant role of the Diaspora particularly manifests itself in extensive money transfers: Remittances were estimated to amount up to 13% of GDP in 2015 (Central Bank of Kosovo, 2016), whereas the spending of the Diaspora during annual trips to Kosovo (Diaspora members are jokingly called "Schatzis" in Kosovo, and the two months in which many Diaspora members travel to Kosovo, July and August, is known as "Schatzi-time") amounted to an additional 6% of GDP (in 2012 though – UNDP, 2015: 33). Moreover, investments, transfer of human and social capital as well as political and civil society participation of the Diaspora are of importance for the country's development. The relevance of international mobility for Kosovars can be seen in the strong desire for EU visa liberalisation but can also be expressed by concrete numbers: Studies show that about 50% of young Kosovars (18-36 years) desire to temporarily or permanently emigrate (UNDP, 2015: 30).

The recent massive migration movement can be seen in the light of the above-mentioned push and pull factors. This 'wave' began with a sharp increase in asylum applications by Kosovars in Germany at the end of 2014. In the period between December 2014 and May 2015 on average about 4,800 Kosovo citizens applied for asylum at German authorities per month. In total, more than an estimated 50,000 Kosovars – equivalent to more than 2.5% of the country's population – left Kosovo during this short period to migrate to one of the EU Member States. Before and after this period, the number of Kosovarian asylum-seekers (to Germany) was significantly lower at an average of about 900 people per month. Throughout the whole period the asylum recognition rate was less than 1% (BAMF, 2014/2015).

According to a (non-representative) study conducted by the Friedrich-Ebert-Stiftung (FES), 95% of the interviewed migrants reported one of the following reasons to leave Kosovo and head towards Western Europe, with Germany as main destination country (77% of the respondents named Germany as destination): unemployment, poverty, lack of security and lacking reforms regarding the rule of law (FES, 2015). The key pull-factor is the opportunity to seek for employment in the destination country. Almost all, namely 98% of the respondents claimed to search for a job in the destination country. Immigration into the protection shield of the EU social systems is only perceived an option by 14% of the respondents. This assessment is consistent with an analysis provided by UNDP, i.e. the "Kosovo Human Development Report 2014: Migration as a Force for Development", in which the economic conditions and the limited prospects for foreseeable improvements are outlined as main push factor for migration (UNDP, 2015: 26). The massive increase of Kosovars who left their country end of 2014 / beginning of 2015, can be explained – if at all – by considering several factors: Besides the above-outlined socio-economic and political conditions, the improved opportunities to freely travel through Serbia boosted the transit to the EU's external border. Moreover, lax border controls at the Serbian-Hungarian border allowed entering the Schengen area with little complications. This setting consequently led to a reduction in migration costs and a 'manageable' financial risk of illegal migration to the EU, especially when the costs for legally entering the EU (visa, travelling, waiting times) are accounted for. To put it in a nutshell: At the end of 2014 room to manoeuvre unfolded, namely the opportunity to illegally enter the Schengen area, without waiting times, at comparatively low costs and without major sanctions to be expected. Moreover, the migration decision was built on massive information asymmetries regarding the migration process and to the expected realities in the destination countries: According to anecdotal evidence, misinformation about the labour markets and social and legal circumstances concerning asylum-seeking within the EU was spread on purpose.

EU Member States as well as Kosovarian authorities were found unprepared to respond to this migration movement, which has been coined by many media as “exodus” (e.g. Ernst, 2015). However, the steep reduction of asylum applications from Kosovo in Germany from May 2015 onwards has to be seen in direct connection with the actions taken by Kosovo Government as well as with the announcement of the German Government to classify Kosovo as a safe country of origin. The joint objective of both countries is to close illegal migration channels and make legal channels more viable. Against this background, the German employment regulation was amended. From 2016 onwards, the criteria to seek and pick an employment in Germany have been simplified for Kosovo citizens (as well as for citizens of the other five Western Balkan countries).<sup>9</sup> On the other hand, Kosovo’s Ministry for Internal Affairs, its Ministry for Diaspora and the Ministry for Labour and Social Welfare (MLSW) have facilitated programmes to address the relevance of migration for Kosovars, aiming at the potential of migration, at improving the cooperation with the Diaspora and at avoiding negative effects stemming from migration (e.g. brain drain). In this context, it is important to note that not only many young Kosovars intend to leave the country (as stated above) but that almost 50% of Kosovarian migrants also express their wish to return at a later stage (UNDP, 2015: 28). MLSW has therefore pursued a new approach to formulate and implement a consistent labour migration policy as of 2015. The following section will elaborate on this approach and further highlight a pilot project on circular migration.

## **The Approach of the Ministry of Labour and Social Welfare towards Labour Migration**

The efficient management of migration flows, which would then facilitate migration-related development potentials, is outlined as a core objective of the National Migration Strategy 2013-2018 (Government of the Republic of Kosovo, 2013), which was developed and published by the Ministry of Internal Affairs. The document describes migration as a social phenomenon, which entails a variety of different topics such as visa policies, return and reintegration, human trafficking, asylum, citizenship, prevention of illegal migration, and labour migration. Against this backdrop, and considering the socio-economic framework and the empirical experience of thousands of Kosovarian asylum-seekers at the end of 2014, early 2015, the Ministry of Labour and Social Welfare proceeded to better focus on the issue of labour migration and has commenced the facilitation of labour migration. The objectives of this approach are to prevent

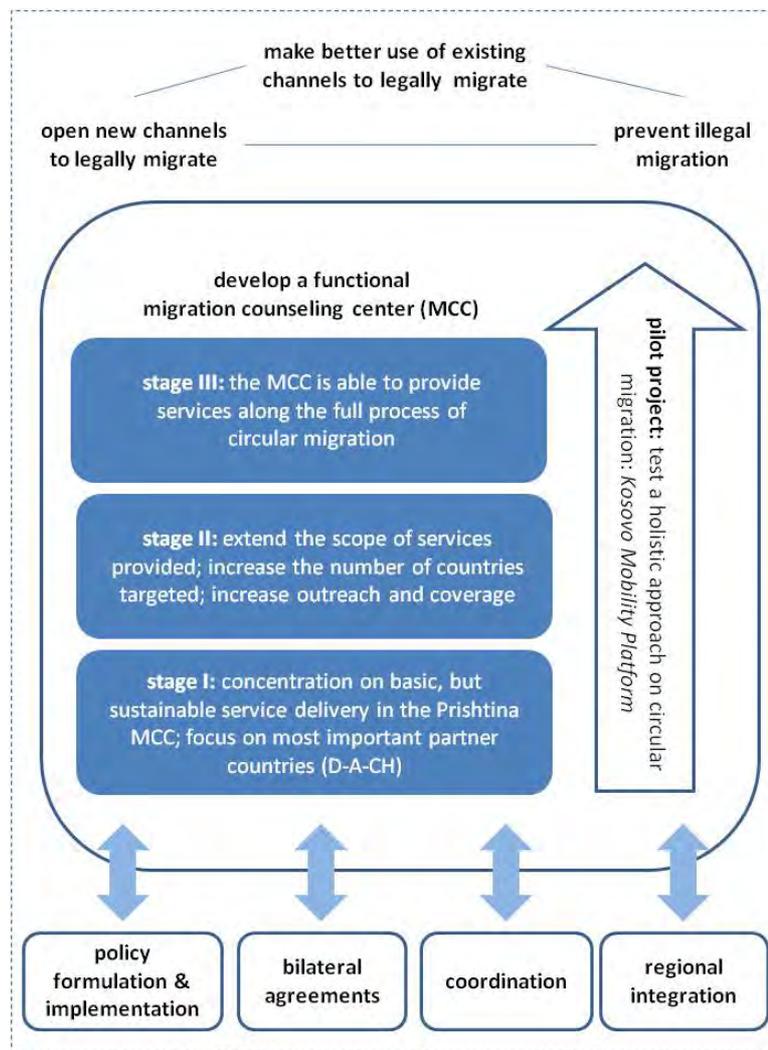
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<sup>9</sup> In 2016 (until September) the Federal Employment Office in Germany issued work permits for more than 8,600 Kosovars.

illegal migration, to open up new legal channels for labour migration and to optimise existing routes. Individuals shall thus be given the opportunity to choose between different options (*'should I stay, or should I go?'*), to generate resources and to contribute to collective sustainability in Kosovo and in the potential destination countries.<sup>10</sup>

In cooperation with the Employment Agency of the Republic of Kosovo (EARK),<sup>11</sup> the MLSW is, hence, the pivotal institution to develop and implement this approach to better manage labour migration and interlinked development tasks. The fields of intervention of such a labour migration policy are threefold and described in Figure I below.

**Figure I: MLSW's Policy Approach Towards Labour Migration**



<sup>10</sup> For a theoretical introduction into this person-centred and resource-based approach, e.g. refer to Schulz-Nieswandt (2006).

<sup>11</sup> At the time of writing this contribution the EARK has not yet started to be operational, which was originally intended for early 2015 and is now expected for early 2017.

- 1) Strategy development: Formulation, implementation and evaluation of the MLSW's labour migration approach, regional policy integration, networking of actors and building strategic partnerships through bilateral agreements.
- 2) Organisational development: In this component, efficient institutional structures shall be identified and strengthened.<sup>12</sup>
- 3) Implementing a pilot project on circular migration.

The idea of circular migration is complex as different actors with their own modalities act on different levels of analysis along the entire migration process. Only a holistic approach that considers the variety of participants, and that is based on an intersectoral and interdisciplinary multi-level understanding, can grasp this complexity. Existing programmes on labour migration in Kosovo have hitherto followed rather ad-hoc decisions, tended to foster isolated activities and rarely considered the idea of circularity. The MLSW's initiative to establish the *Kosovo Mobility Platform* is therefore driven by the idea of circular labour migration and takes into account the above-mentioned challenges.

## **The Kosovo Mobility Platform: A Pilot Project on Circular Migration**

### ***Background***

On 11 November 2015 officials from the (German) Diakonie Württemberg, the Employment Promotion Agency Kosovo (APPK), the German Society for International Cooperation (GIZ), and the MLSW signed a Memorandum of Understanding on the development of a legal migration scheme for Kosovars in the field of care for older people. In 2016, the second cohort of young Kosovars (54 in total in 2016, whereas in 2015, 27 people were covered) will start their three-year vocational training course on long-term care nursing in Baden-Württemberg, Germany (Flachenecker, 2015). The vast majority of selected candidates have already completed a medical education in Kosovo, which is, however, not recognised in Germany, thus implying participant's de-skilling while performing a loop in the German dual education system.

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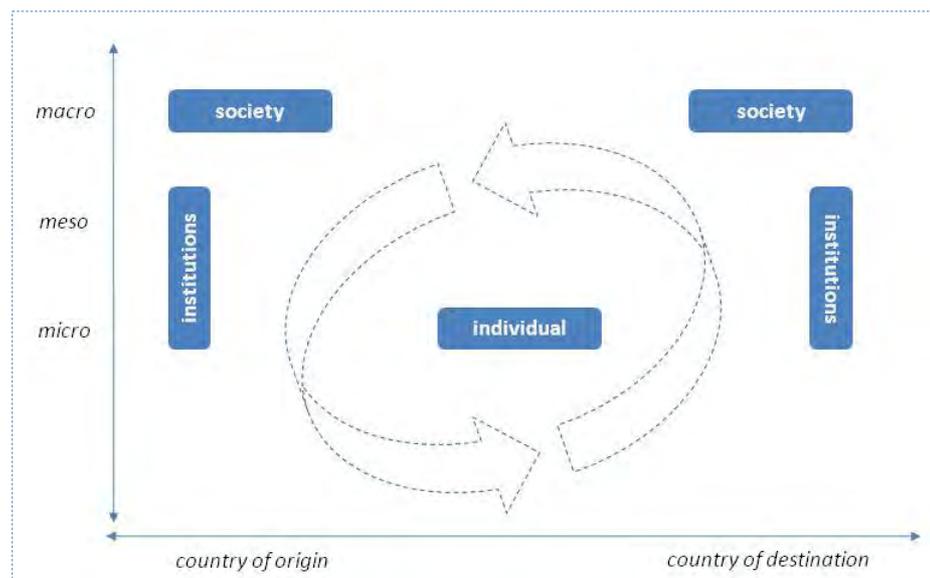
<sup>12</sup> In May 2015, the German Society for International Cooperation (GIZ) in cooperation with the MLSW has opened an information office in Prishtina named DIMAK (German information centre for migration, education and career guidance). DIMAK aims at informing Kosovars about migration, education and career, and develops related programmes and events together with local institutions. DIMAK is the MLSW's main partner in establishing a migration-counseling centre.

Against this background, three sets of questions are evident for future activities: 1) How to avoid duplication of vocational education and training? What kind of job seeker's employability corresponds with the demands from the employers in the local and international markets? 2) What mechanisms are needed to identify migrant workers throughout the migration cycle, to accompany and to support them in their specific challenges? 3) Under what conditions would Kosovars working abroad (at least) temporarily return to Kosovo? These questions shall be addressed by the *Kosovo Mobility Platform*, a joint initiative of the Society of Albanian Academics (DIJA e. V.), the Southeast Europe Institute for Advancement in Health and Nursing (SEE-NSH) and the MLSW. Corresponding topics of the *Kosovo Mobility Platform* are: 1) The adjustment of the sector-specific vocational education and training along the needs of labour markets; 2) the management of the migration process along the migration cycle: before leaving the country, integration in the destination country and return and reintegration in the home country; and 3) the development of a market for social services in Kosovo.

### **Main Idea**

The platform idea is grounded on the conviction that migration can be managed to generate positive effects for all involved parties. The conceptual model of the platform combines two analytical dimensions, a multi-level perspective (macro – meso – micro) and a geographical perspective (origin – destination). Thus, a matrix of five areas evolves (see Figure 2), which comprises all specific, equally juxtaposed perspectives.

**Figure 2: Kosovo Mobility Platform: Conceptual Background**



The platform, which is designed as a pilot project, aims at facilitating cooperation, coordination and networking between relevant actors along the three above-mentioned key questions /

topics. It focuses on providing opportunities for mutual learning, for exchanging existing experiences and best practices and for the coordination and integration of individual activities, rather than on the development of independent activities and instruments. The initiative builds on a consistent and flexible bottom-up approach. This approach makes the *Kosovo Mobility Platform* distinct from many other projects, which offer activities along pre-defined concepts. In order not to overload the initiative with expectations from the outset, it has been necessary to limit the platform's scope. Hence, in the initial phase, the platform has a sectoral limitation and focuses on the social services sector and in particular on care activities. Expanding the platform logic to other sectors is desirable if the approach proves to be successful.<sup>13</sup> The sector selection can be justified by the following specifications:

- 1) The (labour) market for social services in Kosovo is underdeveloped and there is a great need for developing this market, which might imply, among others, positive effects on employment (especially for women).
- 2) The high demand for workers in the care sector in Western Europe, and especially in Germany, is evident and the shortage of skilled and unskilled employees most likely will continue to increase against the background of the demographic reality in these countries.
- 3) Various experiences of partner institutions (e.g. the 'triple win project' of GIZ or the above outlined 'Diakonie project') do exist and can be used for the initiative.
- 4) Many diverse, relevant and competent partners are willing to participate in the development of the platform in this sector.

### ***From Idea to Action***

At a first brainstorming workshop, which was facilitated by MLSW in cooperation with SEE-NSH and DIJA e.V. in May 2016, 50 representatives from 20 local and international institutions consistently provided a positive assessment of the *Kosovo Mobility Platform* idea and equipped the organisers with a mandate to further elaborate on the initiative's concept. Three working groups elaborated the below-mentioned activities that should be followed-up and extended by the Platform:

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<sup>13</sup> Recently, initial discussions were held to apply the platform logic to another sector, namely the one of construction.

- To develop short-term training modules for geriatric home care that consider local and international demands and that can be connected to existing vocational training offers.
- To develop new and improve existing communication networks, which allow for better information sharing and for better monitoring of migrant workers in the area of care for older people.
- To carry out a meta-analysis for the sector of social services in Kosovo, which shall be based on existing findings to provide a basis for decision-making and future interventions.
- To set up a website for the *Kosovo Mobility Platform* through which best practices and support services for mutual learning shall be provided.

Moreover, the *Kosovo Mobility Platform's* organisational and operational structure must be established. A concept paper shall therefore be presented at the beginning of 2017 to then sign a cooperation agreement between all interested stakeholders. The medium-term perspective of the initiative is to develop the *Kosovo Mobility Platform* into an interest group and a key source of relevant information in the context of migration and social services (later, other sectors shall be covered as well), and to provide new ideas and instruments as well as to advise decision-makers.

## **Conclusion**

The recent success of Kosovo in regard to Euro-Atlantic integration cannot cover the country's difficult socio-economic situation. The deeply-rooted causes for far-reaching frustration and hopelessness in the population resulted in tens of thousands of asylum-seekers from Kosovo in the EU at the end of 2014 and beginning of 2015, and sparked public protests in which thousands of Kosovars expressed their discontent with the government's performance. Consequently, the people of Kosovo make use of the options as described by Hirschman (1970) in his political science classic "exit, voice and loyalty" for the case of popular discontent with the elites of a country: emigration and protest. The analytical framework proposed in this paper, namely a model of push-pull factors which can induce migration, identified the following factors to be essential for the migration decision of many Kosovars: The level of unemployment and poverty, the lack of security, the lack in rule of law and the lack of prospects for a speedy improvement of this situation. Major pull factors are the demand for labour in EU countries and the possibility to apply for asylum in the destination country. Family reunification, which is a key driver of legal migration, played a rather subordinate role in the recent 'migration wave' from Kosovo. However, the interlinkage with the Diaspora is an essential context factor for recent migration

processes. One problem which clearly emerged in 2014/2015 is the level of (mis)information regarding migration processes and the labour, social and legal conditions within the EU.

Many questions for further debate (and research) can be deducted from this situation, in particular regarding the general causes of migration and how to better manage migration. This paper has proposed some possible answers to these questions. In particular, an efficient management of migration needs to be oriented along its potentials to positively affect the life-situation of individuals and hence to contribute to social sustainability. Circular labour migration may contribute to such an approach in many ways, e.g. through cash transfers, the influx of human capital, the transfer of technology and innovation or by gains in social capital. However, tapping this potential calls for an efficient and proactive management of (labour) migration flows. Only this way illegal migration can be avoided, existing legal migration channels can be better used and new, legal channels might be opened. Against this background, the MLSW has commenced developing a consistent labour migration policy with the aim of providing opportunities for individuals to choose among different options and thus to generate resources. The fields of intervention of this type of labour migration policy are threefold: strategy development, organisational development and implementation of a pilot project on circular migration, the *Kosovo Mobility Platform*.

While consistently implementing its given mandate, the *Kosovo Mobility Platform* can facilitate resources (in terms of human capital through education and training) and enable individuals to find employment in Kosovo or abroad. The institutions involved may benefit from the *Kosovo Mobility Platform* as it aims at better coordination, cooperation and mutual learning in the sector, thus contributing to organisational development in participating institutions. Moreover, the *Kosovo Mobility Platform* positively affects social sustainability, as it aspires developing a hitherto underdeveloped sector, namely social services. Furthermore, it contributes to an improved educational system and supports Kosovar migrants along the migration cycle, which might imply a development dividend for Kosovo (and also for the country of destination), e.g. through higher cash transfers, improved human capital transfer, etc.

The experiences from the intense stakeholder dialogues resulted in widespread support of the idea. However, criticism has been addressed throughout these discussions as well: Specifically, the question of whether or not migrants will realistically come back to Kosovo has been repeatedly addressed. Moreover, the issue of brain drain is a constant topic in discussions. The *Kosovo Mobility Platform* takes these threats into account. First of all, the initiative adopts an approach based on realistic objectives: No one is dreaming of a return rate around 80, 90 or 100%. The objective is rather to motivate more people in the future to temporarily or permanently come back to Kosovo to apply their knowledge gained abroad. Without any

support, it is very likely that none or only a few professionals working in the health and social care sector abroad will return and face the current challenges. However, several studies (e.g. UNDP, 2014) have shown the general, of course conditional, willingness of many Kosovars living abroad to return to their country of origin. Moreover, many interviews conducted by the platform's initiators have shown a great disposition of Kosovar professional abroad to support the development of social and health care services in Kosovo. The main obstacle for the realisation of this openness seems to be the lack of supporting and guiding mechanisms. This is exactly the leverage where the platform could facilitate added value; a practical example of best-practice potential: While using modern e-health facilities, Kosovars practicing as physician in the USA are supporting their colleagues at the University Clinic in Prishtina in improving their diagnoses and therapies. Why not use this functioning cooperation model and apply it to the German-speaking countries where many physicians with Kosovar roots are ready to contribute to the development of their home country?

People make use of existing legal pathways to seek for labour abroad. This is pretty much an individual decision, of course framed by contextual factors. The presented approach to manage migration, aiming at potential return, may contribute to enrich the migration process and to make related decisions more information-based. Moreover, the platform initiative is guided by the idea of circularity that entails the return to the country of origin. A good example of realised return is the second-generation Turks from Germany, which, at least until recently, returned to Turkey by a considerable number (King and Kilinc, 2014). The *Kosovo Mobility Platform* further addresses questions in regard to vocational training and education as well as sector/market development. The envisaged measures have the potential to equip potential labour migrants with better information, better education and better prospects for return, thus contributing to human development in Kosovo. Of course, the existing risks, especially the ones related to brain drain tendencies, have to be closely monitored. The main challenge for the *Kosovo Mobility Platform* is and will be to provide guidance on how to limit inherent negative effects stemming from labour migration whilst accounting for the positive political, cultural, social, and economic dimensions it may provide.

The analysis presented here has repeatedly highlighted the significance of migration for Kosovo's society and the extent to which migration can contribute to the economic, social and political stability of the country. Since the nature of migration must be regarded as extremely complex, migration management requires a holistic approach which takes into account the variety of stakeholders and which grounds on an intersectoral and interdisciplinary multi-level approach. With the *Kosovo Mobility Platform* such an approach has been launched.

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# **Needs of Patients in Medicines Information in Armenia**

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## **Abstract**

Reliable information about medicines is important not only for physicians and pharmacists, but also for patients. However, the results of studies implemented in some countries show that patients may have slightly different needs and preferences in using sources of information. The main objective of information about medicines for patients is to assist consumers to make safe and effective use of pharmaceuticals.

The objective of the study is to identify patients' needs of information about medicines and the sources they use to get it.

We interviewed 1,059 people who had visited community pharmacies in 10 regions of Armenia and the capital of Yerevan. A previously developed questionnaire was used for interviewing patients. Statistical analysis was conducted using the SPSS programme.

The results are as follows: 68.9% of the respondents use medicines if the necessary information is available. The majority of them consider that it is important to have information about therapeutic indications of medicines to be used (91.8%), their dosage and method of administration (91.1%), contraindications (82.4%), adverse reactions (81.9%) and interaction with other medicines (76.5%). 58.9% of consumers value information about a medicine's price. More than 70% of patients often seek information from health care professionals and use Patient Package Inserts (PPIs).

We conclude that patients need information about medicines.

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## Introduction

In recent decades, interest in health issues has greatly increased among patients. Nowadays many patients wish to be engaged in a treatment process and have the opportunity to share decisions on treatment choices with health professionals. Patients' knowledge about the purpose, benefit and harm of a treatment is often a prerequisite for successful therapy (Cribb, 2011; Knapp et al., 2009). Understanding the information in medication use instructions leads to an improvement of patients' knowledge about medicines used (Nicolson et al., 2009; Vander Stichele, 2004). According to the Statements of the International Pharmaceutical Federation and the European Federation of Pharmaceutical Industries and Associations the primary purpose of patient medicine information (MI) is to assist patients in achieving safe and effective use of medicines, as well as to enable them to make informed decisions about their treatment (European Federation of Pharmaceutical Industries and Associations, 2014; International Pharmaceutical Federation, 2008). The quality of MI is as important as the quality of medicine used (idem, 2005). Patient medicine information has to be not only objective and up-to-date but also understandable. Hence, the existence of an environment where patients have access to reliable information is crucial.

The study had the following objectives: 1) to identify specific needs of patients in MI; 2) to determine the sources of MI used by patients, as well as the frequency of their use; 3) to find out challenges associated with patients' understanding MI. The paper consists of six sections. The first section provides the thematic background. The second contains the literature review while the third informs on the methodology of the survey and the sample characteristics. The fourth section covers the results of the survey, in particular the importance of MI for patients, the purposes of using MI, the sources of MI, and the frequency of their use. The fifth section presents conclusions and recommendations. The limitations of the study are considered in the sixth section.

Since the topic of patient medicine information had not been investigated in Armenia, researchers from a public organization named 'Drug Utilization Research Group in Armenia' in collaboration with faculty members of Yerevan Medical State University conducted this study.

## Literature Review

The results of studies show that patients want to have information about medicines (Hamrosi et al., 2014). Although consumers are often interested in knowing about aspects of MI such as side-effects, dosage instructions and interactions (Fuchs et al., 2005; Ho et al., 2009; Nair et al.,

2002; Pohjanoksa-Mäntylä, 2010), patients' needs in MI slightly vary by country. For consumers in the United Kingdom (Dickinson et al., 2003) and Singapore (Ho et al., 2009), the most important topics of MI are therapeutic indications, side-effects, contraindications and dosage instructions. Patients in Germany in addition to these topics value information on medicines' interactions (Nair et al., 2002), and Canadian consumers value information on their cost (idem). Patients need written and spoken MI or a combination of both (Hamrosi et al., 2014). They seek information from different sources. The main sources of MI for patients are health professionals, PPIs, the Internet, non-experts (family and friends), advertising and publications (Narhi and Helakorpi, 2007; Wiedenmayer et al., 2016). However, not all available sources provide consumers with objective and complete information. Several studies reveal that patients' needs and preferences in using information sources are slightly different. Patients in Finland (Narhi, 2007) and Singapore (Ho et al., 2009) mainly refer to health care professionals and PPIs for MI. Physicians and pharmacists play an important role in providing both spoken and written MI to the patients (Hamrosi et al., 2014).

The results of studies show that the information in PPIs has a positive impact on patients' knowledge of medicines and that it increases adherence to the treatment (Nicolson et al., 2009; Vander Stichele, 2004). PPIs are widely used by patients in many countries. In South-Eastern Sweden 87% of patients read PPIs (Hammar et al., 2016), in Italy 83.4% (Bernardini et al., 2001), in Germany 79.6% (Fuchs et al., 2005), in Belgium 71% (Vander Stichele, 2004), in the USA 70% (Nathan et al., 2007), in Palestine 51.7% (Sweileh et al., 2004) and in Israel 51.5% (Vinker et al., 2007).

## **Methods**

### ***Data Collection***

A survey was conducted in all 10 regions of Armenia and in Yerevan, the capital of Armenia, in 2012. Participants were selected using systematic random sampling from among patients or caregivers that visited randomly selected community pharmacies. Each fourth visitor was informed about the objectives of the study and asked to participate. Only people aged 17 years and over were enrolled. Participation in the study was completely anonymous and voluntary.

Trained research assistants conducted face-to-face interviews with consumers in the pharmacies. They used a questionnaire that was developed based on previous experience and tested among consumers before the large-scale study. The questionnaire consisted of sections, which included questions related to participants' demographics, including age, gender, educational level,

employment as well as their needs in MI, the sources from which they obtained MI and the purposes of using MI.

Research assistants documented patients' verbatim responses. The interviews lasted 15-20 minutes. Collected data were electronically recorded.

### **Data Analysis**

The results were analysed using SPSS statistical software, version 22.0 for Windows. Descriptive results were expressed as frequencies, percentages, and means  $\pm$  standard deviation (SD). Pearson's Chi-squared test was used to analyse the relationship between the respondents' answers and their age and gender with  $P \leq 0.05$  as the level for a significant relationship.

### **Sample Characteristics**

**Table 1: Socio-demographic characteristics of the sample**

<b>Characteristics</b>	<b>Number (%)</b>
<b>Gender</b>	
Male	309 (29.2)
Female	750 (70.8)
<b>Age</b>	
17-29	285 (26.9)
30-44	349 (33.0)
45-60	287 (27.1)
61 and over	138 (13.0)
<b>Education Level</b>	
University degree	561 (53.0)
High school, college and completed basic school	498 (47.0)
<b>Marital Status</b>	
Married	678 (64.0)
Single	256 (24.2)
Widow(er)	72 (6.8)
Divorced	53 (5.0)
<b>Employment</b>	
Employees	616 (58.2)
Housewives	200 (18.9)
Students	95 (8.9)
Retired	93 (8.8)
Unemployed	55 (5.2)

The total number of participants was 1,059. The sample included a broad age range of adults – from 17 to 85 years (Table 1). The mean age of patients was 41.3 years (standard deviation [SD]  $\pm$ 15.4). 70.8% of respondents were females. More than half (53%) of the survey participants had

a university degree, 47% had graduated from a high school, college or had completed a basic school. 58.2% of visitors were employees, 18.9% housewives, 8.8% retired, 8.9% students and 5.2% unemployed (Table 1).

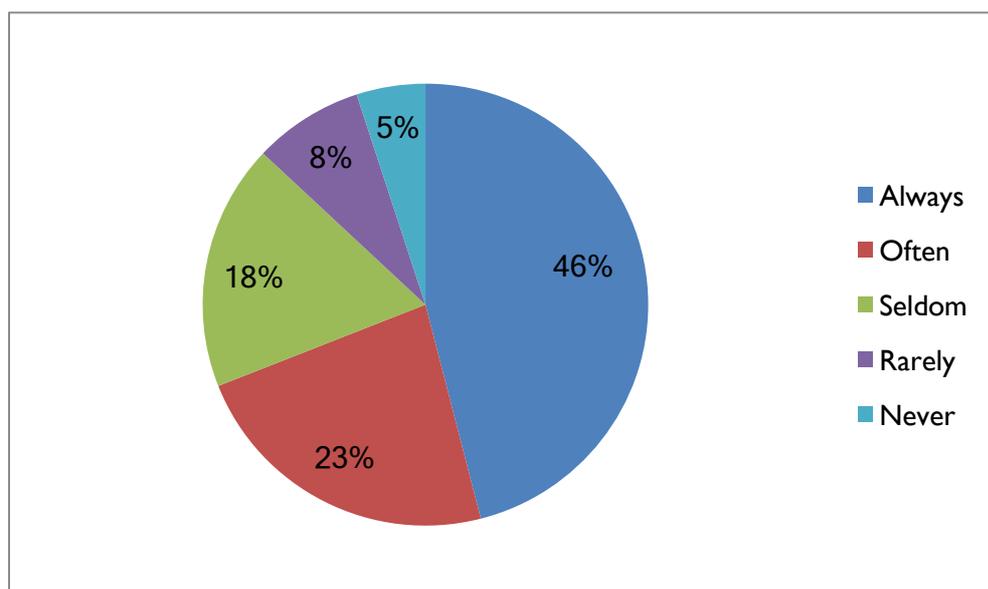
## Results

### *The Importance of Information on Medicines*

The majority of respondents (69%) use medicines if the necessary information is available. Furthermore, nearly half of the participants (46%) always do so (Figure 1). Among those who used medicines without having any MI (5%), males prevailed ( $\chi^2=44,2$ ;  $p<0,001$ ).

Participants were asked to assess the importance of having knowledge on specific topics of MI before using medicines. The great majority of them acknowledged the importance of knowledge ('very important' and 'important') on therapeutic indications of pharmaceuticals to be used (91.8%), their dosage and method of administration (91.1%), contraindications (82.4%), adverse reactions (81.9%) and interaction with other medicines (76.5%). 71.6% of respondents considered that it is very important respectively important to have information on storage conditions, 70.2% on special warnings and 68.8% on medicine-food interaction. 58.9% of consumers valued having information on a medicine's price.

The results show that there were differences in attitude between genders, age groups and groups with the highest educational levels (Table 2). There was a significant difference between genders in valuing the importance of all the topics of MI except information on the price. The percentage of females who valued knowledge on specific aspects of MI was higher than the percentage of males, 94.3% of females considered that information on therapeutic indications is 'important' and 'very important' for them while only 85.7% of males highly valued this information ( $p<0.001$ ). The biggest difference in attitude between genders was observed in how they consider the importance of information on interaction: 81.0% of females stated that it is 'important' and 'very important' while only 65.4% of males highly valued knowledge on this topic ( $p<0.001$ ).

**Figure 1: Patients who use medicines if information is available****Table 2: Importance of different aspects of MI for patients**

Patients characteristics	Very important	Important	Moderately important	Not important	Total number	p
	Number (%)	Number (%)	Number (%)	Number (%)		
<b>Therapeutic indications</b>						
Male	166 (53.7)	99 (32.0)	43 (13.9)	1 (0.3)	309	<0.001*
Female	507 (67.6)	200 (26.7)	41 (11.6)	2 (0.3)	750	
17-29	209 (73.3)	60 (21.1)	16 (5.6)	0 (0)	285	0.004*
30-44	220 (63.0)	103 (29.5)	26 (7.4)	0 (0)	349	
45-60	170 (59.2)	89 (31.0)	26 (9.1)	2 (0.7)	287	
61 and over	74 (53.6)	47 (34.1)	16 (11.6)	1 (0.7)	138	
University degree	385 (68.6)	150 (26.7)	26 (4.6)	0 (0.0)	561	<0.001*
High school, college and basic school	288 (57.8)	149 (29.9)	58 (11.6)	3 (0.6)	498	
<b>Total</b>	<b>673 (63.6)</b>	<b>299 (28.2)</b>	<b>84 (7.9)</b>	<b>3 (0.3)</b>	<b>1059</b>	
<b>Dosage and method of administration</b>						
Male	147 (47.6)	115 (37.2)	47 (15.2)	0 (0.0)	309	<0.001*
Female	460 (61.3)	243 (32.4)	45 (6.0)	2 (0.3)	750	
17-29	179 (62.8)	91 (31.9)	15 (5.3)	0 (0)	285	0.016*
30-44	204 (58.5)	119 (34.1)	26 (7.4)	0 (0)	349	
45-60	148 (51.6)	107 (37.3)	31 (10.8)	1 (0.3)	287	
61 and over	76 (55.1)	41 (29.7)	20 (14.5)	1 (0.7)	138	
University degree	355 (63.3)	179 (31.9)	27 (4.8)	0 (0.0)	561	<0.001*
High school, college and basic school	252 (50.6)	179 (35.9)	65 (13.1)	2 (0.4)	498	
<b>Total</b>	<b>607 (57.3)</b>	<b>358 (33.8)</b>	<b>92 (8.7)</b>	<b>2 (0.2)</b>	<b>1059</b>	

<b>Contraindications</b>						
Male	118 (38.2)	119 (38.5)	68 (22.0)	4 (1.3)	309	0.008*
Female	352 (46.9)	283(37.7)	108 (14.4)	7 (0.9)	750	
17-29	139 (48.8)	95 (33.3)	47 (16.5)	4 (1.4)	285	0.056
30-44	150 (43.0)	148 (42.4)	50 (14.3)	1 (0.3)	349	
45-60	131 (45.6)	107 (37.3)	46 (16.0)	3 (1.0)	287	
61 and over	50 (36.2)	52 (37.7)	33 (23.9)	3 (2.2)	138	
University degree	285 (50.8)	204 (36.4)	67 (11.9)	5 (0.9)	561	<0.001*
High school, college and basic school	185 (37.1)	198 (39.8)	109 (21.9)	6 (1.2)	498	
<b>Total</b>	<b>470 (44.4)</b>	<b>402 (38.0)</b>	<b>176 (16.6)</b>	<b>11 (1.0)</b>	<b>1059</b>	
<b>Adverse reactions</b>						
Male	98 (31.7)	137 (44.3)	67 (21.7)	7 (2.3)	309	<0.001*
Female	352 (46.9)	280 (37.3)	110 (14.7)	8 (1.1)	750	
17-29	130 (45.6)	103 (36.1)	48 (16.8)	4 (1.4)	285	0.081
30-44	150 (43.0)	142 (40.7)	55 (15.8)	2 (0.6)	349	
45-60	122 (42.5)	116 (40.4)	46 (16.0)	3 (1.0)	287	
61 and over	48 (34.8)	56 (40.6)	28 (20.3)	6 (4.3)	138	
University degree	274 (48.8)	214 (38.1)	69 (12.3)	4 (0.7)	561	0.001*
High school, college and basic school	176 (35.3)	203 (40.8)	108 (21.7)	11 (2.2)	498	
<b>Total</b>	<b>450 (42.5)</b>	<b>417 (39.4)</b>	<b>177 (16.7)</b>	<b>15 (1.4)</b>	<b>1059</b>	
<b>Interaction with other medicines</b>						
Male	81 (26.2)	121 (39.2)	101 (32.7)	6 (1.9)	309	<0.001*
Female	304 (40.5)	304 (40.5)	130 (17.3)	12 (1.6)	750	
17-29	114 (40.0)	108 (37.9)	58 (20.4)	5 (1.8)	285	0.532
30-44	120 (34.4)	150 (43.0)	75 (21.5)	4 (1.1)	349	
45-60	107 (37.3)	112 (39.0)	64 (22.3)	4 (1.4)	287	
61 and over	44 (31.9)	55 (39.9)	34 (24.6)	5 (3.6)	138	
University degree	217 (38.7)	233 (41.5)	103 (18.4)	8 (1.4)	561	0.024*
High school, college and basic school	168 (33.7)	192 (38.6)	128 (25.7)	10 (2.0)	498	
<b>Total</b>	<b>385 (36.4)</b>	<b>425 (40.1)</b>	<b>231 (21.8)</b>	<b>18 (1.7)</b>	<b>1059</b>	
<b>Medicine-food interaction</b>						
Male	71 (23.0)	120 (38.8)	106 (34.3)	12 (3.9)	309	0.008*
Female	231 (30.8)	307 (40.9)	191 (25.5)	21 (2.8)	750	
17-29	97 (34.0)	114 (40.0)	65 (22.8)	9 (3.2)	285	0.086
30-44	92 (26.4)	141 (40.4)	108 (30.9)	8 (2.3)	349	
45-60	85 (29.6)	106 (36.9)	85 (29.6)	11 (3.8)	287	
61 and over	28 (20.3)	66 (47.8)	39 (28.3)	5 (3.6)	138	
University degree	186 (33.2)	230 (41.0)	134 (23.9)	11 (2.0)	561	<0.001*
High school, college and basic school	116 (23.3)	197 (39.6)	163 (32.7)	22 (4.4)	498	
<b>Total</b>	<b>302 (28.5)</b>	<b>427 (40.3)</b>	<b>297 (28.0)</b>	<b>33 (3.1)</b>	<b>1059</b>	

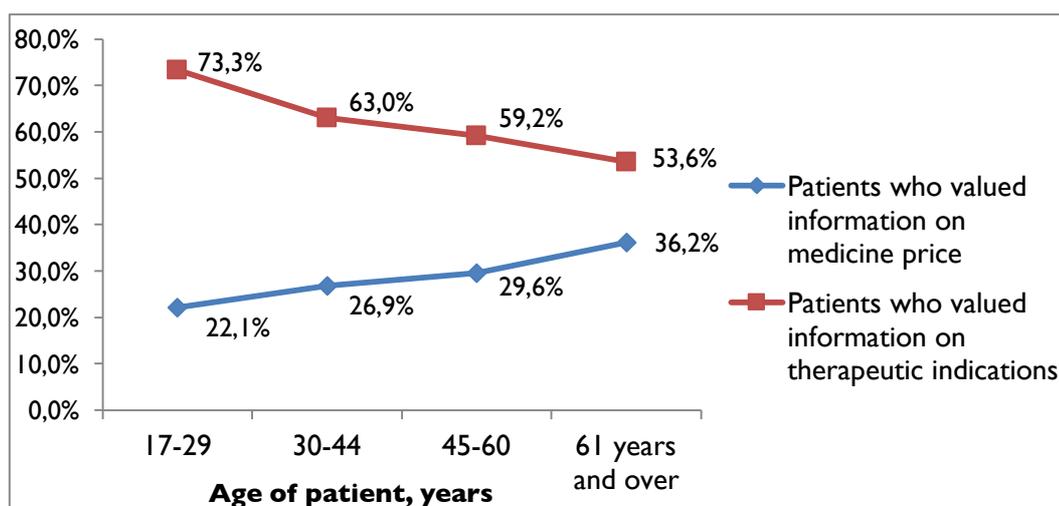
<b>Storage conditions</b>						
Male	73 (23.6)	121 (39.2)	108 (35.0)	7 (2.3)	309	<0.001*
Female	234 (31.2)	330 (44.0)	168 (22.4)	18 (2.4)	750	
17-29	89 (31.2)	119 (41.8)	73 (25.6)	4 (1.4)	285	0.088
30-44	98 (28.1)	158 (45.3)	88 (25.2)	5 (1.4)	349	
45-60	92 (32.1)	113 (39.4)	73 (25.4)	9 (3.1)	287	
61 and over	28 (20.3)	61 (44.2)	42 (30.4)	7 (5.1)	138	
University degree	190 (33.9)	240 (42.8)	125 (22.3)	6 (1.1)	561	<0.001*
High school, college and basic school	117 (23.5)	211 (42.4)	151 (30.3)	19 (3.8)	498	
<b>Total</b>	<b>307 (29.0)</b>	<b>451 (42.6)</b>	<b>276 (26.1)</b>	<b>25 (2.4)</b>	<b>1059</b>	
<b>Special warnings</b>						
Male	67 (21.7)	123 (39.8)	109 (35.3)	10 (3.2)	309	0.001*
Female	219 (29.2)	335 (44.7)	182 (24.3)	14 (1.9)	750	
17-29	84 (29.5)	127 (44.6)	66 (23.2)	8 (2.8)	285	0.001*
30-44	94 (26.9)	165 (47.3)	86 (24.6)	4 (1.1)	349	
45-60	84 (29.3)	106 (36.9)	88 (30.7)	9 (3.1)	287	
61 and over	24 (17.4)	60 (43.5)	51 (37.0)	3 (2.2)	138	
University degree	171 (30.5)	243 (43.3)	134 (23.9)	13 (2.3)	561	0.012*
High school, college and basic school	115 (23.1)	215 (43.2)	157 (31.5)	11 (2.2)	498	
<b>Total</b>	<b>286 (27.0)</b>	<b>458 (43.2)</b>	<b>291 (27.5)</b>	<b>24 (2.3)</b>	<b>1059</b>	
<b>Price</b>						
Male	73 (23.6)	94 (30.4)	117 (37.9)	25 (8.1)	309	0.146
Female	219 (29.2)	237 (31.6)	235 (31.3)	59 (7.9)	750	
17-29	63 (22.1)	74 (26.0)	120 (42.1)	28 (9.8)	285	0.003*
30-44	94 (26.9)	117 (33.5)	107 (30.7)	31 (8.9)	349	
45-60	85 (29.6)	94 (32.8)	89 (31.0)	19 (6.6)	287	
61 and over	50 (36.2)	46 (33.3)	36 (26.1)	6 (4.3)	138	
University degree	150 (26.7)	170 (30.3)	191 (34.0)	50 (8.9)	561	0.507
High school, college and basic school	142 (28.5)	161 (32.3)	161 (32.3)	34 (6.8)	498	
<b>Total</b>	<b>292 (27.6)</b>	<b>331 (31.3)</b>	<b>352 (33.2)</b>	<b>84 (7.9)</b>	<b>1059</b>	

Note: \* -  $p \leq 0.05$

A significant difference was observed between the two groups with highest educational levels in how they value all the aspects of MI that are related to pharmacological characteristics of the medicine; the percentage of participants with a university degree who considered all the eight pharmacology-related topics to be 'important' and 'very important' was higher than the percentage of respondents with a lower level of education. The biggest difference in attitude between groups was observed in how they consider importance of information on medicine-food interaction; 74.2% of respondents with a university degree noted that it is 'important' and 'very important' while 62.9% of people graduated from a high school, college and basic school highly valued knowledge on this aspect of MI ( $p < 0.001$ ). There was no significant difference between the two groups in attitudes to price information.

There was a significant difference among age groups in valuing the importance of knowledge on therapeutic indications ( $p=0.004$ ), dosage and method of administration ( $p=0.016$ ), special warnings ( $p=0.001$ ), as well as price ( $p=0.003$ ). While among young adults aged 17-29 years the percentage of those who considered having knowledge on therapeutic indications to be very important was 73.3%, among people aged 30-44 years it was 63.0%, among participants aged 45-60 years 59.2%, and among respondents of 61 years old and over it was only 53.6%. The percentage of those who stated that knowing the dosage and method of administration is 'very important' was higher among young adults aged 17-29 years (62.8%) than among the respondents of 61 years old and over (55.1%). Similarly, the percentage of respondents who considered knowing special warnings to be 'very important' was higher for the group of youngest respondents (29.5%) than for the group of elderly participants (17.4%). The opposite trend was observed about the need of information on medicine prices, mostly valued by elderly patients ( $\chi^2=25.4$ ;  $p=0.003$ ) (Figure 2).

**Figure 2: Importance of having knowledge on therapeutic indications and medicines' price across age groups**



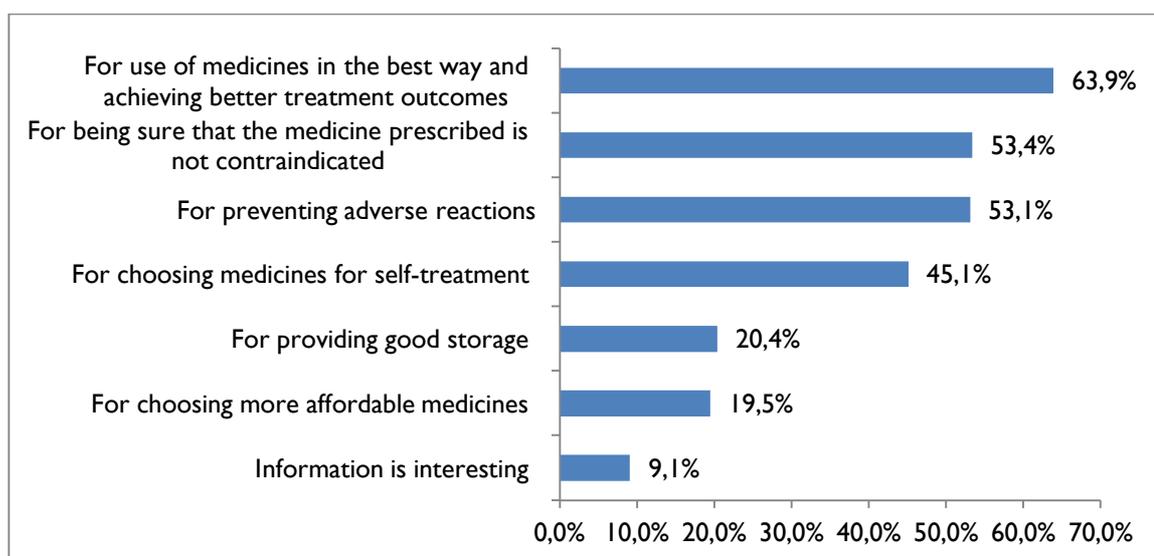
Thus, like patients in other countries, patients in Armenia need MI. All aspects of MI valued by respondents of this study are similar to those mentioned by participants from other studies: side-effects, interaction, contraindications and cost were noted by patients in Canada (Nair et al., 2002); costs, drug-drug interactions, dosage of medication and adverse drug reactions were the most common needs in the consumer calls to the University Pharmacy Drug Information Call-Centre in Finland (Pohjanoksa-Mäntylä, 2010); the topics of MI usually sought by patients in Singapore were adverse effects, dosage, indications, interactions and mechanisms of action (Ho et al., 2009). When asked to classify the various topics of information in package inserts visitors of community pharmacies in Germany considered therapeutic indications, dosage instruction,

contraindications and side-effects as ‘very important’; storage, therapeutic group, ingredients, date of the last update and application form and quantity of the drug were considered as ‘important’ (Fuchs et al., 2005).

### **The Purposes of Using Information on Medicines**

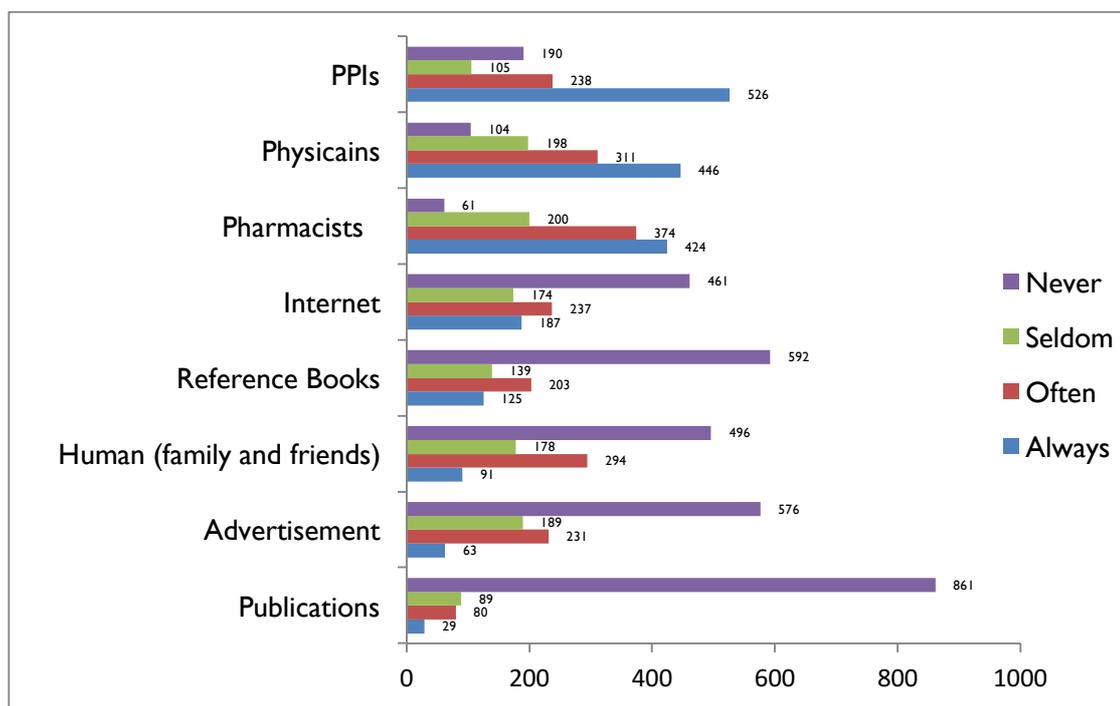
63.9% of participants reported that they need the information for the most proper use of medicines and to achieve better treatment outcomes (Figure 3). More than half of the patients (53.4%) wanted to be informed on contraindications; 53.1% believed that knowledge of possible side-effects could prevent adverse reactions; 45.1% of people considered the information to be important in case of self-treatment; 20.4% valued knowledge on storage; and 9.1% found the information to be interesting.

**Figure 3: Purposes of using MI by patients**



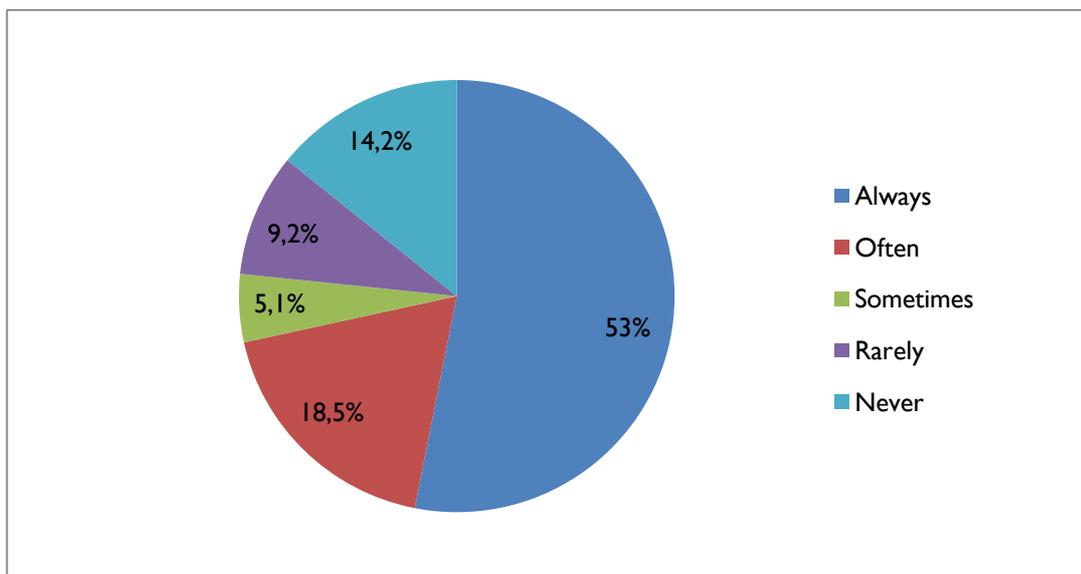
### **Sources of Information on Medicines and Frequency of Their Use**

Patients sought information from a variety of sources. Survey participants were asked to report the frequency of using different sources. It was found that the majority of patients ‘always’ and ‘often’ sought information from health care professionals – physicians (71.5%) and pharmacists (75.4%) as well as PPIs (72.1%) (Figure 4). These three sources were the most preferred in all age groups. 40.0% of patients reported that they frequently (‘always’ and ‘often’) use the Internet, 36.4% use advices of family and friends, 31.0% reference books, 27.8% advertisement and 10.0% publications.

**Figure 4: Sources of MI used by patients**

These results are similar to data from some other countries, such as Finland (Narhi and Helakorpi, 2007), Australia (Hamrosi et al., 2014) and Singapore (Ho et al., 2009), where patients also used health care professionals and PPIs as their main source of information. The results of studies from Palestine (Sweileh et al., 2004) and Israel (Vinker et al., 2007) show that about half of the consumers in these countries used PPIs (51.7% and 51.5%, correspondingly), i.e. much fewer than in Armenia (72.1%).

It was revealed that some patients were not interested in knowing MI. If the majority of consumers (71.5%) reported that they 'always' and 'often' read the insert leaflets before using the medicine, 14.3% do it 'sometimes' or 'rarely' and 14.2% 'never' read PPIs (Figure 5).

**Figure 5: Frequency of using PPIs reported by patients**

The results show that before taking the medicine, 425 (46.8%) patients read the information in PPIs in full, while 483 (53.2%) of them read only some parts of the text. These patients explained their behaviour with different reasons. More than half (56.9%) of those respondents that did not read the PPIs in full, suppose that some part of the information written in leaflets is not useful for them; 38.5% point out difficulties with understanding and 19.9% did not read PPIs in full because of lack of time.

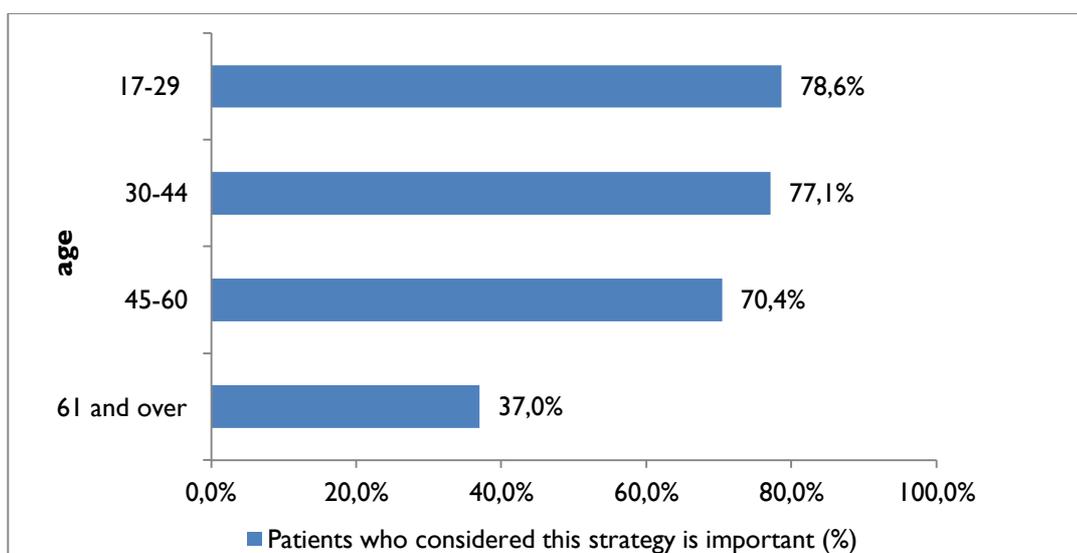
Participants were asked to select those sections of information provided in the package inserts that they usually read. More than 50% of respondents read the following topics: dosage and method of administration, indications, contraindications, adverse reactions, duration of treatment and name of medicine (Table 3).

Participants that considered pharmacists as the most preferable source of information, were asked to specify types of MI they expected to receive during consultations with professionals at pharmacies. More than three-fourth of patients indicated the following topics of MI as 'very important' and 'important': indications (91.1%), dosage and method of administration (90.8%), duration of treatment (86.3%), adverse reactions (85.0%), contraindications (84.6%), pharmacological action (76.6%), expiry date (85.7%), and storage conditions (77.5%). The comparison showed that patients wanted to receive information on the same topics of MI, which they preferred to read in PPIs from pharmacists, too.

**Table 3: Frequency of reading the different sections of PPIs**

	Sections	Respondents who read
		Number (%)
1	Dosage and method administration	753 (82.9)
2	Indications	695 (76.5)
3	Contraindications	636 (70.0)
4	Expiry date	604 (66.5)
5	Adverse reactions	565 (62.2)
6	Duration of treatment	541 (59.6)
7	Brand name of medicine	467 (51.4)
8	Storage conditions	402 (44.3)
9	Precautions for use that are specific for the children, pregnant and breastfeeding women, elderly people and patients with certain health conditions	353 (38.9)
10	Medicine interactions	352 (38.8)
11	Special warnings	352 (38.8)
12	Pharmacological group	346 (38.1)
13	Driving and using machines	213 (23.5)
14	Manufacturer	208 (22.9)
15	International non-proprietary name	175 (19.3)

Participants were also asked to indicate whether it is important for them if medicine information would be provided at a website controlled by a regulatory authority. 70.4% of respondents valued such a strategy as important, 98 people gave no answer. Participants' answers to this question differed among various age groups (Figure 6).

**Figure 6: Importance of access to MI at controlled website for patients depending on their age**

## Conclusions and Recommendations

The results of the study show that patients in Armenia need and value medicine information. The majority of them take medicines if the necessary information is available. Patients need the information for an effective use of medicines and for achieving better treatment outcomes.

Respondents considered the following topics of MI as important: therapeutic indications, dosage and method of administration, contraindications, adverse reactions and interaction with other medicines. Many consumers valued having information on a medicine's price. All topics of MI valued by respondents of this study are similar to those mentioned by participants from studies conducted in other countries (Fuchs et al., 2005; Ho et al., 2009; Nair et al., 2002; Pohjanoksa-Mäntylä, 2010). Differences in attitude were observed between genders, the age groups and the groups with varying highest educational levels. As there is no regulatory document in Armenia that sets requirements for the content of PPIs, it seems to be very important to approve such a document that would take into account the needs of patients and the experience of other countries and regions.

Article 39 of Directive 2001/83/EC of the European Union states that: "Rules should be laid down as to how the labelling and package leaflets are to be presented" and Article 40 of the same Directive requires: "The provisions governing the information supplied to users should provide a high degree of consumer protection, in order that medicinal products may be used on the basis of full and comprehensible information" (European Commission, 2001). Furthermore, Article 59 of Directive 2004/27/EC lists all aspects of information that should be provided in the package insert in a special order (European Commission, 2004). In 2003 the European Commission updated the guideline "Excipients in the label and package leaflet of medicinal products for human use" with regard to package inserts of medicinal products marketed within EU countries that requires that "All of the excipients must be stated on the package leaflet by name." (European Commission, 2003). Approval and implementation of similar requirements in Armenia would improve the quality of MI provided to patients that is necessary for an effective use of medicines and for achieving successful treatment outcomes. In 2016 a new law "On Medicines" was approved by the National Assembly of the Republic of Armenia; it includes a special provision about approval of requirements for the package inserts by the Authority (2016). At present a draft regulatory document that includes requirements with regard to the content of the package inserts is under consideration; it was developed taking into account the experiences of other countries and regions, in particular legislation in the European Union.

Patients search information from a diverse range of sources. The most preferable sources for patients in all age groups were health care professionals (physicians and pharmacists) as well as

PPIs. These results are in line with findings of studies conducted in other countries where patients also mainly use these sources of MI (Hamrosi et al., 2014; Ho et al., 2009; Narhi and Helakorpi, 2007; Sweileh et al., 2004; Vinker et al., 2007). The less popular sources of MI used by patients are the Internet, relatives and friends, books, publications and advertising.

Although most patients read PPIs before taking medicines some of them read only some parts of the text due to a lack of benefit from reading certain sections, difficulties with understanding and a lack of time. Patients mainly wanted to receive information on the same topics of MI that they preferred to read in PPIs from pharmacists, too. Despite the fact that patients read PPIs, they are also interested in information that would be provided at a website controlled by a regulatory organization. Young adults were more interested in electronic information than people of 61 years and older. It means that providing written information continues to be very important for this category of patients.

## **Limitations**

The study has the following limitation: specific requirements of MI among different patient groups have not been investigated. Future research should study the particular needs regarding information on medicines for patients with particular diseases and conditions, such as diabetes, asthma, cancer, patients treated in hospital, parents and caregivers when their children take medicines both prescribed and OTC.

Another limitation is that the study did not allow the distinction between medicines with different status. A survey should be conducted to find out about differences between information needs of people using prescription versus self-medication medicines.

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# **Measuring Older Persons' Well-Being in Central and Eastern European Countries**

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## **Abstract**

The consequences of population ageing are multidimensional and they will influence several life domains. Therefore, measuring these consequences requires multidimensional analytical tools. The analysis is based on an analytical tool aiming at measuring well-being of older people – the Global AgeWatch Index (GAWI) – developed by Asghar Zaidi in collaboration with HelpAge International. The data contained in this Index is one of the few analytical frameworks offering comparative analysis of older people's well-being. The objective of this paper is to build a picture of well-being of the older population in eight Central and Eastern European countries (CEE): Albania, Armenia, Georgia, Moldova, Montenegro, Serbia, Turkey and Ukraine (the EU acceding and Eastern Partnership countries). They are then compared to eight EU Member States from the same region: Lithuania, Latvia, Estonia, Poland, Czech Republic, Slovakia, Hungary, and Slovenia.

We applied a three-step analytical approach in order to compare the situation of the Central and Eastern European countries. In the first step, we analyse the overall Index values. Next, analyses are undertaken within each of the four domains of the Index, namely: 1) income security; 2) health status; 3) capability; and 4) enabling environment. In the third step, detailed indicators are analysed within each of the four domains.

The results show that the combined index value of eight Eastern and South-Eastern non-European Union countries capturing the well-being of the older population is 43.3, i.e. below the global average of 49.9. It is also below the average for eight EU Member States (56.4). Low outcomes for the eight non-EU countries are also observed in all four domains. However, in some individual indicators, some of the non-EU states performed as good as or better than the CEE EU countries. For instance, income security indicators of older people in Armenia are higher than those observed in Hungary or Estonia, and mental well-being of older people in Montenegro is better than in any CEE EU state. Georgia exceeds the average level of the CEE EU countries and only Slovenia, Estonia and the Czech Republic (the three best-performing CEE EU members) achieved better overall scores than Georgia. The evidence summarised in this paper can be used to assess the position of the region as a whole and for each country within the region. The analysis also points to particular areas where further improvement is necessary to ensure older persons may fulfil their potential. The analysis presented also offers evidence on the performance of the countries in this region at the occasion of the third five-year review of the MIPAA, "The Madrid International Plan of Action on Ageing".

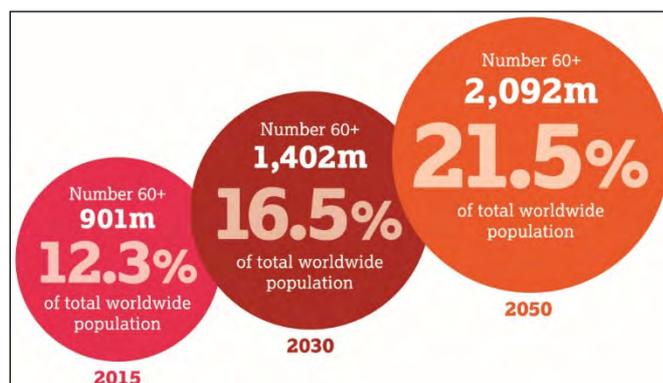
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## Introduction

Population ageing is not a recent phenomenon. The share of people aged 60 years and over has been increasing since the mid-1980s across the world. Between 1950 and 1980 this share was stable and accounted for about 7.5% of the world's population. In 1985 the share increased to 7.9% and has been growing constantly since then, reaching 12.3% in 2015. A further growth of the population aged 60 and over is forecasted for the next years. In 2050 older people will account for 21.5% of the world's population and the growth will continue, albeit on a lower pace. Absolute numbers look even more striking: the number of people aged 60 and over will increase from 900 million in 2015 to 2,092 million in 2050, a more than two-fold increase (World Population Prospects, 2016).

**Figure 1: The context of global ageing: Proportion and number of 60+ worldwide**



Source: HelpAge International, Global AgeWatch Index website.

Also, the median age of the world's population will increase from 26.6 years in 2000 to 37.3 in 2050, when not adjusted for longevity increase (Lutz et al., 2008). Such significant demographic changes will take place within the life of two generations.

Alongside the increased longevity, years spent in good health also increased, though on a slower pace. In the years 1990-2010, with one year increase in life expectancy, healthy life expectancy (HALE) increased by 10 months. Life expectancy was strongly and positively related to number of years lost to disability (Salomon et al., 2012). Hence, the longer people live, both years in good health and in bad health are increasing, with various consequences for policy.

The consequences of population ageing are multidimensional, especially on social provisions, medical services and the labour market (see, e.g. Zaidi, 2015; Zweifel et al., 1999). In developed countries, this process can have an adverse effect on economic growth due to decreasing both the number of the labour force and savings. However, in developing countries it will have very limited influence (Bloom et al., 2010).

### **Central and Eastern European “CEE” Countries**

Central and Eastern Europe is unique in terms of demographic trends due to three main facts: very rapid demographic change due to fertility decline; increasing male mortality in certain countries (especially in the former Soviet Union countries), and rapid net emigration. These demographic changes have been happening alongside the political, economic and social transformation, e.g. the fall of communism, and the opening of the global economy (Botev, 2012).

Political and economic transitions in Central, South-Eastern and Eastern Europe resulted in demographic transitions that are manifested by a rapid ageing of their populations. Unprecedented population ageing in Central and Eastern Europe is an unintended side-effect of socio-economic transition from communism to capitalism. This ageing process is driven by three factors: improvement in life expectancy, declining fertility and migration – all of them occurring almost simultaneously (Hoff, 2008).

In the 1990s, Eastern European societies went through significant changes. People were exposed to new challenges, such as unemployment, poverty, limited access to healthcare, or consumerism. The adaptation process included also the decision of having children or not, leaving the country or not (ibid.).

As mentioned in Zaidi and Rejniak (2010), very many of these CEE countries experienced an impressive economic growth around 2006, matched by a similarly impressive contraction during the crisis in 2009. The governments were proactive in adopting an expansionary fiscal policy, and observed a successful recovery during 2010. During the same time, it also became clear how mounting government debts can lead a country to the brink of insolvency. This is a genuine concern for the CEE countries especially for the fact that these relatively young market economies are still learning to deal with the global economic fluctuations. They have sided with the austerity-now arguments and have therefore embarked on various measures to cut the budget deficit and reduce public debt. Such a choice is partly driven by the IMF and the EU regulations to raise market confidence in public governance but also due to CEE countries' own ambitions to deal with their structural problems and to be fit to join the EU or the Eurozone countries.

What further accentuates the challenges of the sustainability of public finances is the prospect of rapidly ageing populations, caused by a combination of longevity gains, falling fertility and emigration. The sustainability gap indicator of the European Commission shows that the demographic transition will have a significant impact on the public finances of many CEE states, particularly in Romania, the Czech Republic, Slovakia and Lithuania (for a discussion, see Zaidi, 2015).

There is concern that population ageing will undermine future development. The reason is that demographic transition in Central and Eastern Europe is different from that in Western Europe and other parts of the world due to an incomplete economic transition (Chawla et al., 2007). This uniqueness was summarized by Hoff (2008: 22), namely that “Western Europe became rich before it was growing old – Central and East Europe is growing old before it had the chance to become rich.”

As a result of social and economic changes, in Central and Eastern Europe we observe an increasing share of older persons in populations and an increasing old-age demographic ratio. However, demographic changes in Eastern Europe varied significantly: the proportion of older people increased significantly in Bulgaria and Romania and only slightly in Bosnia and Turkey (Aleksandrova and Velkova, 2003).

Addressing the challenges of population ageing in Eastern Europe will require great policy efforts, especially in terms of policies on pension and healthcare.

### ***Why focus on well-being of older people?***

Well-being is a multidimensional concept, hence most of the work in this area focuses on what constitutes the different domains of well-being and what are the determinants of well-being. In this paper, we follow an approach drawn from welfare economics, which defines well-being in terms of an adequate standard of living. Other concepts underline the importance of capability to achieve a certain standard of living as well as health (Zaidi, 2008).

There are several factors making life of older people in CEE countries harder than that of older people in Western Europe, including:

- lack of equivalent social welfare systems (therefore less security when market economy drawbacks, such as unemployment, occurred),
- a poorer (material well-being) starting position following four decades of ‘communism’,
- sacrifices (in terms of mental well-being, financial security, etc.) made during the transformation process to become market-oriented societies,

- a changed overall context of growing global competition,
- the rapidness of population ageing, and
- the persistence of partly very negative stereotypes about older people (Hoff, 2008).

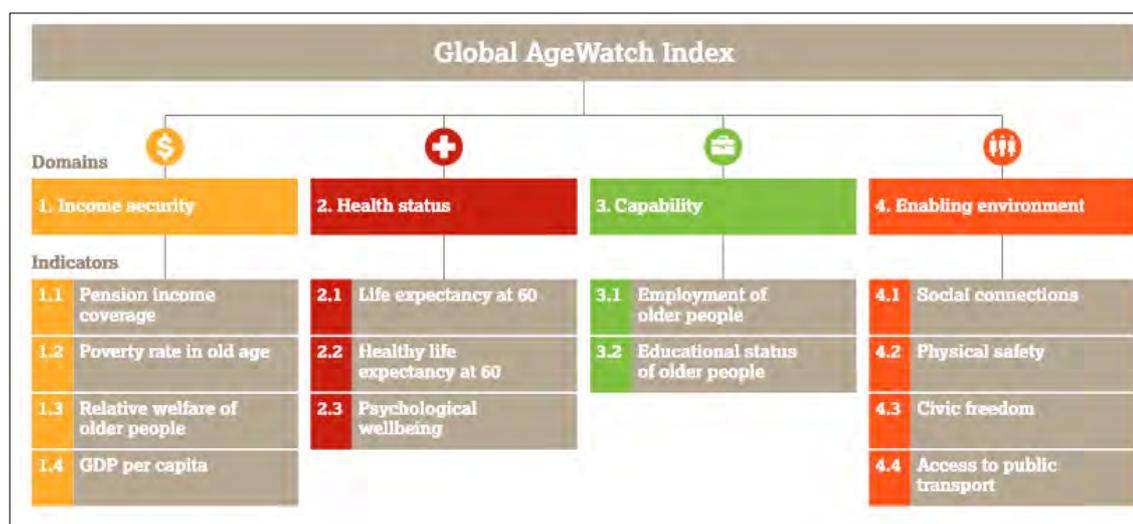
Therefore, the measurement of well-being of older people in CEE countries is of great importance. On the one hand, this group is more vulnerable due to exposition to dramatic economic, political and social changes during their life. But there is also the macro perspective: the growing share of older people may undermine the economic situation of the countries, resulting in inter-generational tensions.

## **Empirical Methods**

Global evidence on well-being of older people can be provided by the Global AgeWatch Index “GAWI”. Since its launch in October 2013, it has been a tool aimed at delivering insights on well-being of ageing populations (Zaidi, 2013). Developed by Asghar Zaidi of the University of Southampton, in collaboration with HelpAge International, it uses international datasets drawn from the United Nations Department of Economic and Social Affairs, the World Bank, World Health Organization, International Labour Organization, UNESCO and the Gallup World Poll. The Global AgeWatch Index is a composite measure, along the lines of the Active Ageing Index (Zaidi et al. 2016). The GAWI comprises 13 indicators grouped into four domains:

- 1) Income security,
- 2) Health status,
- 3) Capability, and
- 4) Enabling environment.

Although the ambition of the index is to cover the worldwide population, due to data availability it presently includes 96 countries. This has covered 91% of the world’s population aged 60 and over in the Index.

**Figure 2: Global Age Watch Index's domains and indicators**


Source: Zaidi (2013).

The objective of this paper is to build the picture of well-being of the older population in eight Eastern and South-Eastern European countries: Albania, Armenia, Georgia, Moldova, Montenegro, Serbia, Turkey and Ukraine (the EU acceding and Eastern partnership countries) as compared to eight EU Member States from the same region. Both groups of countries share historical similarities (political and economic system), but differ currently in terms of economic development (e.g. higher GDP per capita in Eastern Europe EU members) and political status (EU – non-EU). Additionally, we also examined the so-called gender paradox, i.e. the fact that women report worse health but live longer than men.

**Table 1: List of countries selected for comparative analysis of well-being of older people**

ESE n-EU	CEE EU	NA
<i>Eastern and South-Eastern European non-European Union countries</i>	<i>Central and Eastern European EU Member States</i>	<i>Data not available</i>
<i>Albania</i>	<i>Lithuania</i>	<i>Azerbaijan</i>
<i>Armenia</i>	<i>Latvia</i>	<i>Bosnia and Herzegovina</i>
<i>Georgia</i>	<i>Estonia</i>	<i>Kosovo</i>
<i>Moldova</i>	<i>Poland</i>	<i>Macedonia</i>
<i>Montenegro</i>	<i>Czechia</i>	
<i>Serbia</i>	<i>Slovakia</i>	
<i>Turkey</i>	<i>Hungary</i>	
<i>Ukraine</i>	<i>Slovenia</i>	

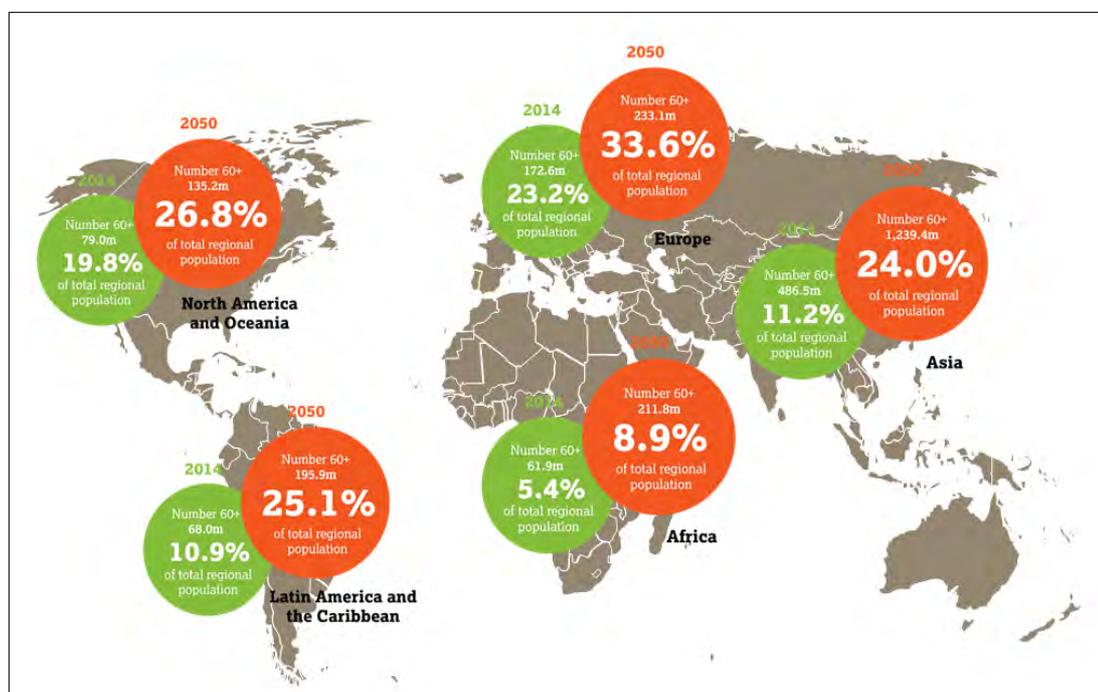
The analysis is based on the results of the Global AgeWatch Index for the countries mentioned in Table I. We applied a three-step analytical approach in order to identify the performance of the Central and Eastern European countries. In the first step, we analysed the overall index values. Next, the analyses are undertaken within each of the four domains of the index. In the third step, detailed indicators are analysed within each of the four domains. In every step we used index values as a main measurement tool as well as mean values for two groups of Central and Eastern European countries: non-EU and EU Member States.

## Results

### Demographic trends

Population ageing is occurring worldwide, with the share of people aged 60 years and over growing from 12.3% in 2015 to 21.5%, as forecasted for 2050. It means that in about 35 years every fifth person will be 60 years or older. The pace of population ageing is diverse, though. The share of people aged 60 and over in Europe was already 23.2% in 2015 and will grow to 33.6% in 2050, making it the oldest continent in the world.

**Figure 3: Population ageing across the five continents, population aged 60+**



Source: HelpAge International, Global AgeWatch Index website.

The share of population aged 60+ for eight Eastern and South-Eastern non-European Union countries is lower than the average for Europe. However, it will grow rapidly from 18.6% in

2015 to 31.4% in 2050. This will still be below European average, but the gap will drop significantly as compared to 2015. The share of older people in eight CEE EU Member States is already above European average and will continue to grow reaching 35.5% in 2050.

This high share of older people is currently quite similar across CEE EU countries, with the lowest values in Slovakia (20.5%) and Poland (22.7%). In the rest of these CEE countries, it is close to 25%. An increase of the share is projected for all countries but on a different scale. The highest growth of the share is expected in Poland, Slovakia and Slovenia, and the lowest in Lithuania and Latvia. In 2050 in Poland and Slovenia the share of the older population is expected to be close to a staggering 40%.

Among Eastern and South-Eastern non-European Union countries, currently (2015) the highest shares are observed in Serbia (24.4%) and Ukraine (22.6%), and the lowest in Turkey (11.2%), followed by Armenia and Moldova (see Table 2). However, the share of older populations will grow in all countries, with the highest increases in Moldova, Armenia and Turkey (countries with low shares in 2015). By 2050, in all Eastern and South-Eastern non-European Union countries the share of the older population will reach 33% or close to this figure (with Turkey being an outlier). Additionally, we can see the convergence in shares projected for 2050; the relative standard deviation for eight non-EU countries will drop from 22 (4.1) to 7 (2.2). It means that the populations of these countries are expected to be alike, contrary to the CEE EU countries where the coefficient of variation will increase slightly.

Following the growing proportion of people aged 60+, the population of the oldest old (80 years and over) will also grow. The average for Europe will double to achieve 10% in 2050. In eight CEE EU Member States it will be almost 9% (increasing from 4.5%), and in eight non-EU countries it is 6.6% (increasing from 2.8%). This rising share of the oldest age in the population suggests significant challenges for healthcare and pension systems and a rising burden for state budgets.

**Table 2: Share of older populations in 2015 and projections for 2030 and 2050 (medium variant)**

Region / country	Population aged 60+			Population aged 80+		
	2015	2030	2050	2015	2030	2050
World	12.3	16.5	21.5	1.7	2.4	4.5
Europe	23.9	29.6	34.2	4.7	6.3	10.1
Eastern Europe	21.5	25.7	31.9	3.4	4.1	6.3
Western Europe	26.0	32.7	35.2	5.6	7.7	12.5
Albania	17.8	25.5	30.9	2.4	4.1	9.0
Armenia	16.3	23.8	33.1	2.9	2.8	7.1
Czechia	24.9	28.9	37.0	4.1	6.7	9.1
Estonia	25.2	29.1	35.1	5.2	6.4	9.1
Georgia	19.3	25.1	33.0	3.6	3.7	7.5
Hungary	24.9	27.6	34.6	4.4	5.6	7.4
Latvia	25.7	29.0	33.1	5.0	5.7	7.8
Lithuania	25.0	28.7	29.9	5.3	5.0	7.6
Moldova	16.6	22.4	33.6	2.2	2.1	4.8
Montenegro	20.3	25.2	30.5	2.8	3.7	6.6
Poland	22.7	28.6	39.3	4.0	5.9	9.7
Serbia	24.4	27.2	32.3	3.7	5.0	7.1
Slovakia	20.5	26.4	36.2	3.0	4.4	7.6
Slovenia	25.2	32.7	39.0	4.9	6.8	12.2
Turkey	11.2	17.0	26.6	1.4	2.2	5.4
Ukraine	22.6	25.7	31.5	3.4	3.6	5.5
Average						
8 CEE EU	24.3	28.9	35.5	4.5	5.8	8.8
8 ESE n-EU	18.6	24.0	31.4	2.8	3.4	6.6
Std Dev						
8 CEE EU	1.76	1.80	3.11	0.78	0.83	1.62
8 ESE n-EU	4.10	3.15	2.24	0.78	0.98	1.36

Source: Own calculation based on United Nations, Department of Economic and Social Affairs, Population Division (2015). *World Population Prospects: The 2015 Revision*, custom data acquired via website.

The next indicator of population ageing we are using is the old age demographic ratio, i.e. the ratio of older populations and working age populations within a country. This share amounted to 14.4% worldwide and will be doubled to 28.7 in 2050 (see Table 3). It means that for every 100 persons of working age, there will be almost 29 persons who will be aged 65+. In Europe this share is already much higher and it is forecasted to exceed 50% in 2050.

The combined rate of the old age demographic ratio in eight ESE non-EU countries is already exceeding 20% in 2015 and will reach 42% in 2050 – a high level though still lower than the average for the whole of Europe and for Central and Eastern European EU Member States.

In 2015 the highest rate of the old age demographic ratio is observed in Serbia, and the lowest in Turkey and Moldova. In 2050 the ratio in all eight non-EU countries will exceed 35%, with particularly high ratios in Georgia and Serbia (close to 50% in both countries).

**Table 3: Old age demographic ratio (the ratio of population 65+ to population 20-64 years old) in 2015 and projections for 2030 and 2050 (medium variant)**

Ratio 65+/20-64	2015	2030	2050
World	14.4	20.6	28.7
Europe	28.5	41.1	52.7
Eastern Europe	22.7	34.7	43.9
Western Europe	33.4	47.3	56.7
Albania	20.6	35.2	41.7
Armenia	16.7	32.1	42.4
Czech Republic	28.9	39.3	59.5
Estonia	30.8	41.7	52.6
Georgia	22.4	33.3	46.7
Hungary	28.5	35.7	51.2
Latvia	31.4	40.1	46.3
Lithuania	30.9	39.7	41.3
Moldova	14.6	26.9	38.0
Montenegro	22.4	33.1	43.3
Poland	24.1	39.6	60.2
Serbia	28.3	35.7	46.0
Slovakia	21.0	34.4	53.8
Slovenia	28.6	46.9	66.9
Turkey	12.9	20.2	36.2
Ukraine	23.5	33.9	41.8
Average			
8 CEE EU	28.0	39.7	54.0
8 ESE n-EU	20.2	31.3	42.0
Std Dev			
8 CEE EU	3.65	3.78	8.15
8 ESE n-EU	5.12	5.23	3.58

Source: Own calculation based on United Nations, Department of Economic and Social Affairs, Population Division (2015). *World Population Prospects: The 2015 Revision*, custom data acquired via website.

## **Well-being of older people**

The combined performance of eight ESE n-EU countries in terms of overall well-being of older people, measured by the Global AgeWatch Index, is below the worldwide average and below the average of eight CEE EU Member States. The average value of the Index achieved the level of 43.3, which is 77% of the average of CEE EU countries and 87% of the average for the world. However, this position varies when analysing individual domains of well-being of older people (see Table 4).

A relatively better position of non-EU countries can be observed in the area of income security (above the world's average and 89% of the CEE EU average). It is slightly below the world's average in the domain of 'capability' (proxied by employment and education), though it is well below CEE EU average. In the enabling environment domain, the result for Eastern and South-Eastern non-European Union countries is below average, but the gap is not big. The worst situation is observed in the domain of 'health status': 77% of the world's average and 79% of the average of the CEE EU countries.

The Eastern and South-Eastern non-European Union countries are less diversified than all 96 countries included in GAWI (which is close to stating the obvious), but more diversified than the CEE EU Member States (standard deviation to mean). They are least diverse in the domain 'enabling environment', and they are most diverse in the domain 'capability'.

**Table 4: Descriptive statistics (mean and standard deviation) for Global AgeWatch Index (overall) and its domains.**

	World (96)		CEE EU (8)		ESE n-EU (8)	
	Mean	Std Dev. (CV)	Mean	Std Dev. (CV)	Mean	Std Dev. (CV)
Global AgeWatch Index (overall)	49.9	19.7 (39%)	56.4	7.5 (13%)	43.3	8.4 (19%)
Income Security	59.1	23.3 (39%)	74.7	5.6 (7%)	66.3	7.8 (12%)
Health Status	53.1	19.1 (36%)	51.5	6.6 (13%)	40.7	10.2 (25%)
Capability	36.3	16.7 (46%)	45.6	14.2 (31%)	35.1	18.8 (54%)
Enabling Environment	66.0	9.3 (14%)	64.4	8.2 (13%)	60.0	5.0 (8%)

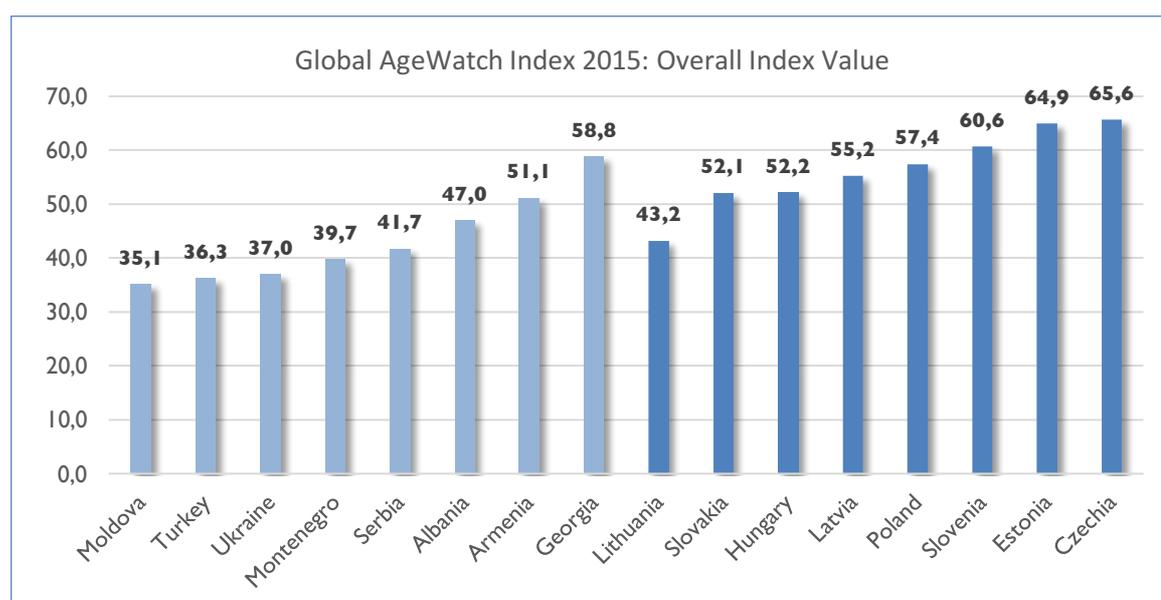
Source: Own calculation based on Global Age Watch Index results, [www.helpage.org/global-agewatch/](http://www.helpage.org/global-agewatch/)

On a global scale, income security is the advantage of ESE non-EU countries (112% of the average for the world), whereas health status is lagging behind (77%). Compared to CEE EU countries, the situation of older people in non-EU countries is disadvantageous, especially in the 'capability' and 'health status' domains.

Although generally ESE non-EU countries fall behind EU countries from the region, there are some exceptions. Georgia exceeds the average level of CEE EU countries, and Armenia is not far from the average. Those are the only two countries with an index value above the worldwide average. In the rest of the non-EU countries, the situation of older people is worse than the global average. Exceptionally poor results are noted for Moldova, Turkey and Ukraine – for all of them the total GAWI score is lower than 75% of the world's average. They are ranked in the bottom quartile of countries' distribution according to their GAWI score.

A more detailed overview can be obtained when analysing the results for each of the four domains of the Index and indicators within each domain. The approach we use is to examine the results for the domain, with explanation of the country's position using indicators from the domain.

**Figure 4: The value of the overall GAWI for 8 ESE non-EU and 8 CEE EU countries**



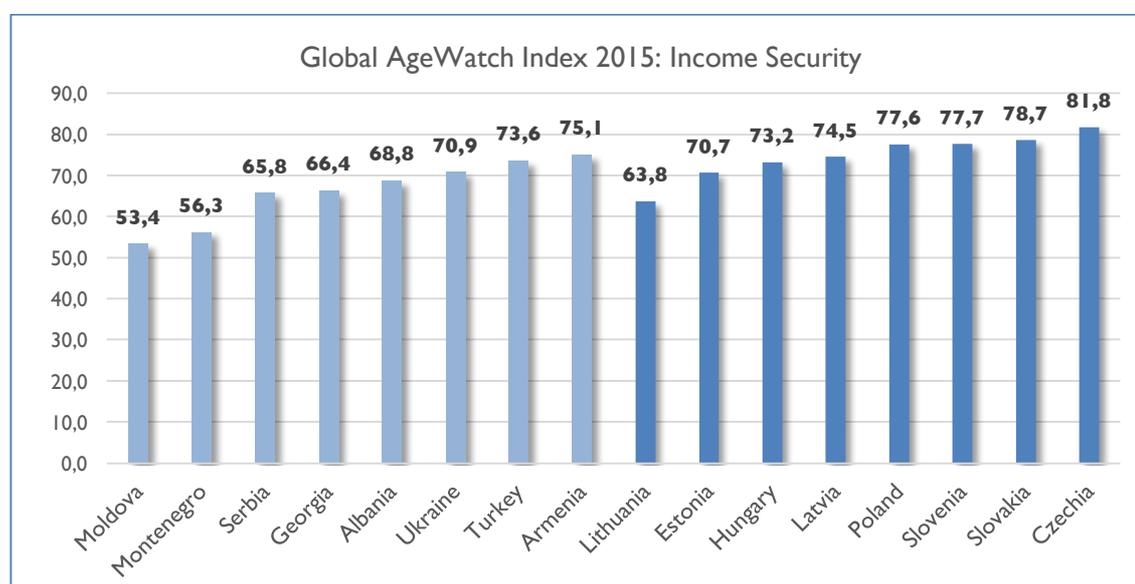
### Income Security

Income security is the only domain where ESE non-EU countries scored on average above the global average, though below the average for the CEE EU countries. A good situation of older people can be noted in Armenia (above the average for the CEE EU) and also in Turkey. Both countries achieved a higher score than Hungary, Estonia or Lithuania, which are surprisingly below most of the non-EU countries. Armenia achieved its good score thanks to its 100% pension income coverage and despite its Gross National Income (GNI) per capita indicator below the average for the region. Armenia is the only country in the region with complete

coverage of pension income. Turkey has also good coverage of pension income (88%) and the highest GNI per capita among the eight non-EU countries.

On the other side, older people in Montenegro and Moldova are confronted with low income security. These are the only two countries in the region with income security below the world's average. In Montenegro pension income covers only 51% of older populations (the lowest share among non-EU countries) and the indicator of relative welfare of the elderly is also very low. Moldova has the second-lowest score for pension income coverage (72%) and the lowest in the region scores for relative welfare of the elderly and GNI per capita.

**Figure 5: The value 'income security' domain of the Global AgeWatch Index for 8 ESE non-EU and 8 EE EU countries**



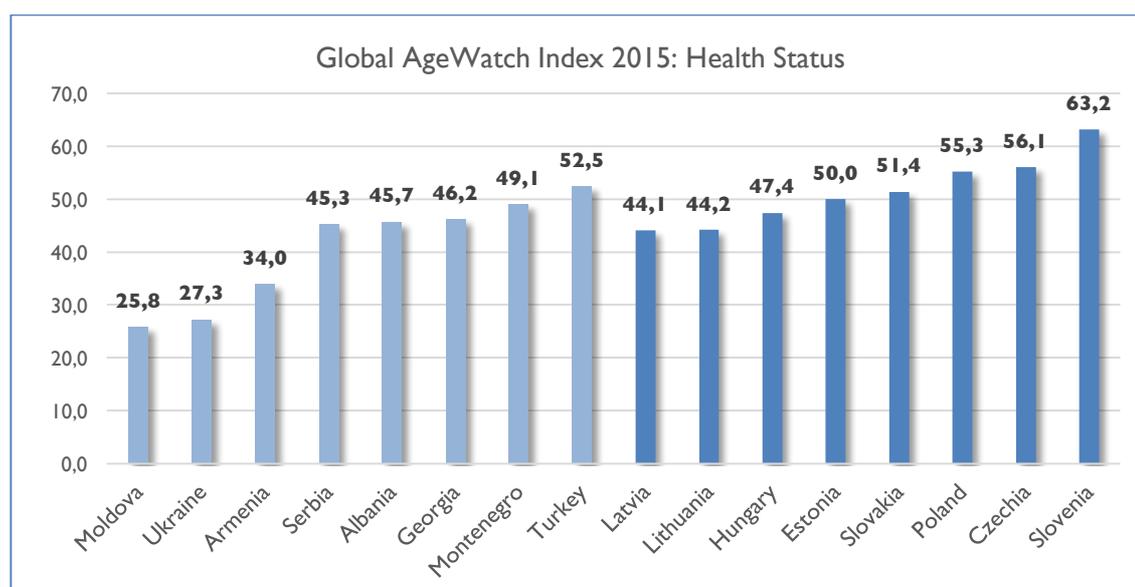
### Health Status

The health status of older people is a weak point of the whole region of Central and Eastern Europe. Despite the increase in life expectancy, it is still below the corresponding values in Western Europe. For example, in 2015 men in this region are expected to live 67 years (3 years more than in 1985), in Georgia – 71 years (increase of 4 years), in Turkey – 72 years (12 years increase), in Czechia – 75 years (7 years increase). Life expectancy of women increased accordingly. Nonetheless, in Western Europe between years 1985 and 2015, life expectancy of men increased from 72 to 79 years and of women from 79 to 84 years (World Population Prospects, 2015). Both values are higher than the life expectancy observed in any of the CEE countries.

In the health domain, all ESE non-EU countries score below the world's average. It is relatively good in Turkey – the only country with a score above the average for CEE EU countries. Turkey

has the highest life expectancy at the age of 60 and the highest healthy life expectancy among non-EU countries. The second-highest health score is noted for Montenegro due to high life expectancy at the age of 60 and the highest mental well-being of older people among all ESE non-EU and CEE EU countries.

**Figure 6: The value 'health status' domain of the Global AgeWatch Index for 8 ESE non-EU and 8 EE EU countries.**



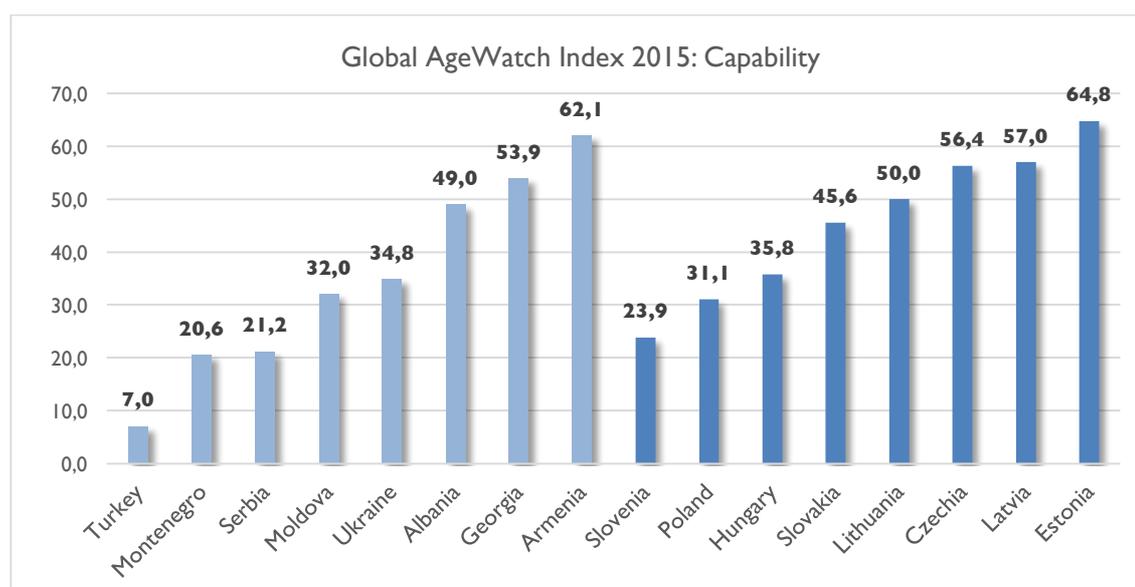
A health disadvantage is observed in Armenia, Ukraine and especially Moldova (90th position out of 96 countries included in the ranking). The position of Armenia is the effect of the lowest life expectancy at the age of 60 among non-EU countries, although healthy life expectancy and mental well-being are higher than the average for eight non-EU countries. In Ukraine, the life expectancy and healthy life expectancy are very low (2nd from the bottom) but the mental well-being is significantly the lowest in the region and second-lowest in the world (only higher than Belarus – also from the same region). The very low score for Moldova is the result of the lowest values for two indicators included in the health domain: life expectancy and healthy life expectancy and the score of mental well-being is only better than that observed for Ukraine.

### Capability

In the capability domain the situation of ESE non-EU countries is most diverse. Armenia, Georgia, and Albania are all above the world's average and above the average for the CEE EU countries. In Armenia the employment rate for people aged 55-64 is the highest among non-EU countries and higher than all but one (Estonia) CEE EU countries. The rate of Armenians aged 60 years and over with secondary or higher education is also higher than other non-EU countries, though

lower than most CEE EU members. Georgia has also a very high employment rate, but a much lower share of older people with secondary or higher education (but still better than average for non-EU). Albania has also a high employment rate, but an average score on the education indicator.

**Figure 7: The value of 'capability' domain of the Global AgeWatch Index for 8 ESE non-EU and 8 EE EU countries.**



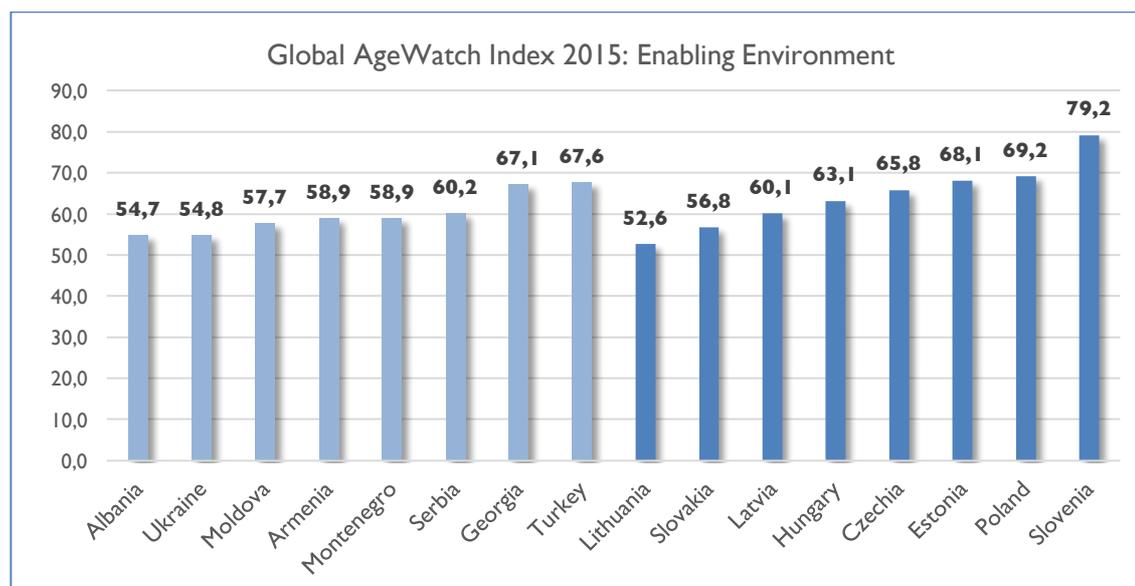
Very poor capability for older people is observed in Serbia, Montenegro and especially in Turkey (ranked 93 out of 96 countries included in GAWI). In Serbia the employment rate of people aged 55-64 is one of the lowest in the world, though the share of older people with secondary or higher education is on average level. The position of Montenegro is the result of low scores (not the lowest) on both indicators. In Turkey both the employment and education indicators definitely achieved the lowest levels in the region.

### Enabling Environment

The level of the enabling environment is on a very similar level across ESE non-EU countries (contrary to the situation observed in the capability domain). Two of the countries perform well, slightly above the world's average: Georgia and Turkey. Those countries already exceeded the average for eight CEE EU countries. Georgia has the highest in the region score on the physical safety indicator and satisfaction with public transport but the lowest in the region on the social connectedness indicator. Turkey's position is the result of a very high score on the social connectedness indicator, with three other indicators (safety, freedom, satisfaction with public transport) being above the average for non-EU countries.

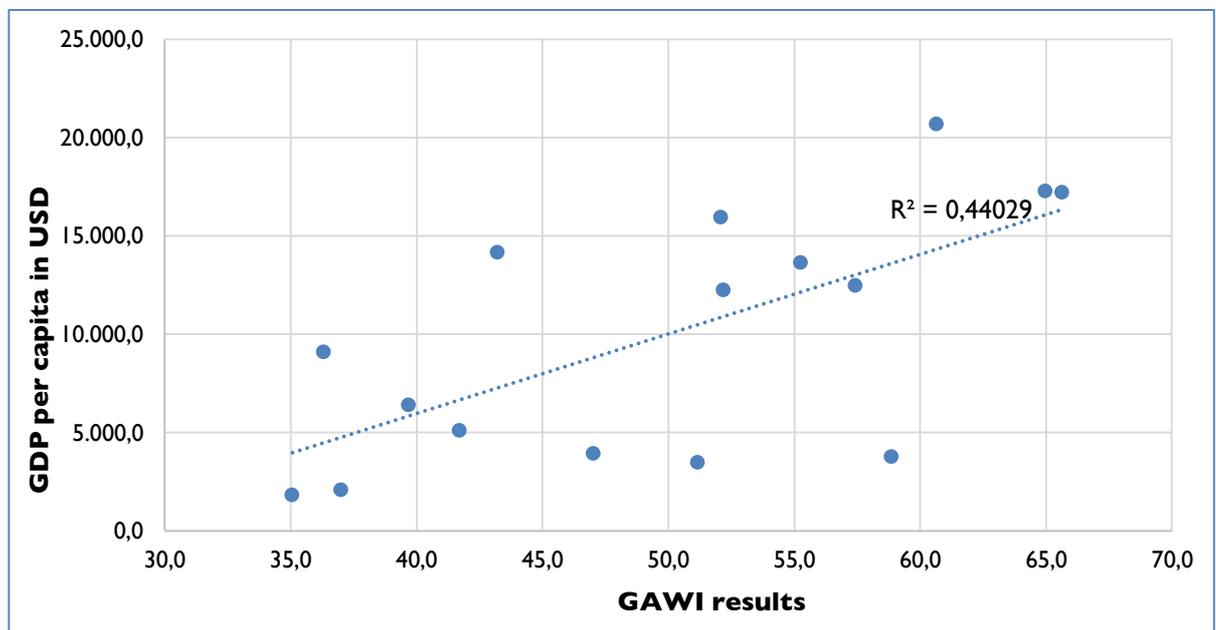
The worst performing countries in this domain are Ukraine and Albania. Ukraine scored very low in two indicators: personal safety and freedom in life, but social connectedness in Ukraine is the highest in the region. Albania, on the contrary, scored very low in social connectedness, but achieved the highest value in the freedom in life indicator.

**Figure 8: The value of ‘enabling environment’ domain of the Global AgeWatch Index for 8 ESE non-EU and 8 EE EU countries.**



Additionally, we examined the relationship between total GAWI scores and main economic indicators for the whole set of Central and Eastern Europe countries. A significant positive relationship between Global AgeWatch Index results and GDP per capita ( $R^2 = 0.44$ ) is found. However, no significant relationships between the GAWI results and the Gini coefficient ( $R^2 = 0.00$ ) or unemployment rate ( $R^2 = 0.04$ ) were observed.

**Figure 9: The relationship between GAWI value and GDP per capita for 8 ESE non-EU and 8 EE EU countries**



### **Gender Differences**

Gender is an important dimension of ageing. Due to different cumulative life experiences, especially related to cultural roles connected with childcare and other family responsibilities, well-being in old age differs between men and women (for a discussion, see Bennett and Zaidi 2016). The most documented fact is the female-male health-survival paradox, stating that women in general experience longer life expectancy and at the same time report poorer health than men. There are several explanations for that fact, including genetic factors, behavioural differences (such as risk-taking and reluctance to seeking medical help), but also methodological differences (such as under-reporting of health problems) (Oksuzyan et al., 2008).

Some research shows that in countries with high life expectancy of women, they also experience higher prevalence of disability, and therefore in those countries the differences between men and women in Healthy Life Years are negligible (Van Oyen et al., 2013). In Eastern Europe, longevity of men and women is lower than in Western Europe but a gender gap still exists, with an extreme case being Russia with the largest gender gap in the world. The most possible explanation of this gap could be stress and unhealthy lifestyles (Cockerham, 2012). Following this research, we also examined gender differences in well-being of older people in non-EU countries, using data that is yet to be included in the calculations of the Global AgeWatch Index.

The gender-specific data is available on two domains: health status and capability. For this exercise, we use raw data (e.g. life expectancy in years), not standardised index data, as it is more clear in presenting the gender gap.

A gender gap in both health status and capability is observed for the countries in question, though with different direction within each domain. On average, women in ESE non-EU countries live longer than men and can expect more healthy years. This is in line with worldwide trends and with the average for the CEE EU countries.

However, the gender gap in the non-EU countries is smaller than in the CEE EU countries (the average life expectancy for men is 83% of life expectancy of women – in CEE EU countries this value amounts to 77%), though it is bigger than that observed worldwide. The biggest gender gap in life expectancy can be observed in Ukraine (75%) and the smallest in Albania and Montenegro (90%). In healthy life expectancy, the biggest gender gap is observed in Georgia (74%), and the smallest in Montenegro (88%). The difference between the smallest and the biggest gender gap is the result of men's life expectancy, which in Ukraine is the lowest among non-EU countries and the highest in Montenegro.

In the capability domain, the gender gap has an opposite direction: both the employment rate and the share of older people with secondary or higher education is higher among men than women. The gender gap for employment and education in non-EU countries is much higher than for the CEE EU countries. The employment rate for men achieved 155% of women's employment rate (in CEE EU – 126%), and educational attainment for men 123% of that for women (106% in CEE EU). The highest gender gap – both in employment and education – is observed in Turkey and the lowest in Georgia (employment) and Armenia (employment and education).

Although we analysed only two domains, health and capability, we confirmed the existence of the gender gap in old age. A high gender gap could undermine health and capability in old age, as the high index of well-being in old age (GAWI) is observed in countries with a low gender gap, i.e. Montenegro or Turkey (health), and Armenia or Georgia (capability) and a low value of well-being in countries with a high gender gap, i.e. Ukraine (health) or Turkey (capability). Therefore, ageing strategies should target narrowing the gender gap in different domains of well-being of older people.

**Table 5: Health and capability indicators of Global AgeWatch Index in ESE non-EU countries**

Country	2.1 Life Expectancy at 60		2.2 Healthy Life Expectancy at 60		3.1 Employment rate of older people		3.2 Educational Attainment of Older People	
	Male	Female	Male	Female	Male	Female	Male	Female
Albania	18	20	13,8	16,7	63,5	41,2	72,4	48,7
Armenia	15	19	13,0	17,1	71,9	54,1	86,5	82,0
Georgia	18	22	12,9	17,3	83,6	66,9	n/a	n/a
Moldova	15	19	11,8	15,0	68,4	47,0	83,6	70,9
Montenegro	19	21	13,9	15,7	49,0	26,7	n/a	n/a
Serbia	17	20	14,3	17,0	45,0	24,6	70,3	52,8
Turkey	19	23	14,2	17,0	45,6	17,5	21,3	9,1
Ukraine	15	20	11,6	15,4	51,4	31,4	89,5	80,4
Average								
ESE n-EU countries	17,0	20,5	13,2	16,4	59,8	38,7	70,6	57,3
CEE EU countries	18,1	23,5	13,6	17,6	55,3	44,0	90,0	85,0
World	18,2	20,9	13,7	15,8	68,5	42,5	42,1	32,9
ESE n-EU countries								
vs CEE EU	93,8%	87,2%	96,9%	93,1%	108,1%	87,9%	78,5%	67,5%
vs world	93,6%	98,2%	96,2%	103,7%	87,4%	91,0%	167,8%	174,2%

The performance of ESE non-EU countries as regards well-being of their older populations, though generally worse than the performance of Central and Eastern European EU countries, is very diverse when taking into account particular domains and indicators measuring well-being. Hence, the country-specific summaries included in Table 6 can be used as a snapshot of how well these countries are prepared for population ageing and its consequences. The countries are ranked according to the total GAWI score, all comparisons versus the average value for eight non-EU countries.

**Table 6: Country-specific summaries of ESE non-EU countries based on individual indicators included in the Global AgeWatch Index**

Country	Share of population 60+		Performance by domains	Particular strong points	Particular areas for improvement
	current	projected			
<b>1. Georgia</b>	average	above average	above average – health, capability, enabling environment, average – income security;	employment rate, personal safety, satisfaction with public transport;	relative poverty, economic development (GNI per capita); social connectedness;
<b>2. Armenia</b>	below average	above average	best in the region – income security and capability, below average – health, enabling environment;	pension income coverage, employment rate, share of population with secondary or higher education, personal safety;	life expectancy at the age of 60, freedom in life;
<b>3. Albania</b>	average	average	above average – income security, health, capability, below average – enabling environment;	relative poverty, mental well-being	social connectedness, pension income coverage;
<b>4. Serbia</b>	above average	average	above average – health, average – income security, enabling environment, below average – capability;	healthy life expectancy at 60 years;	employment rate, satisfaction with public transport;
<b>5. Montenegro</b>	above average	average	above average – health, average – enabling environment, below average – capability, income security;	economic development (GNI per capita), mental well-being;	pension income coverage, share of population with secondary or higher education, satisfaction with public transport;
<b>6. Ukraine</b>	above average	average	above average – income security, average – capability, below average – health, enabling environment;	pension income coverage, share of population with secondary or higher education, social connectedness;	mental well-being, healthy life expectancy at the age of 60, personal safety, freedom in life;
<b>7. Turkey</b>	below average	below average	best in the region – health status, enabling environment, above average – income security, worst in the region – capability;	economic development (GNI per capita), relative poverty, life expectancy at the age of 60, healthy life expectancy, social connectedness;	employment rate, share of population with secondary or higher education;
<b>8. Moldova</b>	below average	above average	below average – capability, enabling environment, worst in the region – income security, health;	share of population with secondary or higher education;	all income security and health status indicators, personal safety.

## Concluding Remarks

The Global AgeWatch Index “GAWI” is a comparative quantitative measure providing us insights about how countries are placed with respect to the well-being of older people. The GAWI has been developed by one of the authors of this paper during 2013, working alongside HelpAge International, and it offers us a rich database. The data and the results of the GAWI for the Central and Eastern European countries offer us unique insights into how these countries differ with respect to the well-being of older people. The comparison of results also provides insights into which policies and programmes are successful in improving the lives of older people and what mutual learning countries of the region can draw from each other.

The objective of this paper was to build a picture of well-being of the older population in eight Eastern and South-Eastern European countries: Albania, Armenia, Georgia, Moldova, Montenegro, Serbia, Turkey and Ukraine as compared to eight EU Member States from the same region.

The challenges associated with population ageing are diverse in the Central and Eastern European countries. Although the share of people aged 60+ is lower than that in the whole of Europe, it is higher than the world’s average. More significantly, it is projected to rise in great speed: in the next 35 years the share of older persons aged 60+ will reach almost one-third of the total population in the eight non-EU countries. The speed of demographic change is raising serious concerns given the challenges linked with the transition and the economic development of these countries in comparison to Western Europe.

The combined Global AgeWatch Index value of eight non-EU countries regarding the well-being of the older population is lower than that observed for eight EU Member States. A low position of eight non-EU countries is observed in all four domains, especially in the areas of capability (employment rate and education) and health status. ESE non-EU countries are more diverse in terms of well-being of older people than the CEE EU countries, e.g. Georgia – the best performing country – has exceeded the average level of the CEE EU countries and only Slovenia, Estonia and the Czech Republic (three best-performing CEE EU members) achieved better overall scores than Georgia. On the other hand, Moldova, Turkey, and Ukraine – three bottom countries according to overall GAWI scores – performed significantly lower than the worldwide average.

The analysis of particular domains of well-being revealed different approaches to building an age-friendly environment for older people. Armenia exceeded the level of the CEE EU countries in income security and capability, but older Armenians have a very poor health status. In Turkey

the health status is better than in most of the CEE EU countries, but capability of older people is one of the lowest in the world. Georgia scored above average on all dimensions, despite not achieving the best score in any domain.

This research provides insights on how well non-EU countries perform in addressing the needs and aspirations of their older populations. The evidence presented can be used to assess the position of the region as a whole and for each country within the region. The analysis also helps to point out particular areas where further improvement is necessary to ensure older populations will fulfil their potential. The evidence presented will help also to draw conclusions with respect to the performance of the CEE countries during the third five-year review of the MIPAA (The Madrid International Plan of Action on Ageing).

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## Further Readings

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## Conclusions

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EUROPEAN CENTRE  
FOR SOCIAL WELFARE POLICY AND RESEARCH  
AFFILIATED TO THE UNITED NATIONS

• EUROPÄISCHES ZENTRUM  
FÜR WOHLFAHRTSPOLITIK UND SOZIALFORSCHUNG  
IN ZUSAMMENARBEIT MIT DEN VEREINTEN NATIONEN

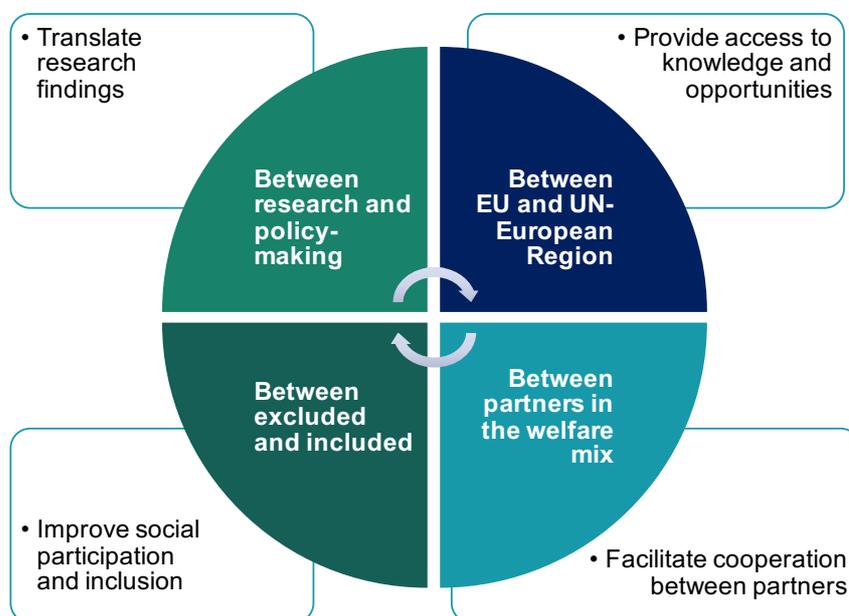
• CENTRE EUROPÉEN  
DE RECHERCHE EN POLITIQUE SOCIALE  
AFFILIÉ AUX NATIONS UNIES

## Building Bridges in Social Policy and Research

Over the past two years, the European Centre has introduced a new strategic orientation with a focus on bridge-building in social policy and research to (potential) accession countries and the Eastern Partnership. A range of activities has since been carried out to identify relevant stakeholders, to intensify links with governments and ministries responsible for social affairs as well as with research organisations and individual researchers. The “Bridge-Building” event in Vienna gathered researchers, public authorities and civil society organisations with expertise on countries of our regional focus (Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo, Macedonia, Moldova, Montenegro, Serbia, Turkey, and Ukraine). The papers presented, most of which have been compiled in this publication, are a strong sign for an additional bridge built.

Within the European Centre’s “Bridge Building function”, we specifically aim at improving the links between research and policy-making, between included and excluded groups of society, between the EU and the UN European region and between partners in the welfare mix (see Figure 1 below).

**Figure 1: Bridge-building in social policy and research**



Bridge-building in social policy and research thus targets at translating research findings into recommendations for improving policies as well as at providing access to knowledge and opportunities for enhanced social participation and cooperation in a mixed economy of welfare. We are working to achieve progress regarding the UN ‘Sustainable Development Goals’ (SDG) and major demographic challenges – e.g. by promoting ‘Active and Healthy Ageing’ and regulating

migration flows – as well as to support potential accession countries to adopt the EU acquis in terms of social policies.

To serve these goals, many activities have been accomplished: As of 1 March 2017, seven new NLOs (National Liaison Officials) have been nominated to participate in the General Assembly Meeting of the European Centre and six Memoranda of Understanding (MoU) have been signed, specifying the cooperation between the respective ministries of the focus countries and the European Centre. All cooperation so far has shown that governments would be pleased to receive support in the social field regarding their pressing needs in the context of the EU enlargement process and/or in the Eastern Partnership concerning capacity building or tangible social policies. The expressed needs concern both technical and administrative assistance – for instance in the context of writing proposals for R&D projects – as well as policy advice for strategy development, in particular for vulnerable groups.

The above-mentioned “Bridge-Building” event on 19 September 2016 for the first time brought together those new partners of the European Centre from the region. One major result of this exchange is the present publication. It shows that there is a strong need for strengthening cooperation between sectors, systems and policies within the countries but even more relevant, across the countries. The following additional key issues were discussed during the Launch event:

- Various strategies and action plans are in place in the countries but synergies are often not used and policies are not aligned with each other. Improvements in this respect and a more participatory approach in designing strategies would help to better achieve the final goal of serving those most in need.
- Exchange of information on good practices, strategies and policy actions need to be strengthened to the mutual benefit of *all* involved. This especially includes policy-learning from countries of the previous EU-enlargement process and the necessary learning of the EU partners about the context and, more precisely, the historic development of policies of the region in focus.
- Several policies that are in place miss a research base. Consequently, linkages to research must be established and improved to promote evidence-based policies.
- Good practice that was implemented in several instants is not well-known and research on transferability of these practices is often missing. This is a major obstacle for up-scaling social innovations within the region and beyond. Evidence on good practices should be gathered and project management skills as well as policy evaluation need to be strengthened to promote successful practices and their transferability.

As a response to these issues and identified needs, this publication highlights some selected challenges in the targeted countries that require *cross-policy solutions* such as

- *the transition from education to employment* (“The Georgian Welfare Regime at the Threshold of Challenges of Demographic Change” by Irina Badurashvili);
- *employment creation* (“When Active Is Passive: Conditional Cash Transfers and Employment Creation in Macedonia” by Maja Gerovska Mitev); and
- *institutional development of the welfare state and political participation* (“Welfare Politics in Kosovo: Growing Role for the State and Benefit Disproportionality” by Artan Mustafa).

Furthermore, the publication also informs on a range of topics representing opportunities for *cross-border, comparative analysis and support*, in particular with respect to

- *the ageing society* (“Measuring Older Persons’ Well-Being in Central and Eastern European Countries” by Radoslaw Antczak and Asghar Zaidi); and
- *health care policies* (“Lack of Strategy Is a Strategy! Governmental Approaches to International Recruitment of Healthcare Workers” by Mojca Vah Jevšnik).

Finally, the compilation may also assist in strengthening policy impact in specific areas by focussing on enhanced exchange regarding particular *target groups* and *tools* regarding

- *circular migration* (“Circular Migration as a Policy Tool to Foster Development in Kosovo” by Michael Sauer and Selatin Kllokoqi);
- *child poverty* (“Reduction of Child Poverty in Serbia” by Jelena Žarković Rakić et al.); and
- *information needs of patients* (“Needs of Patients in Medicines Information in Armenia” by Anahit Sevikyan et al.).

Certainly, further research needs to be conducted and a wide range of additional policy-relevant topics must be addressed to comprehensively contribute to the transformation process that the targeted countries are still undergoing. This entails pensions, the transformation of an informal to a formal economy, the development of appropriate social services and, again, capacity-building to name but a few. As a result of the launch event in September 2016 we therefore established the Eastern European Social Policy Network, gathering researchers, civil servants of respective ministries and other public authorities as well as civil society organisations to intensify exchange and mutual learning in the area of social policies. Cooperation recently became visible via the new website of the Eastern European Social Policy Network ([www.eespn.euro.centre.org](http://www.eespn.euro.centre.org)). Future plans and activities of the network comprise:

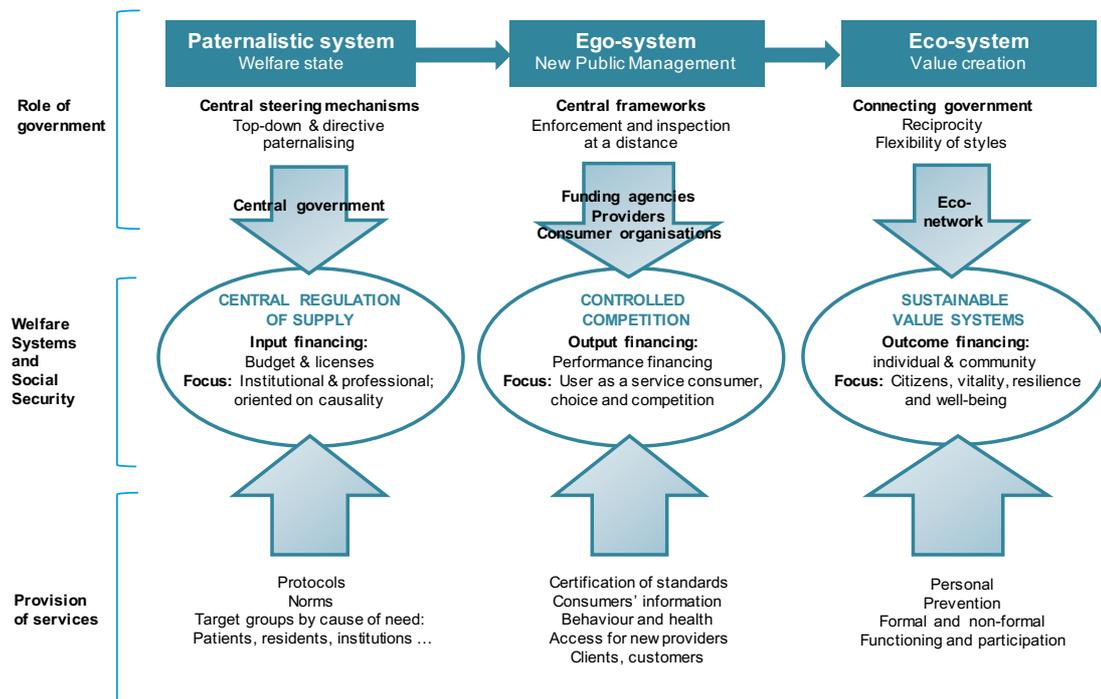
- A “Bridge Building Summer School in Social Welfare” (10-14 July 2017; co-funded by the CEI – Central European Initiative) that aims at deepening the understanding between the different social welfare systems and at generating joint project ideas.
- Joint project proposals will be submitted constantly as a response to calls from international funding agencies, such as COST, the Visegrad Fund, national and multi-lateral IPA actions, bilateral research cooperation with the Austrian Science Fund – FWF, S&T cooperation via the Austrian Federal Ministry of Science, Research and Economy and others. The objective is to acquire third-party co-funding to implement bi- and multi-lateral activities of EESPN members.
- Furthermore, collaboration still needs to be established and/or intensified with respective ministries and stakeholders in the focus countries. Though the network is open to all interested, the European Centre will put further efforts into creating links with Armenia, Georgia and other countries. We aim at signed MoUs and nominated NLOs in all countries targeted by the bridging function by the end of 2017.

Since the EESPN is an open network to all interested, many other activities will be put forward also by the network members themselves. This publication thus represents a first step towards more extended network activities. In order to facilitate transformation and adaptation of social policies to current and upcoming societal challenges, the Eastern European Policy Network will continue to build bridges between policy, research and practice that are evidence-based, theory-driven, and relevant for practice and policy-making. The process of transformation and adaptation thereby targets the establishment of sustainable value systems, in which

- the role of government advances from central government policies towards value creation in eco-systems;
- citizens, vitality, resilience and well-being are in the focus of welfare and social security systems; and in which
- services are provided in a person-centred way, on a preventive basis, including formal and non-formal types of services, and based on the principles of functionality and participation (see Figure 2 below).

The manifold challenges and difficulties to establish a modernised framework for social policies spotlighted by the authors of this compilation have confirmed once again that the creation of an Eastern European Social Policy Network is a timely response. It will strive to further contribute to enhanced social cohesion in Europe and to the achievement of the UN Sustainable Development Goals.

**Figure 2: Facilitating transformation and adaptation**



Source: *Inspired by Idenburg, Ph.J. & Schaik, van M.C.M. (2013) Diagnose Zorginnovatie; over technologie en ondernemerschap. Scriptum.*

## Info sheet: The European Centre in brief

The European Centre was founded in 1974 based on an agreement between the UN and the Federal Government of Austria. The aim of this intergovernmental organization is to provide governments, international institutions, research institutes and civil society organisations of the UN European Region (covering 56 countries, including the US, Canada and Israel) with relevant know-how and advice for establishing or improving structures in the field of social welfare policy, based on expertise drawn from the European Centre's empirical and comparative cross-national research. All governments of States that are members of the UN-European Region are invited to participate in and contribute to the activities of the European Centre. Next to structural cooperation with governmental stakeholders, the European Centre intensively cooperates with research organisations and NGOs mainly on a project basis.

Research activities within the Centre are organized into two larger units: (1) Work and Welfare Programme, and (2) Health and Care Programme. Within these units, projects are designed, coordinated and implemented in the fields of social inclusion and integration, social security (benefits & taxes), the ageing society, long-term care for older people, health services and system analysis, and public health.

The European Centre's core expertise comprises:

- *Comparative research and applied research by using qualitative and quantitative research methods as well as mixed methods methodology, including microsimulation and modelling, interviews, focus groups, case-studies, literature reviews, cross-sectional and panel data analysis and instrumental variables.*

We have specific expertise in minimum income schemes, income distribution, poverty and material deprivation, social inclusion of vulnerable groups, labour market and employment trends, skill demand and migration, social innovation and transition processes, inequalities in use of care, health and long-term care workforce, informal care and integrated care, cross-border health care, public health (e.g. alcohol and illicit drug consumption), user choice and competition and ICT.

- *Policy analysis and Policy consultation: planning, monitoring and evaluation of policies, programmes and initiatives in the areas of social welfare, labour market, public health, health and long-term care.*

We have specific expertise in user and policy-maker involvement in research, networking of different stakeholders, social policy dialogue and other consultation processes by applying various formats such as focus groups, participatory designs of workshops and training methods.

The funding partners of the European Centre include, among others, the European Commission, United Nations institutions, the World Bank, EUROFOUND, social partners, NGOs, and various national ministries, such as the Austrian Federal Ministry of Labour, Social Affairs and Consumer Protection, and the Swedish Ministry of Health and Social Affairs as well as regional governments.