

**LABOR MARKET IN KOSOVO:
DRIVERS OF ECONOMIC MIGRATION OF LABOR FORCE IN KOSOVO**

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ABSTRACT

Keywords: labor force, economic migration, drivers/factors, losses, education.

Kosovo is the youngest country in Europe, declaring its independence in 2008. Since then, the country has been focused to overcome damages caused from the last war, as well as to create a sustainable economy. Consequently, this puts Kosovo in transition phase, facing a lot of unregulated systems.

As Ali Babacan has pointed out: “Population is a strong driver of the economy as well as the quality of the labor force” Therefore, labor market is one of the main pillars for a healthy economy of a country. Due to the labor market impact, Kosovo has been experiencing large numbers of economic migrations. In the recent years, the situation has become serious, as a huge number of employed people, such as the medical staff have left the country and immigrated towards the EU countries, especially to the Western European countries. This way the number of asylum seekers from Kosovo increased. However, there are others that did not request asylum status, leading to illegal migration. In my thesis, I analyze whether introducing regulation to the labor market helps on solving the problem of frustrating economic migration of Kosovo. In order to analyze the causes of migration, I will include the Pull and Push factors. The thesis will also provide a few policy recommendations that would help Kosovo to overcome this whole situation.

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LIST OF ABBREVIATION

EC --- European Commission

EU --- European Union

FES --- Friedrich Ebert Stiftung

IMF – International Monetary Fund

KAS --- Kosovo Agency of Statistics

KIPRED --- Kosovar Institute for Policy Research and Developmen

INTRODUCTION

The main characteristic of Kosovo is its young population. Kosovo leads as a country with the youngest population in Europe, where more than half of the population is young age – under 30 years old.¹

In general, in a country's economy the young population places an important role as it increases the labor force and meanwhile the number of old population is low, which means that the country receives more from its population than it gives to them. But, the main concern is ‘how many of this young population are contributing to the labor market in Kosovo?’ Qualified labor force impacts the market positively, by meeting the needs of the market, and as a result, companies benefit as they use them as a competitive advantage, and in the end, the economy of a country increases.

Another characteristic is that the labor force in Kosovo is cheap and therefore, Kosovo is received as an attractive destination for investment, by offering the companies the opportunity to operate at a lower cost by paying less for labor. However, the unemployment rate is among the highest, not only in the region but also on the international level. Therefore, a lot of Kosovars have left the country for a better life. But the main problem remains with the qualified people leaving the country too. Kosovo for a long period now is facing the labor market issue, as the qualified labor force is continuously migrating to other countries.

¹ Institute for Development Policy, 2015“An overview of migrations of Kosovars into the EU: Migration as a Multifaceted Phenomenon”

Kosovo market does not have the potential to allocate and accommodate all its labor force. Of the total population, 67% is the working-age population, and only 30% of them are employed,² meaning that the labor supply is much higher than the market demand in Kosovo. Therefore, workers are migrating to other countries where they can meet market demands.

Migration has always been the most discussable part of societies worldwide. As Kofi Annan has pointed out, these kind of problems are known as “problems without passport”. It is like an unwritten rule that emerging economies, countries with low incomes always have been the ones to influence migration. The population in developing countries has always been emigrating to developed countries. In this list of emigrated population, Kosovo remains one of the first places. As per the progress report, in the last two decades after the war, the number of emigrants from Kosovo to EU Countries is much higher than during the period of the unsecured and bad situation in Kosovo.

Through history of migration in Kosovo, the people that left the country usually were people from rural places and unskilled labor force, mostly engaged in manual labor that no education was needed. But the concern is the economic migration of qualified labor force after the war and especially within this decade. According to the Kosovo Agency of Statistics, about 100 000 of mostly young Kosovars have emigrated in 2014/2015³. Kosovars destination have been different countries including US, but mostly the western EU countries.

In this research, the focus will be on the flux of migration of the working-age population in Kosovo in 2014-2015. The research aim is to find out the drivers of migration of Kosovo population.

² Kosovo Agency of Statistic, Labor Force Survey Q2 2019

³ Besim Gollopeni, 2016, “Kosovar Emigration: Causes, Losses and Benefits”

The research will be based on the collected information from official sources and statistics, data that will be used to analyze the situation and provide the answers to the research question:

What are the Drivers of Economic Migration of the Labor Force In Kosovo

The Estimation of Kosovo population, 2015 report conducted by ASK, shows that 74,434 inhabitants have left Kosovo. This number includes both illegal and legal migration, while the legal migration number was significant.⁴

Kosovo is facing the so-called "Brain Drain", which means that trained or qualified people are leaving, because of different factors. Traditionally, the most prominent factor is the search for better job opportunities outside the country of origin. The country is losing the human capital, and this phenomenon can be reflected as country's fiscal loss and distortion of its labor market. In the other hand, while the country is facing brain drain, it may be also benefiting from high flow of remittances, making them among the key factors for economic growth. Central Bank of Kosovo estimates that remittances are one of the most important components of the balance of payments (about 14 percent of GDP) in 2012 contrary to other indicators, it showed countercyclical behavior, thus continuing to finance consumption in the country and to support general economic activity.⁵

This thesis consists of four chapters. The first one is based on the theoretical framework, which gives an introduction to this research and a background of the labor market and migration in Kosovo. The chapter gives a clear overview of the labor system, labor history, and economic migration. It also includes data sources and methodology in order to give arguments on drivers of economic migration of qualified labor force.

⁴ ASK, 2016, "Estimation of Kosovo Population in 2015"

⁵ Central Bank of the Republic of Kosovo, 2013, "Balance of Payment Report"

It continues with the second chapter, which discusses and elaborates on the drivers of the economic migration of qualified labor force. The analyses of this research will be based on Push and Pull factors of the main research factor: an unregulated Labor system. Many factors have contributed in increasing the number of migration of the labor force and through this report I sum up the main ones, such as the economic conditions, living conditions, the mismatch of the education system and market, private sector irregularities, small market, works security. On the other hand the pull factors, such as better economic conditions, bigger market - high market demands, higher wages, Lack of labor supply in West – Labor Deficit in Germany.

The third chapter provides empirical analyses, which is limited and is conducted based on the secondary data as due to the Covid-19 pandemic, primary research was not possible to be done. Featured data gives the analytical review of the migration as my dependent variable in relation to the other variables such as the labor market, employment status, and education level. Analyses are done on using these variables: *Age, Gender, Education, Employment Status* and *Reason of migration*. Analyses also provide a correlation between the migration and employment status and education level. This chapter is concluded with the Impact of migration in Kosovo's economy – Benefits and Losses.

Finally, the chapter four provides a summary of the main points, gives a clear conclusion consolidated with some policy recommendations in order to reduce and stop this flux of economic migration of qualified labor force from Kosovo.

1 BACKGROUND INFORMATION

1.1 BACKGROUND OF LABOR MARKET IN KOSOVO

Before the breakdown of the war, Kosovo was part of the Republic of Yugoslavia, which means that the labor market was under the regulation system of the Republic of Yugoslavia. The situation changed when the Republic of Yugoslavia split apart. During the 90s, most of the Kosovars were fired from their working places and all Kosovo pupils and students were not allowed to go to schools, universities, Kosovo's intellectuals were either arrested or persecuted, due to the political and socio-economic situation created by the Serbian occupation. This whole period since 1950s is known as the "lost generation of Kosovars".⁶

After the last Yugoslav Federation war during which Kosovo withdrew from the Federation, the country ended up with a harmed economy. Also, Kosovo faced a huge problem in finding skilled labor force as a huge number of Kosovars have emigrated already and the remaining ones were unskilled labor force. Thus, the hope was in the youth.

However, it took time for the country to stabilize the situation and regulate the labor system as well as increase the opportunities for young and active people to join the labor market. Still, Kosovo is a country in transition and the population still suffers for stable and secure workplaces. The recent political developments just aggravates the situation more.

Kosovo, as a potential candidate to join the EU has adopted and followed the EU Regulations by different reforms and projects from EC. International Labor Organization (ILO) was active in

⁶ Mikra Krasniqi, 2014, "A Tale of Two Generations", BalkanInsight

Kosovo since 1999 as a member of the United Nations Kosovo Team (UNKT). Their mission in Kosovo was the developing, planning and implementation of UNKT Common Development Plan (CDP) 2016-2020. ILO's main focus in Kosovo was the creation of skilled labor through vocational training and especially training for youth. The Current ILO project in Kosovo is the Measurement, Awareness-raising, and Policy Engagement to accelerate action against child work and forced labor.⁷

Meanwhile, on regional development, Kosovo is also part of two other regional projects: Inclusive Labor Market Solutions (ILMS) and Economic and Social Affairs Platform (ESAP).⁸ However, Kosovo was lagging behind on implementation of European Reform Agenda, the programme of the Stabilization and Association Agreement for planning, coordinating, and monitoring the EU- related reforms.⁹ Besides this, Kosovo has also adapted the Employment and Social Welfare Strategy 2018-2022. However, Kosovo still has unregulated state systems and lacks financial stability. The state budget is on deficit, putting other barriers on the process of implementing the plans and projects in place. ILO has already offered professional assistance to overcome some of the challenges that the labor system is facing.¹⁰

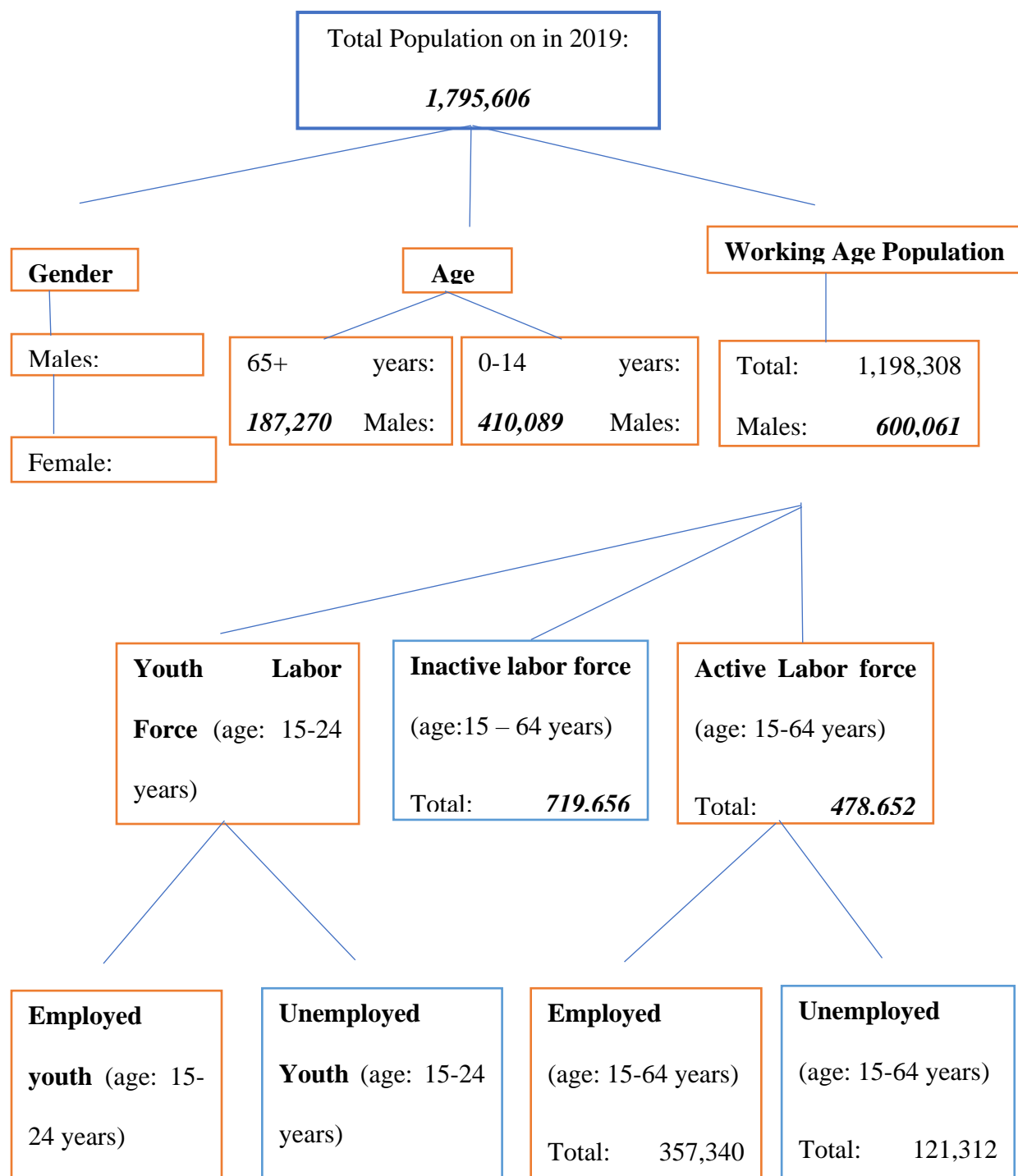
⁷ ILO, "About the ILO in Kosovo"

⁸ ILO, "About the ILO in Kosovo"

⁹ European Commission, 2019

¹⁰ Some of the solutions that ILO is offering are: Promoting inclusive labor market solutions for vulnerability job-seekers, Provide support to the development and implementation of effective employment and social policies through capacity building of public administrations, employers and workers and last but not least provide support to the elimination of child labor in all its forms, in particular the worst forms of child labor. (ILO, https://www.ilo.org/budapest/countries-covered/kosovo/WCMS_649969/lang--en/index.htm).

Figure 1.1: Classification of the labor market of the Kosovo population, Q2 2019



Source: Kosovo Agency of Statistic, Labor Force Survey Q2 2019

In the figure above we can see the classification of the total population of Kosovo estimated by the Kosovo Agency of Statistics in 2019. In this chart are included three variables: Gender, Age and Working Age Population. This chart gives data on the Working Age Population and the number of the active labor force and inactive labor force by gender and age. Also, it includes the number of employed and unemployed people by gender and age. Furthermore, it gives data on the youth labor force (age 15-24 years), the employed and unemployed also divided by gender.¹¹

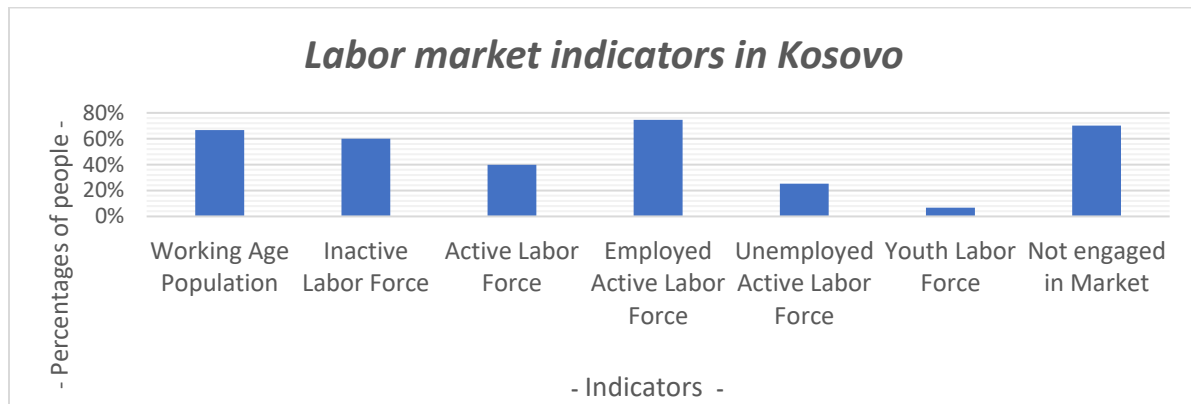
From these data, we can see that 67% of the total population are working age. From the total of the Working-age population, 60% of them are inactive labor force, while 40% are active labor force. From the Active labor force, 75% of them are employed and 25% of them are unemployed. While if we check the youth labor force (age 15-24), they represent 7% of the working-age, from which 51% are employed and 39% are unemployed. However, if we check these numbers by the total number of the population it shows that only 20% of the population is employed.¹²

Furthermore, to give a clear picture of the overall working force in the market, if we combine the number of people who are inactive in the labor market which is 719,656 and the number of unemployed people which is 121, 312, we can conclude that 840,968 of these potential working population are not participating in the labor market, which in the end contributes negatively in the Kosovo social-economic situation.

¹¹ Kosovo Agency of Statistic, Labor Force Survey Q2 2019

¹² Kosovo Agency of Statistics, Labor Force Survey, Q2 2019

Figure 1.2: Percentages of Labor market indicators in Kosovo



Source: Kosovo Agency of Statistic, Labor Force Survey Q2 2019

1.2 ECONOMIC MIGRATION BACKGROUND IN KOSOVO

Migration is an old phenomenon for Kosovo. Dating back to XX century, when Kosovo was part of Yugoslavia. At that time Yugoslavia and Turkey signed an agreement to move the Kosovo Albanians in Turkey permanently. As such, many Kosovars migrated to Turkey and never came back to Kosovo.¹³

The tradition of migration continued also in other countries. The huge wave of migration was during the 90s when the situation in Kosovo deteriorated. This time was socio-economic migration. Due to the Serbian occupation, the economy of Kosovo was on a lockdown, the Kosovar workers were not allowed to work, study, engage in other social activities and intellectuals were persecuted within the country. As per Human Rights Watch, 350,000 Kosovo Albanians were forced to emigrate over the 90s.¹⁴ The ethnic cleansing continues until 1999, where the Serbian army moved the Kosovo Albanian out of the Kosovo border in order to occupy the Kosovo territory. Many

¹³ Besim Gollopeni, 2016, "Kosovar Emigration: Causes, Losses and Benefits"

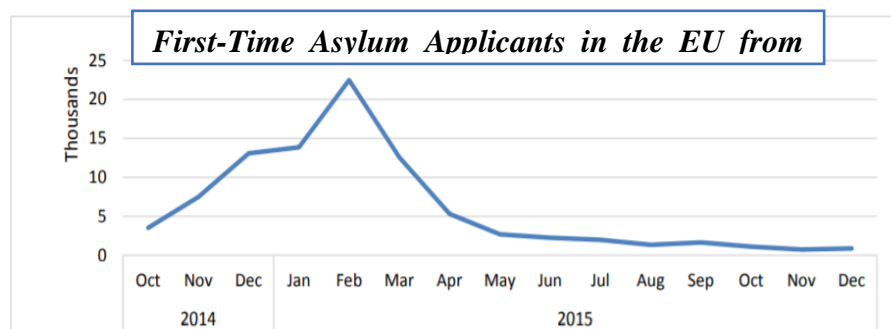
¹⁴ Human Rights Watch, 2001, "UNDER ORDERS War Crimes in Kosovo"

Kosovo Albanian emigrated to EU Countries and to the United States through Albania, North Macedonia, and Montenegro. Some statistics from different institutions in Kosovo shows that 30% of the total population lives outside of Kosovo and it is supposed that this number is much higher.¹⁵

Even after the declaration of Independence in 2008, 2015 was another year that brought the migration culture back. As per the estimation of the relevant institution, just between years 2014 and 2015 around 100,000 Kosovars left the country¹⁶. But this time, the reason why the Kosovars are leaving the country is due to the economic situation, corruption, organized crime which is caused internal. This flux of migrants caused Kosovo losing a high number of working-age people including the qualified labor force. Emigrants represent a higher number of working-age then the people who remained in Kosovo.¹⁷

The main concern remains on the outflow of the working-age population in Kosovo in 2014-2015. One of the factors that triggered this outflow was influenced by the openness of the border between Serbia and Hungary.

Figure 1.3: Asylum Applicants in the EU from Kosovo, 2014-2015



Source: Eurostat, 2016.

¹⁵ Besim Gollopeni, 2016, "Kosovar Emigration: Causes, Losses and Benefits"

¹⁶ Besim Gollopeni, 2016, "Kosovar Emigration: Causes, Losses and Benefits"

¹⁷ Kosovo Agency of Statistic, 2014

Another factor that influenced the Kosovo migration is Germany's labor deficit. Kosovo's labor supply matched Germany's labor deficit. During the years 2015, 2017, 2018 Germany signed three different agreements with Kosovo for the labor force, thus the so-called "brain drain" happened causing skilled people such as doctors and nurses left Kosovo and joined the German market place.¹⁸ This strategy continued in 2019, when Germany introduced the immigration law "Skilled Immigration Act".¹⁹ This law included the Western Balkan countries, making the procedures of residence easier and faster. However, Kosovo faces challenges toward this law compared to the rest of western Balkan countries due to the restriction of visa-free movement. Kosovars need to ensure a work contract in prior to legally travel to western countries. Although, this barrier did not stop Kosovo to lead with the highest number of labor force migration to the west.

¹⁸ Gap Institute, 2020

¹⁹ GAP Institute, 2020

2 LITERATURE REVIEW

Economic Migration is the most heated debate nowadays. Similarly, this phenomenon has been also the most debated in Kosovo. For years Kosovo was known for its migration due to various factors that affected this process, such as geopolitics, security, safety and freedom. After the independence declaration in 2008, it was a hope that migration will decrease, however, even nowadays migration remains the main challenge that Kosovo is facing.

Besim Gollopeni (2016) presents the migration of Kosovars as a tradition of the country through the history. He shows the migration waves from 1950 to the last wave in 2015 and the factors causing it. According to him, migration drivers changed through time. First wave started in 1950, with the agreement between Turkey and Former Yugoslavia, to move the Albanian citizens from Kosovo to Turkey. The main motive here was the ethnicity cleansing in Balkan. Then from the 90s, the political and social-economic situation under the Serbian occupation, a lot of Kosovars were forced to leave the country. Finally, the last wave happened after the independence. Gollopeni (2016) lists economic conditions and political situations as the main drivers of the economic migration in Kosovo. His findings show that Kosovo is losing skilled labor force which is causing the country to face Brain Drain.

A paper from the American Chamber of Commerce in Kosovo (2018), "Education and Labor Market in Kosovo and European Union", focuses on the Kosovo labor market and its correlation with the education system. It provides a clear background of the Kosovo labor market with a focus on the skilled labor force. Data provided, state that there is a huge gender gap in the labor force. Males dominate the market and therefore they dominate the number of emigrants. The main

problem this paper focuses is the link between the market demands and the education system in Kosovo. As per them, this is the main pushing factor of economic migration. the research findings show huge gap skills in the market of Kosovo and set the education system as a main source that Kosovo needs to focus on preparing their labor force for its market.

The report of GAP Institute in 2020, – “The emigration of Kosovo’s labor force in Germany”, focuses on the German market, as the main destination of Kosovars. According to the paper, the labor deficit in Germany has been one of the main pulling factors of the economic migration of qualified labor force in Kosovo. This paper shows that Kosovo is listed in the first place in western Balkan countries for the highest number of emigrants in Germany and the highest number of approved visas. It concludes that the labor supply of Kosovo is fulfilling the German labor deficit. In addition, this research also lists the high unemployment rate in Kosovo, low wages, professional career, education and health among the pulling factors of economic migration. the papers emphasis that health sector as the most affected one. The highest number of qualified labor force leaving Kosovo is the medical staff, including even specialists. Furthermore, the difference between the public sector and private sector, as another factor pushing the economic migration is listed on this paper. Their findings correspond to that private sector low wages, no health insurance, no job security, in other words, the private sector do not enforce the labor law.

United Nations Development Programme (UNDP) with the support from United States Agency for International Development (USAID), International Monetary Fund (IMF), Central Bank of Kosovo (CBK), Statistical Office of Kosovo and Ministry of Finance and Economy on the report “Kosovo Remittance Study” published in 2010, shows the important role of remittances in Kosovo’s economy. Based on the report, remittances are listed among the key contributors of

Kosovo economy, enhancing economic growth, increasing the household's income and consumptions.

In 2018, the report of Western Balkans Labor Market Trends by World Bank, aims on examining key labor market indicators in this region. The study have also conducted that Kosovo leads with the highest youth unemployment meanwhile also leads with the highest economic growth in Balkan. Kosovo also is listed as a country with the lowest female participation rate in the labor market in this report. Moreover, this report presents that fact of Western Balkan countries' problem on facing economic migration continuously. As per their estimation, in 2015, 61% of emigrants were from Kosovo.

On the country report done by IMF for Kosovo in 2018, we find the challenges that Kosovo is facing as in other sources as well. The report refers to the labor force participation rate as the main problem in Kosovo. IMF provided recommendations in this report, such as; the changes of structural reforms in accordance with the EU, the arrangement of the labor market, create transparency, stimulate economic growth by investment in order to create job places. Moreover, IMF stated that Remittances are the key of the Kosovo economy. "Recovery is driven by accelerating remittance and FDI inflows, stronger banking credit, and solid exports".

KIREP on their report "Kosovo To Eu: The Challenge Of Irregular Migration" in 2015, supported by EU Office in Kosovo, analyzes and presentes the main push and pull factors causing the massive migration in Kosovo. On this report, they conducted the fact that Kosovo is the only country in Balkan that does not have visa liberalization, and this is isolating the citizens of Kosovo to move freely into the Schengen zone, meanwhile internally the citizens of Kosovo have the pressure of the politic situation, organized crime, corruption, lack of jobs and other factors that are

contributing on massive migration. The reports concludes that the European integration and visa Free will serve the country to implement the right structural reforms, create a safe place for investment, increase the work and thereby the migration would fall and illegal migration will stop.

The survey of Friedrich Ebert Stiftung in 2015, an empirical analyses about the "The Kosovo Torrent to EU – People, reasons and ways", aimed to present the main reasons why people were leaving Kosovo during the last massive wave of emigrants in 2014-2015. Their analyses were done based on a survey conducted with the Kosovo emigrants. Some observations were done in Pristina's bus station, some of them were conducted in borders with Serbia and Hungary and the rest were conducted on the asylum centers in Germany. Their survey included the demographic profile, such as age, education, incomes, and the reason for migration. Their findings have shown that the majority of the emigrants were young unemployed males. The economic status of emigrants was mostly people with low incomes, unemployed and most of them qualified labor force. This report showed also that the main reason for migration were economic conditions. Kosovars are leaving for better living conditions for them and their families.

This survey is used on completing the empirical data of my thesis. Based on their data provided on the survey, I generated a data set and was able to run few simple models on Stata, to give an overview of regression and correlation between migration and the main indicators: Age, Gender, Education and Employment.

To complete this thesis, other official sources, articles from different authors and domestic newspapers and media were used as well. All of them are properly referenced along this paper.

3 METHODOLOGY AND DATA STRUCTURE

The aim and focus of this research is on identifying the drives of economic migration of the labor force in Kosovo. Data used to complete this research are secondary data. Due to the Covid-19 situation, the primary data were not possible to be collected. The secondary data are based on published articles and reports from different official sources.

3.1 Methodology

First, I will use the Scatterplot graphs and Pearson correlation coefficient in order to see the correlation between Number of Emigrants and Employment Status and as well the correlation between the Number of migration and Education.

Scatterplot – to show the possible relationship or association between the chosen variables. In this research between two variables:

- I Correlation between Number of emigrants and Employment status
- II Correlation between Number of emigrants and Education

The Pearson correlation coefficient, r , - this model was used to show the strength and direction of the association between the following variables:

- I Number of emigrants and Employment status
- II Number of emigrants and Education

Secondly, I will OLS regression to estimate the relationship among my dependent variable Reasons of migration and independent variables: Age, Gender, Employment Status and Education.

- The model specification:

The first model consists to the regression of age, gender, education, employment on emigrating for the reason of getting a job:

$$- \text{Reason_work} = \alpha_0 + \alpha_1 \text{age} + \alpha_2 \text{agesq} + \alpha_3 \text{gender} + \alpha_4 \text{education} + \alpha_5 \text{employment status} + \varepsilon$$

The second model consists to the regression of age, gender, education, employment on emigrating for the reason of getting of economic conditions:

$$- \text{Reason_econ} = \alpha_0 + \alpha_1 \text{age} + \alpha_2 \text{agesq} + \alpha_3 \text{gender} + \alpha_4 \text{education}_- + \alpha_5 \text{employment status} + \varepsilon$$

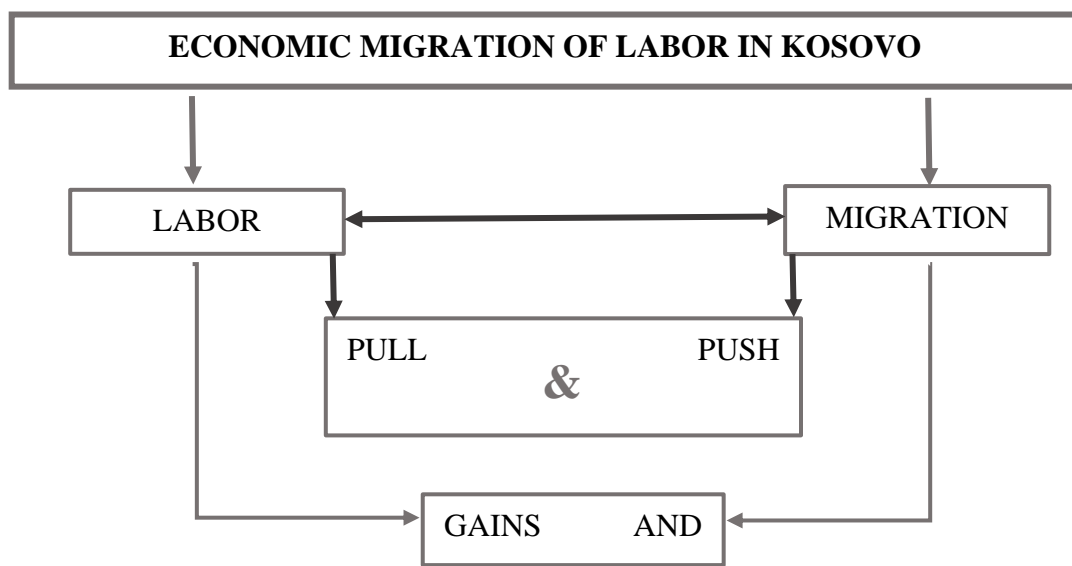
The third model consists to the regression of age, gender, education, employment on emigrating for the reason of better life:

$$- \text{Reason_life} = \alpha_0 + \alpha_1 \text{age} + \alpha_2 \text{agesq} + \alpha_3 \text{gender} + \alpha_4 \text{education} + \alpha_5 \text{employment status} + \varepsilon$$

3.2 Data Structure

For the theoretical part of this research, for tables, figures, facts and other information, the data were mostly used from reports of Kosovo research institutions and international organizations: ASK, Central Bank of Kosovo, IMF, American Chamber, World Bank.

The theoretical framework is demonstrated in the below chart:



My sample data has 43 observations taken by FES in 2015. The survey took place in Kosovo and Germany through individual interviews.

The following tables describes the data of five variables used: *Gender*, *Age*, *Education level*, *Employment Status*, and *Reasons of migration*.

Table 3.1: Age

Category	Number of Emigrants	Code
16-17	3	0
20-25	28	1
30-55	12	2

Table 3.2: Gender

Category	Number	Code
Male	38	0
Female	5	1

Table 3.3: Education Level

Category	Number	Code
Primary Education	10	0
Secondary Education	28	1
Unicersity Education	4	2
Post Diplomatic Education	1	3

Table 3.4: Employment status

Category	Number	Code
Employed	5	0
Unemployed	38	1

Table 3.5: Reasons of Migration

Category	Number	Code
Economic situation	39	0
Work contract	2	1
Better life	2	2

4 DRIVERS OF ECONOMIC MIGRATION OF QUALIFIED LABOR

Migration is a phenomenon of underdeveloped countries. People from less developed countries always tend to migrate to developed countries for different reasons, but mainly for the financial stability. They seek for better life conditions, medication and education. All of these factors corresponds to the drivers of Kosovo migration too.

As it was explained in chapter I, that migration of Kosovars have been a “tradition” to say conditionally for years now, driven by different factors through history. Starting from the wave of migration at 60s due to agreement between Former Yugoslavia and Turkey. Followed by Serbian occupation, that locked the Albanian population and the only choice for them was the migration to other countries. Then in the 90s, the war situation pushed thousands of Kosovars to leave the country and not to come back.

However, the main concern lies in the period after the independence declaration in 2008. On the Estimation of Kosovo population in 2015 report done by ASK , it stated that 74,434 inhabitants left Kosovo. This number includes both illegal and legal migration, while the legal migration number was significant.²⁰ Kosovo was affected by losing thousands of labor force population.

Health sector is the most affected one from this migration wave. Health workforce lead the list of the qualified labor force that have migrated. According to the Ministry of Health, the lack of work places into the health public sector and low wages in the private sector are the main factors pushing these health workers to leave the country.²¹

²⁰ ASK, 2016, “Estimation of Kosovo Population in 2015”

²¹ Gazeta Express, 2015, “Edhe mjeket dhe infermieret e lene Kosoven”

According to Blerim Sylja, the head of the Federation of Health Trade Union of Kosovo confirmed that within the three years 2014-2016, around 400 health workers have left Kosovo.²²

Based on these data which are shown in the table below, we can see that the highest percentage of skilled labor leaving Kosovo are nurses with 60%, followed by 38% practitioners, 25.4% dentists and around 21.7% pharmacist. All these skilled labor forces have left the home country mostly due to the economic situation.²³

Table 4.1: Number of skilled labor force left Kosovo

NUMBER OF MIGRATED QUALIFIED LABOR FORCE	
PRACTITIONERS	38%
DENTISTS	25.4%
PHARMACISTS	21.7%
NURSES	60%

Source: GazetaExpress

Some other data provided by the Federation of Health Trade Union of Kosovo, from a survey they conducted with 1000 students from Medical University, showed that from 1000 students interviewed, 73% of them were in the process of job search into the foreign market due to the reason of lack of job opportunities in Kosovo and low wages.²⁴

This tradition is still ongoing for the skilled labor force due to the Western Balkan Regulation (WBR) introduced by Germany. The German labor market was opened for the western Balkan labor force. Kosovo holds the highest number of applicants through this regulation and at the same time leads with the highest number of approved visas.²⁵

²² Gazeta Express, 2015, “Edhe mjeket dhe infermieret e lene Kosoven”

²³ Gazeta Express, 2015, “Edhe mjeket dhe infermieret e lene Kosoven”

²⁴ R. M., 2015, Largimi i mjekëve nga Kosova merr përmasa shqetësuese, Illyria

²⁵ Andreas Michaelis, 2019, “Work visas for the Western Balkans in 2018”, Federal Foreign Office

As the majority of the Kosovo population is the working-age population, the labor demand is much higher than the labor supply. Taking also into consider that Kosovo is a small market, therefore, this was an opportunity for people to find jobs outside of Kosovo borders.

Germany is the main destination for Kosovars. Therefore, Germany implemented three intergovernmental agreements with Kosovo, the "Skilled Partnership" program, in order to select only the skilled labor force. The first agreement "Besa Foundation" included the area of gastronomy and construction. The second one "LBB – Bavarian Builders Association", included only construction and the third agreement "UB – German-Kosovar Business Association in Germany" includes medical services, mostly nursing.²⁶ This have attracted the youth of Kosovo to be part of this transition which started firstly with the vocational training and later to gain the German labor market.

Based on the research done by GAP institute, 84 young people followed these vocational training and became part of the labor market in gastronomy and nursing in Germany between the years 2015-2017. Continuing in the following year 2018 with another 30 emigrants and 2019, 27 other young skilled labor force joined the German health market.²⁷

Table 4.2: Number of young Kosovars migrated to Germany for vocational training

2015-2017	84
2018	30
2019	27

Source: GAP Institute

²⁶ GAP Institute, 2020, "The emigration of Kosovo's labor force to Germany"

²⁷ GAP Institute, 2020, "The emigration of Kosovo's labor force to Germany"

4.1 UNREGULATED LABOR SYSTEM IN KOSOVO

For years Kosovars left the country due to external factors. But, what is causing the migration now that Kosovo is a State?

The burden of this migration flow lies in labor system regulation. It's worth to emphasis that even though a lot of European reforms and projects have been continuously provided to Kosovo, the country still face implications on implementing them. Based on the analyses done for this research, the labor system turns out to be the one of the main factors in pushing economic migration. This will be more analyzed and described in the following section through push and pull factors.

4.1.1 PUSH FACTORS

Economic conditions: High prices, Low Wages

The majority of the products in Kosovo comes from imports and this has caused a high mismatch between Population's incomes and expenditures. People receive low incomes, the wages are very low compared to the prices of products and services. People get little and pay more. As per estimation done by Independent Balkan News Agency, Kosovo has the highest prices of basic products in Europe and the lowest salary on average in Europe²⁸, making the purchasing power of Kosovo's citizens very low.

According to the data from the World Bank and KAS, 18% of the population lives below the poverty line, while 5.1% live below the extreme poverty line.²⁹ In addition, World Bank estimated that 34% of population in Kosovo are considered that are living under the poverty line, more

²⁸ Elton Tota, 2015, "Kosovo: High Prices, minimum wages"

²⁹ World Bank & Kosovo Agency of Statistics, 2019, "Consumption Poverty in the Republic of Kosovo"

specifically with 1,4€/day.³⁰ Economic condition is the main factor to push people to leave the country. From the survey done by FES, 91% of the emigrants said the economic situation is the main reason for pushing them toward EU countries.³¹

In the figure below we see the nominal and real income rate from 2013-2018 and also the Consumer Price Index. Here we can see that incomes have been increasing from 2016 and based on the analyses, the increase was made in the public sector. Government approved the increase by 25% of public sector wages, while the labor force was leaving the country due to the low wages in the private sector.³²

Figure 4.1: Percentage change in Kosovo's real and nominal income



Source: Kosovo Agency of Statistics – The level of wages and Consumer Price Index

Private Sector

High discrepancies between Public and Private Sector in Kosovo is another push factor of economic migration. Based on the survey made by Freidrich Ebert Stiftung in 2015, 68% of emigrants worked in the Private sector.³³

In the figure below, we can see the net average wage from 2012 until 2018 in both sectors. The increase in average on the private sector was very insignificant. For six years it has only increased

³⁰ Institute for Development Policy, 2015, “An overview of migrations of Kosovars into the EU: Migration as a Multifaceted Phenomenon”

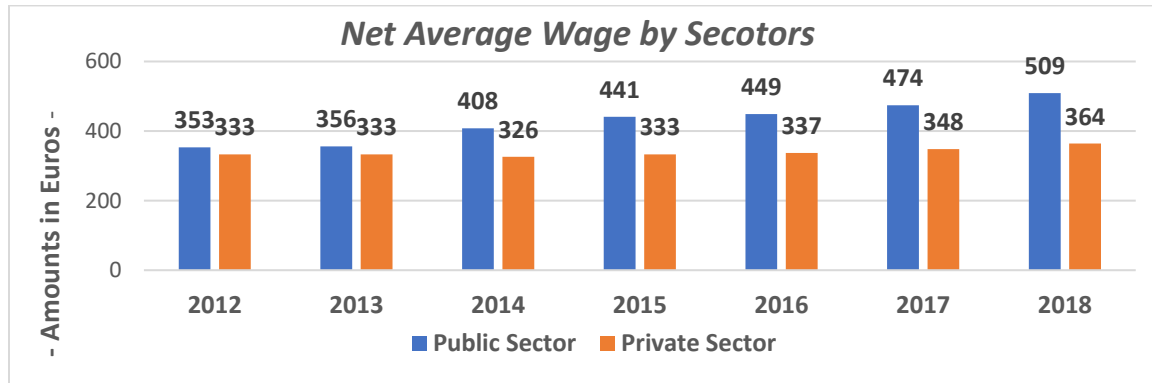
³¹ Freidrich Ebert Stiftung, 2015 “The Kosovo Torrent To EU”

³² GAP Institute, 2020, “The emigration of Kosovo’s labor force to Germany”

³³ Freidrich Ebert Stiftung, 2015, “The Kosovo Torrent To EU”

by 31 Euros or only 8.5%, while in the public sector the average has increased by about 30% or 156 Euros from 2012 to 2018.³⁴

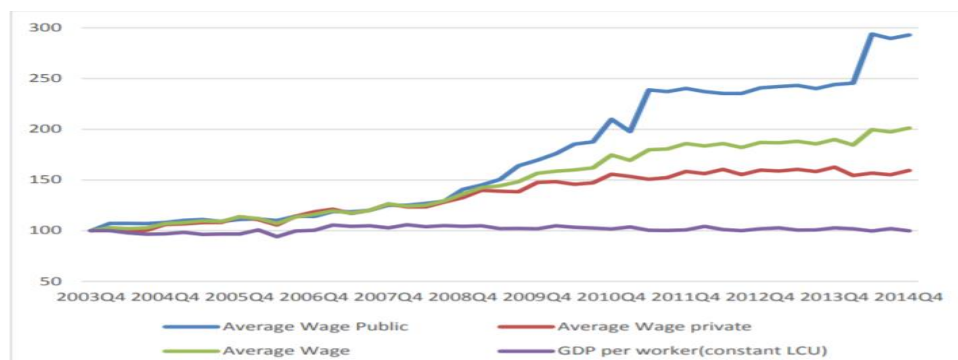
Figure 4.2: Net Average wage in Public and Private Sector 2012 - 2018



Source: Kosovo Agency of Statistics, 2019

Due to high unemployment, private companies are using this situation to offer very low salaries and benefits for workers, while the requirements are high. Workers in most of the cases accepts these conditions as most of them are the only member with the employment status in their family. On the other hand, the system in the public sector is very systematically corrupted. This is another reason why the majority of the qualified labor force are forced to jump into the private sector in the short-run and in the long run their remaining solution is migration.

Figure 4.3: Wages and Productivity in Kosovo



Source: Ministry of Finance data

³⁴ Freidrich Ebert Stiftung, 2015, "The Kosovo Torrent To EU"

The labor system does not include the right market information when making policies. There is a lack of information for the private sector, which creates the non-coordination between the two sectors.

Law on Safety and Health

According to the Private Sector Labor Union in Kosovo, 50% of employees in the private sector works without a work contract.³⁵ Besides this, Kosovo Country Report showed that the contempt of Labor Law by the private sector has caused many work fatalities, making the private sector unsafe and insecure to work. Furthermore, health insurance is not provided by the majority of players in the private sector.³⁶ In 2018, Koha Ditore reported 81,000 registered businesses in the construction industry, only around 8,000 had been inspected. This negligence of state bodies has resulted in many deaths; 98 accidents have been recorded, with 80 cases of workplace injury adding to the 18 deaths.³⁷ However, due to the high unemployment rate and high labor supply, most of the workers accept these conditions and feel hesitant to negotiate these terms, because they are afraid of losing the job position. Therefore, most of the emigrants leaving the country comes from the private sector.

Education system

One of the main factors that impacts the Kosovars migration is Education. Kosovo's education system went through different reforms. Continuously the state needed to change reforms in order to meet the European Union regulation since Kosovo is a candidate to join the European Union.

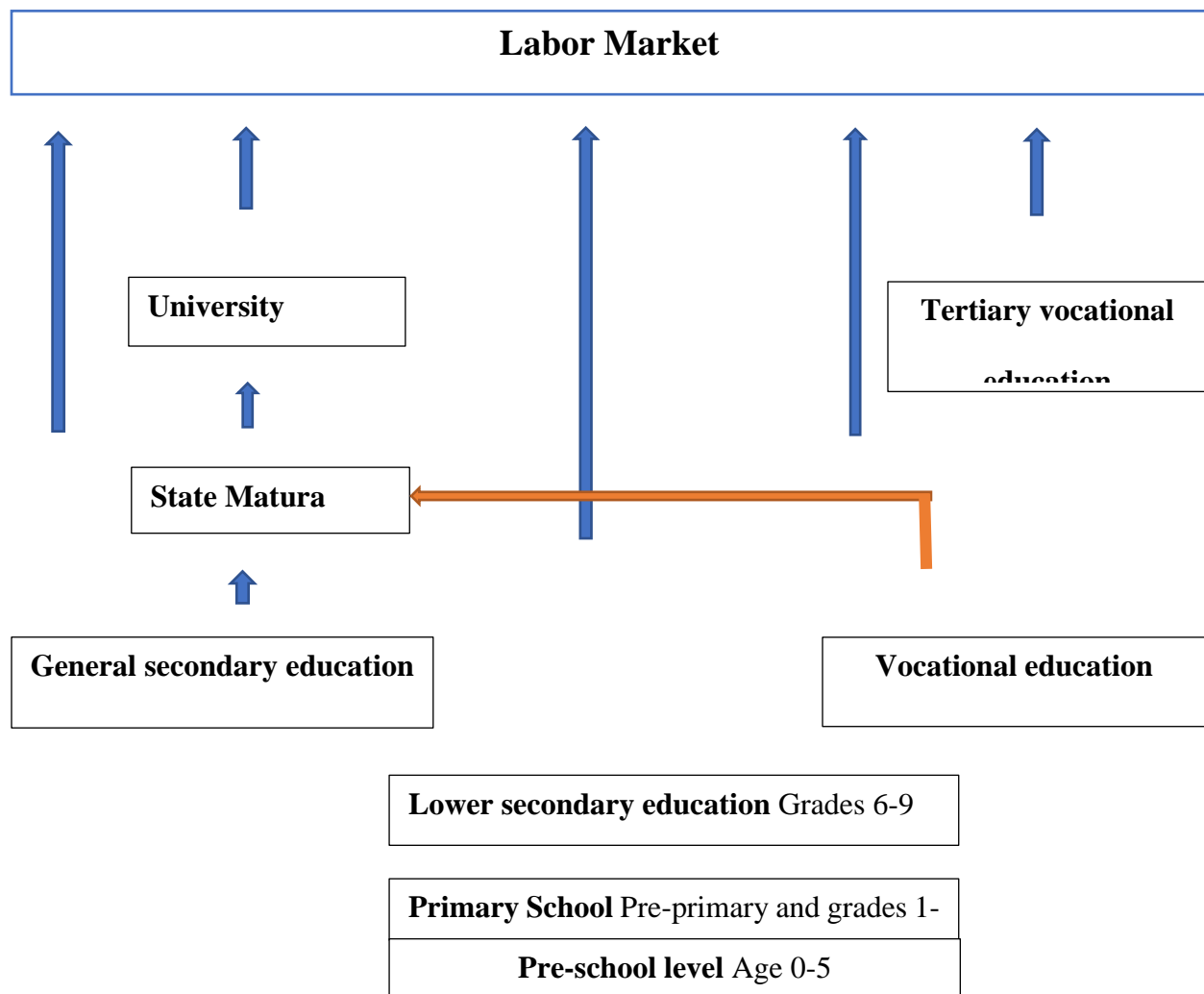
³⁵ Shahadije Bikliqi Dragacina, 2018, "the year with the most deaths in the workplace"

³⁶ European Commission, 2019, "Kosovo Progress Report 2019"

³⁷ Ngadhnjim Avdyli, 2018, "Bloody Year for Workers"

Therefore, it needs to provide qualified labor force in order to be competitive with European members. Furthermore, for a stable economy and productivity, the labor force needs to meet the market demands and this can be achieved by the education system. Therefore, the main goal and role of the education system for a country have to be the creation of qualified labor force to be a factor in increasing the competitiveness of companies toward the regional or international market.

Figure 4.4: Education System Structure in Kosovo



Source: Ministry of Education Science and Technology. Kosovo Education Strategic Plan 2017-2021, 2016

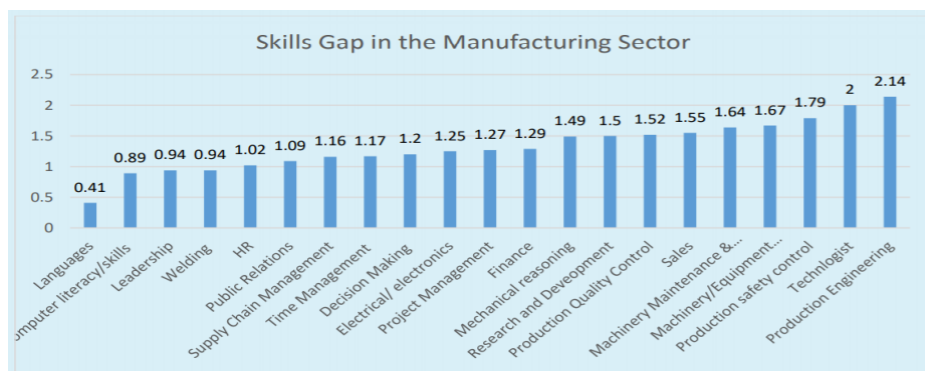
Another problem with the education system in Kosovo is the lack of professional training in response to the demands and needs of the market in Kosovo. People that do not pursue higher education, country should provide vocational training in order to prepare them for the market. In addition, the young Kosovars are leaving the country for study purposes. Kosovo is not offering a quality education for its population. On the OECD Programme for International Student Assessment (PISA), Kosovo is ranked among the four countries with the lowest results.³⁸ Therefore, young Kosovars are seeking for better academic and professional career in other countries.

Skills Gap

Skills Gap is a phenomenon that happens in developing countries. This is a gap between the labor market (businesses) and the qualified labor force. This factor impacts the private sector, where companies face difficulties in finding the qualified labor force, whereas the qualified labor force faces difficulties in finding jobs.

Below we can see an example of the skills gap in the manufacturing sector in 2017.

Figure 4.5: Skills Gap in the Manufacturing Sector in Kosovo, 2017



Source: American Chamber of Commerce in Kosovo: Skill Gap Analysis, 2017

³⁸ Andreas Schleicher, 2019, "PISA 2018 Insights and Interpretations", OECD

Most of the sectors that face a high skill gap, can easily avoid this gap by professional training and vocational education. This would increase the employment and at the same time would decrease the business's investments (cost) on preparing the employees for a specific skill in order to fulfill their professional responsibilities towards the market.³⁹

Is interesting to mention the fact that the number of people pursuing higher education is higher compared with the EU, while at the same time the unemployment rate it's among the highest in the EU.⁴⁰

As a result of high skills gap, in some sectors, the market demand exceeds the market supply, while on the other hand in some other sectors the market supply exceeds the market demand. This brings into conclusion that Kosovo has an unregulated labor system, by creating a mismatch of skills and market needs with the education system, which is resulting in unqualified workers in the labor market.

Unattractive labor market

The high level of corruption is suffocating Kosovo. The politicization of the public sector in Kosovo is very dominant, by bringing a lot of inequalities on the labor market, discouraging them and taking their opportunities to be part of the labor market of their home country and leaving them with no alternatives then migration. Gender inequalities is another important factor in Kosovo market. As Sheryl WuDunn pointed out: *“One of the best ways to fight poverty and to fight terrorism is to educate girls and bring women into the formal labor force”*

³⁹ American Chamber of Commerce in Kosovo, 2018, “Education and Labor Market in Kosovo and EU”

⁴⁰ American Chamber of Commerce in Kosovo, 2018, “Education and Labor Market in Kosovo and EU”

The majority of employed people are not working in their fields. Most of them do jobs that they are not professionally skilled for it or even they do not like it. But, the economic conditions are forcing them to take any job that can be available for them and work under stress and insecurity. Furthermore, when it comes to career, is important to emphasize that the Kosovo market does not provide any potential opportunities for youth or for the skilled labor force for further professionally development for their careers. No trainings are provided by government or private companies. No investment in human capital, because most of the companies do not provide contracts or long-term contracts. Therefore, the opportunities to increase the workers' skills are not provided and as a result there is low productivity as well, which in the end affects the long-term economic growth. Moreover, it does not create stability for workers to remain in that labor market. Thus, most of the labor force seeks foreign markets for professional achievements, a place where they can have or create a successful professional career, a place where they can increase their potential, knowledge and skills.

Small Market

The potential of the labor market should be seen in both levels, Macroeconomic and Microeconomic level. In Kosovo, we face the negative results of these indicators. On Macroeconomic part we face high unemployment, low labor productivity, while on the micro-level there are low wages and low purchasing power, as a result of labor supply is higher than the labor demand. The domestic industrial production is low as well. This means, that there are no job opportunities in the production sector. The Kosovo market does not have the potential to allocate and accommodate all its labor force. As we have seen that 67% of the total population is the working-age population, and only 30% of them are employed.⁴¹

⁴¹ Kosovo Agency of Statistic, Labor Force Survey Q2 2019

According to the chairman of the Federation of Health Unions of Kosovo (FSSHK), the health care sector in Kosovo has more workers than it can accommodate. He also stated that each year, around 350 students graduate on nursing from a public state university and around 4000 from the private education institutions, by concluding that only a small number of these graduated students have been employed.⁴² As per Kosovo's Chamber of Doctors, they reported that more than 600 doctors are unemployed from which 60 of them are specialists.⁴³

Based on a survey done by the Fredrich Ebert Stiftung, 98% of emigrants stated that they are going for jobs/work. From the 43 people conducted on the survey, 39% of them said that they are unemployed for more than three years, the rest were less than three years. In addition, 88% of total stated that they have been continuously searching for jobs.⁴⁴

4.1.2 PULL FACTORS:

Access to Labor Market - a bigger market

The market plays an important role in the macro and micro level for a country's economy, population and businesses. Large markets provides more opportunities for its working labor force, which in return increases the competitiveness between companies and increases the country's economy by increasing the employment, investments, consumption, purchasing power, GDP per capita and other macro and micro indicators.

Since the Kosovo market does not provide the potential to allocate all its labor force, the supply of labor is higher than then labor demand. Therefore, the Kosovo labor force remains with the

⁴² Blerim Sylja, 2019, Chairman of the Federation of Health Unions of Kosovo (FSSHK), interview with GAP institute

⁴³ Ariana Kasapolli Selani, 2020, "Unemployment boosts doctors' interest in leaving Kosovo", Radio Evropa e Lire

⁴⁴ Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

migration choice. Kosovars continuously are seeking opportunities to migrate to western countries for jobs, careers and education.

Most of them follow training and language courses in advance, to make the process of finding jobs in the destined countries easier and faster, especially the youth are the most attracted group in the western markets where they can easily come to jobs.

According to the World Bank, around 700,000 Kosovars lived in the diaspora as of 2013. The highest number of them live in Germany.⁴⁵ While in 2017, the German Federal Statistical Office reported that 433,000 Kosovars live in Germany and around 66% of them are reported as employed.⁴⁶ Here comes another pulling factor here which is the **European market**. Kosovo still holds the candidate position to join the EU. Furthermore, it still does not have a visa-free regime. This has restricted the Kosovo population more. Integration into Europe is pulling people from Kosovo continuously, as it provides them a larger market within the EU borders due to the free movement of people within the Schengen zone. Besides this, the European market is very diversified. It also attracts the Kosovo workers as they provide work security, training, workers support and social support when not able to work and a lot of other beneficial policies are part of the European labor system, which Kosovo fails to provide in order to attract and keep their labor force. Furthermore, the integration into EU or the visa liberalization would impact on decreasing the illegal migration in Kosovo.

Better living conditions – High wages

Kosovo is the third poorest country in the EU⁴⁷, making its population face difficulties in the most basic things, starting from the basic food products, incomes, purchasing power, social connection,

⁴⁵ World Bank, 2017 “Republic of Kosovo, Systematic Country Diagnostics”

⁴⁶ Kushtrim Sheremeti et al, 2017 “Diaspora Registration”. Ministry of Diaspora et al

⁴⁷ Oishimaya Sen Nag, 2019, The Poorest Countries in Europe”

jobs, health, education and so on. These indicators are the most important ones for well-being, which Kosovo fails to provide.

Better living conditions outside the Kosovo border have been pulling the population to emigrate. A better perspective of life for them and their families, job opportunities, higher wages compared to the Kosovo standard, the quality of health system, education system, social impacts and environment are pulling the labor force of Kosovo to migrate to western countries.

As Germany is the main destination country for Kosovars, wages are among the main reasons why. When comparing on average the net salary per month we see that the net monthly salary in Kosovo is 498 Euro and 2,270 Euro in Germany.⁴⁸

This brings to another pull factor which is the **Market Attractiveness of the Kosovo Labor Force**. Besides the higher incomes, people are also attracted to the opportunity of trying new markets, new jobs. Most of the workers do not have the opportunity to change jobs due to the low market demand. Whereas, in western markets, there is more space for them to explore their skills or expand and gain new skills and knowledge for different fields they may be interested in.

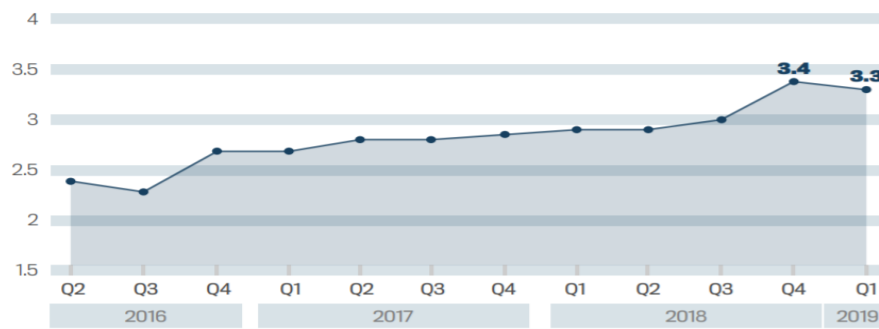
Lack of labor supply in the West – Labor Deficit in Germany

Germany is the largest economy in Europe and fourth-largest economy in the world⁴⁹. The economic growth of the country has caused the labor demand to increase and exceeds the labor supply. This situation was not profitable for the German companies as they needed to increase the wages due to the limited labor supply, also the risk of losing the competitiveness on the global market.

⁴⁸ Kosovo Agency of Statistics, 2019, “Wage Level in Kosovo 2012-2018”
Reinis Fischer, 2018, “Average Salary in European Union 2018”

⁴⁹ Caleb Silver, 2020, “The Top 20 Economies in the World”

Figure 4.6: Job vacancy rate in Germany for all professions



Source: Eurostat⁵⁰

Fig.9- Job vacancy rate has been continuously increasing during the years 2016 and the third quarter of 2018, while we see a significant increase in the Q4 of 2018 and 2019.¹

As claimed by the German Economic Institute, the lack of labor supply costs the economy of Germany around 30 billion euros each year.⁵¹ And thus, Kosovars benefited from the agreements made in recent years, for taking the labor supply from Kosovo to fulfill the labor demand in Germany. From Western Balkan countries, one-third of all applicants were from Kosovo and around 24% of issued working visas were for Kosovo emigrants.⁵² According to FEA, from 2016-2019 Germany granted 77,092 pre-approval for Kosovar emigrants.⁵³

⁵⁰ Eurostat, “Job vacancy statistics”, NACE Rev. 2 activity – quarterly data

⁵¹ Kate Connolly, 2018, “Germany passes immigration law to lure non-EU skilled workers”, The Guardian

⁵² GAP Institute, “The emigration of Kosovo’s labor force to Germany”, 2020

⁵³ Federal Employment Agency

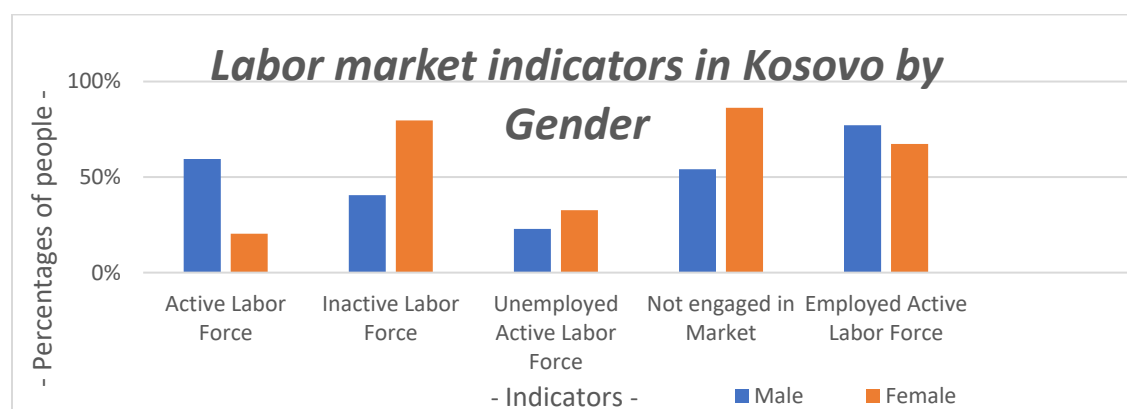
5 ANALYSES AND RESULTS

5.1 THEORETICAL ANALYSES ON LABOR MARKET

5.1.1 Demographic overview

Fig.10 shows that males dominate the working sector. Females consist of only 20% of the active labor force, while 80% of them are inactive labor force by which 86% of them are not engaged with the labor market in Kosovo, while only 67% of the active labor force is employed. In contrast, Male includes 59% of the active labor force and 77% of them are employed, while 54% are not engaged with the labor market.⁵⁴

Figure 5.1: Percentages of Labor market indicators in Kosovo by Gender



Source: Kosovo Agency of Statistic, Labor Force Survey Q2 2019

On estimation by Age, we can conclude that the majority of the population of Kosovo are between 14-65 years (67% of the population) followed by youngest generation from 0-14 (23% of the population) and the lowest one are people with 65+ years (10% of the population)⁵⁵

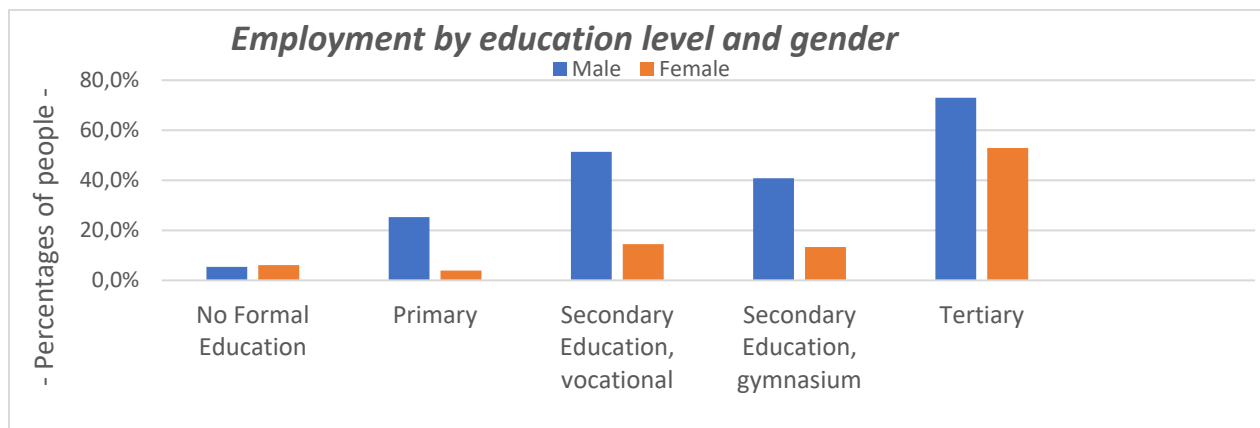
⁵⁴ Kosovo Agency of Statistic, Labor Force Survey Q2 2019

⁵⁵ Kosovo Agency of Statistic, Labor Force Survey Q2 2019

5.1.2 Employment Status and Education

Fig. 11 shows the employment based on education level and also the difference between gender. From the figure below, we can see that higher the education level, higher the opportunity to be allocated into job market. As per gender, here is also a huge discrepancy, we can see that males leads on pursuing higher education, except on tertiary, the difference is not significant here as it is on other levels.⁵⁶

Figure 5.2: Employment by education level and gender



Source: Kosovo Agency of Statistic, Labor Force Survey Q2 2019

⁵⁶ Kosovo Agency of Statistic, Labor Force Survey Q2 2019

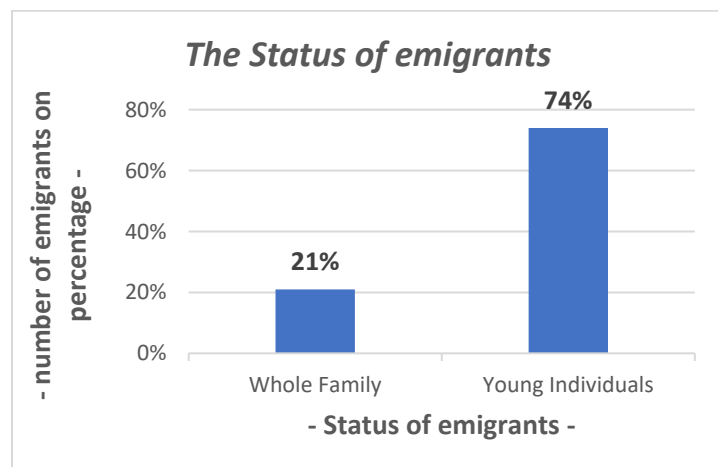
5.2 THEORETICAL ANALYSES ON MIGRATION

5.2.1 Demographic Overview

Based on a report done by FES in 2015, the most frequented people leaving Kosovo in 2015 were the young generation dominated by unemployed males between 20-25 years.

According to the figure below, 74% of migrants are young individuals, while 21% includes the whole family.⁵⁷

Figure 5.3: Status of emigrants in 2015



Most of the emigrants, especially where the whole family emigrated they sold their properties in Kosovo in order to support their traveling and accommodation in targeting destinations. Some of them took loans, some of them were supported by other family members and the rest had their savings.

Source: Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

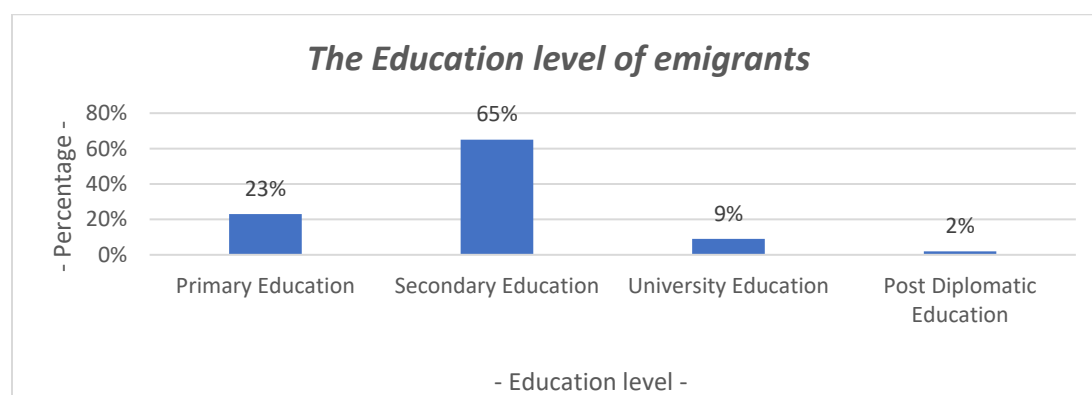
5.2.2 Education and Migration

The figure below shows the education level of emigrants in Kosovo during the end of 2014 and the beginning of 2015 toward the western countries. As we can see, the highest number around 65% of emigrants belongs to the secondary education level, the next level is the ones with primary education at 23%, with university diploma are 9%, but not finding jobs for a long time and the lowest one with 2% consists of the post diplomatic education..⁵⁸

⁵⁷ Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

⁵⁸ Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

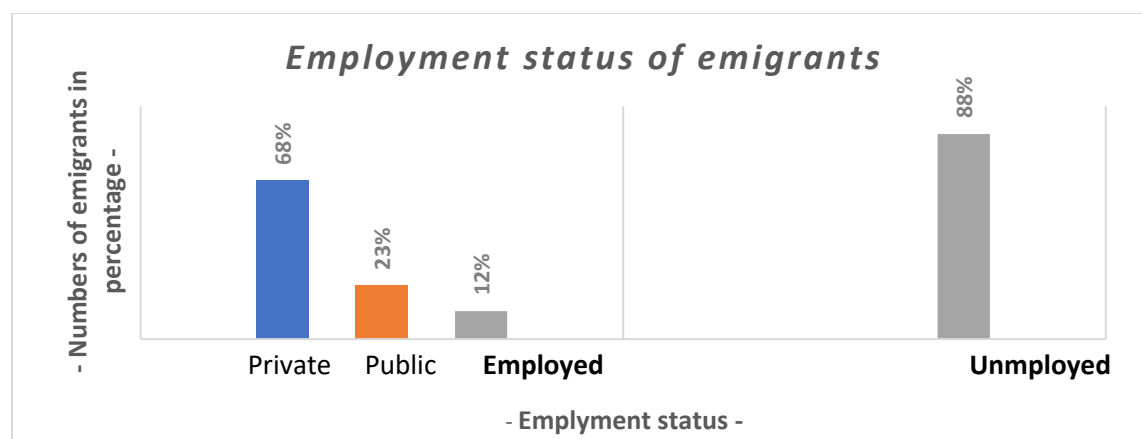
Figure 5.4: The Education level of Emigrants shown on percentage



Source: Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

In Kosovo usually one member per family works, in some cases two per family and in very rare cases there are three or four workers per family. Therefore, the need and desire to have better living conditions triggers them to leave the country and search for job opportunities abroad. Fig.14 shows the employment status of emigrants, which consist to 88% of them as unemployed while 12% of them were employed. Another interesting factor is the private sector. 68% of emigrants were employed in the private sector, while 23% of them in the public sector.⁵⁹ The unregulated system of the private sector remains one of the main factors pushing people to leave the country, while the public sector is very politically infected.

Figure 5.5: Employment status of emigrants



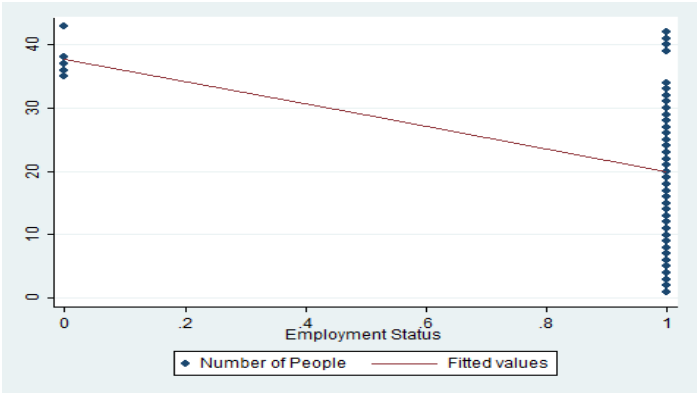
Source: Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and way

⁵⁹ Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

5.3 EMPIRICLAL ANALYSES AND RESULTS

Below are shown the results of Correlation models. Starting with the Scatterplot and Pearson Correlation Coefficient between the Migration and Employment Status:

Figure 5.6: Scatterplot: Migration and Employment Status



Here we see a negative linear relationship between Migration and Employment status. Here we see a negative correlation (negative slope) between these two indicators. As the migration increases, the number of employed people tends to decrease. this means that the number of people that migrate are mostly unemployed people. As the employment rate increases, the migration tends to decrease.

Table 5.1: Correlation between Migration and Employment

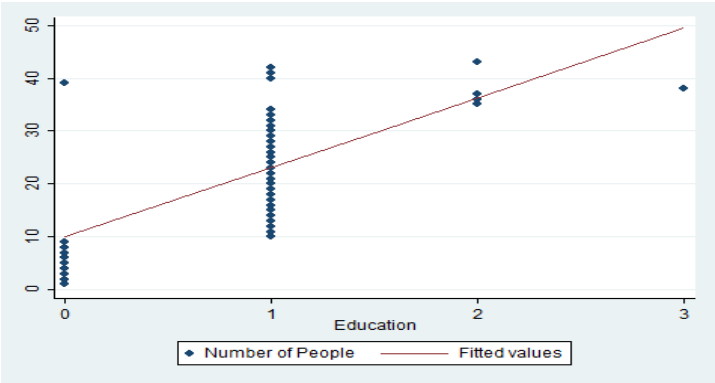
	Number~e Emplo~s
NumberofPe~e	1.0000
Employment~s	-0.4618* 1.0000 0.0018

A moderate negative relationship- As presented in the correlation table above, there is a moderate negative correlation between Number of migrants and Employment, as well as seen above in the scatterplot – there exists a moderate downhill (negative) relationship. The Pearson correlation

coefficient ,r, is -0.4618 which indicates that the less employed individuals are more prone to migrate.

Below are shown the results of Correlation models; Scatterplot and Pearson Correlation Coefficient between the Migration and Education:

Figure 5.7: Scatterplot: Migration and Education



On the scatterplot here, we see a positive linear relationship between Migration and Education. Here we see a positive correlation (positive slope) between these two indicators, because the higher the number of educated people the higher the migration. This means that the number of people that migrate corresponds to educated people. Lower the education level, lower the migration rate.

Table 5.2: Correlation between Migration and Education

	Number~e Educat~n	
NumberofPe~e	1.0000	
Education	0.6761*	1.0000
	0.0000	

A strong positive relationship - As presented in the correlation table above, there is a significant correlation between Number of migrants and Education, as well as seen above in the scatterplot – there exists a strong uphill (positive) relationship. This indicates that the more educated individuals the more they are prone to migration. To be more specific, the Pearson correlation coefficient ,r, is positive 0.676, telling us that the higher the level of education is associated to a greater number of emigrants.

The following tables show the regression results of reasons of emigration as my dependent variable on age, gender, education and employment status.

Reason of Migration - Work:

Table 5.3: Regression on age, gender, education, employment on emigrating for the reason of getting a job

. reg reason_work Age agesq Gender Education EmploymentStatus

Source	SS	df	MS	Number of obs	=	43
Model	.793769197	5	.158753839	F(5, 37)	=	5.28
Residual	1.11320755	37	.03008669	Prob > F	=	0.0009
				R-squared	=	0.4162
				Adj R-squared	=	0.3374
Total	1.90697674	42	.045404208	Root MSE	=	.17346

reason_work	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Age	-.0896226	.1816899	-0.49	0.625	-.4577614	.2785161
agesq	.0283019	.0705738	0.40	0.691	-.1146942	.1712979
Gender	-.0825472	.0866764	-0.95	0.347	-.2581703	.093076
Education	.0896226	.0712291	1.26	0.216	-.0547012	.2339465
EmploymentStatus	-.2853774	.1322791	-2.16	0.038	-.5534004	-.0173544
_cons	.2853774	.1659116	1.72	0.094	-.0507915	.6215463

In this regression I want to see the effect of age, gender, education, employment on emigrating for the reason of getting a job. The main reason I want to use it, is to see the correlation and the direction of this correlation, and not determine causality. In this regression, r squared is 41.62% meaning that 41.62% of the variance of the dependent variable is explained by the variance of

independent variables. My independent variable is a dummy variable which takes value of 1 if the reason of migration is for work and 0 otherwise. I add on the model age and age square to account for the fact that after a specific age the effect may diminish. As it can be seen from results, as age increases the effect on decision to emigrate to work will be negative but then have diminishing effects, holding everything else constant. This can be explained by sample, as first category is 16-17 years old which their primary reason of migration is not to get a job. Nevertheless, this effect is not statistically significant. Gender, shows that 0- Male and 1-Female. The results show that women have less probability to emigrate for reason of working than men, holding everything else constant. However, the effect is also not statistically significant. Another variable which is not statistically significant, but has a positive effect on this type of decision to emigrate is education. Increasing number of education will result in increasing the probability of emigrating given everything else. The variable which is statistically significant is employment status which shows 0-unemployed and 1-employed, and results show that an unemployed person it is more probable to emigrate than an employed person, holding everything else constant.

Reason of Migration – Economic condition:

Table 5.4: Regression on age, gender, education, employment on emigrating for economic

```
. reg reason_econ Age agesq Gender Education EmploymentStatus
```

Source	SS	df	MS	Number of obs	=	43
Model	1.83741956	5	.367483911	F(5, 37)	=	7.59
Residual	1.79048742	37	.048391552	Prob > F	=	0.0001
				R-squared	=	0.5065
				Adj R-squared	=	0.4398
Total	3.62790698	42	.086378738	Root MSE	=	.21998

reason_econ	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Age	.5790094	.2304243	2.51	0.016	.1121254 1.045894
agesq	-.1784591	.0895037	-1.99	0.054	-.3598108 .0028926
Gender	-.1114387	.1099255	-1.01	0.317	-.334169 .1112916
Education	-.0790094	.0903348	-0.87	0.387	-.262045 .1040262
EmploymentStatus	.5147406	.1677602	3.07	0.004	.1748261 .854655
_cons	.1519261	.2104139	0.72	0.475	-.2744129 .5782651

In this regression I want to see the effect of age, gender, education, employment on emigrating for economic reasons. In this regression, r squared is 50.65% meaning that 50.65% of the variance of the dependent variable is explained by the variance of independent variables. My independent variable is a dummy variable which takes value of 1 if the reason of migration is for economic reasons and 0 otherwise. As it can be seen from results, as age increases, the effect on decision to emigrate will be positive but then have diminishing effects, holding everything else constant. This effect is statistically significant. The results show that women have less probability to emigrate for reason of working than men, holding everything else constant. However, the effect is also not statistically significant. Another variable which is not statistically significant, and has a negative effect on this type of decision to emigrate is education. Increasing number of education will result in decreasing the probability of emigrating given everything else. The variable which is statistically significant is employment status which shows that an unemployed person it is less probable to emigrate than an employed person, holding everything else constant.

Reason of Migration – Better life:

Table 5.5: Regression on age, gender, education, employment on emigrating for better life

```
. reg reason_life Age agesq Gender Education EmploymentStatus
```

Source	SS	df	MS	Number of obs	=	43
Model	.597621398	5	.11952428	F(5, 37)	=	3.38
Residual	1.30935535	37	.035387982	Prob > F	=	0.0130
				R-squared	=	0.3134
				Adj R-squared	=	0.2206
Total	1.90697674	42	.045404208	Root MSE	=	.18812

reason_life	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Age	-.4893868	.1970478	-2.48	0.018	-.8886435	-.0901301
agesq	.1501572	.0765392	1.96	0.057	-.004926	.3052404
Gender	.1939858	.094003	2.06	0.046	.0035177	.384454
Education	-.0106132	.0772499	-0.14	0.891	-.1671364	.14591
EmploymentStatus	-.2293632	.1434604	-1.60	0.118	-.5200416	.0613152
_cons	.5626965	.1799358	3.13	0.003	.198112	.9272811

In this regression I want to see the effect of age, gender, education, employment on emigrating for better life. In this regression, r squared is 31.34% meaning that 31.34% of the variance of the dependent variable is explained by the variance of independent variables. My independent variable is a dummy variable which takes value of 1 if the reason of migration is for better life and 0 otherwise. As it can be seen from results, as age increases, the effect on decision to emigrate will be negative but then have diminishing effects, holding everything else constant. This effect is statistically significant at 5% level. The results show that women have more probability to emigrate for reason of working than men, holding everything else constant. This effect is statistically significant at 5% level. Education and employment Status have negative but insignificant effects. Increasing number of education will result in decreasing the probability of emigrating given everything else. In addition, an unemployed person it is less probable to emigrate than an employed person for a better life, holding everything else constant.

5.4 IMPACT OF MIGRATION IN KOSOVO ECONOMY – BENEFITS AND LOSSES

In a big picture is a paradox if Kosovo is benefiting or losing from this brain drain. We will check on the macro and micro level the effect of this economic migration from Kosovo to the west.

Reduction of human capital: in the long run, this situation of brain drain will not be beneficial for the Kosovo economy. Because, Kosovo continuously is losing qualified labor force, its skilled labor force is finding jobs in foreign countries, meanwhile, this can cause an increase in the wages due to low demand also making companies less competitive. Neither will be beneficial for the destined countries, as job opportunities for nationals will decrease due to the high number of immigrants and the wages may stagnate or decrease due to high demand.

Fiscal Loss: a negative impact of brain drain is the cause of fiscal losses, due to fewer taxes. The labor force is an important factor for a fiscal policy. It increases the budget of the country by paying taxes. In the long run, if the emigration of labor force continues, there will be a fiscal loss.

Distortion in the labor market (occupations): The same worker can earn very different wages depending on in which country they work.⁶⁰ This has caused, the youth to seek more for the professions that are needed in the foreign markets and causing the labor distortion in the country of origin.

Economic Growth: In a country level, the current account of a host country can be affected due to the outflow of money in the home countries by immigrants - Remittances. As per Kosovo, remittances have always been an important factor for the country's economy.

⁶⁰ Clemens, Montenegro, and Pritchett 2008;
McKenzie, Stillman, and Gibson, 2010

Economic models of neoclassical growth suggest that emigration increases per capita income in sending countries (via remittances) and therefore accelerates economic convergence.⁶¹

As announced by the Central Bank of Kosovo, 57 million euros in cash inflow to Kosovo in a form of remittances in 2015, followed by the next year 2016 which was 56.7 million euros.⁶² In addition, as per the estimation of World Bank, 566 million euros of remittances as a whole, through banks and money transfer agencies entered the country in 2015.⁶³ Kosovars living and working abroad sends back a huge amount of money to their home country. They also spend a lot of money when visiting Kosovo and most of them visit Kosovo twice per year. Besides this, they also invest domestically, such as in business and real estate and increase consumption. According to the IMF, remittances are one of the main bones of Kosovo's economy. As per their estimation, remittances were ranked first among the factors of Kosovo's economic growth, "Recovery is driven by accelerating remittance and FDI inflows, stronger banking credit, and solid exports,".⁶⁴

Another benefit is that this will stimulate the education of citizens, increase their skills, their knowledge with the international experience. They will be exposed to foreign policies, regulations that can implement then in their home country.

⁶¹ Valbona Zeneli, 2017, "Migration, Brain Drain and the Western Balkans", The Globalist

⁶² Rrahman Ramaj, 2016, "Surge in Remittances Powers Kosovo's Recovery", BalkanInsight

⁶³ Rrahman Ramaj, 2016, "Surge in Remittances Powers Kosovo's Recovery", BalkanInsight

⁶⁴ Rrahman Ramaj, 2016, "Surge in Remittances Powers Kosovo's Recovery", BalkanInsight

6 CONCLUSION AND RECOMMENDATIONS

6.1 POLICY RECOMMENDATIONS

Over the last decade, all governments of Kosovo have been constantly adapting migration policies. A year after independence in 2009, two policies were adapted, "Migration Action Plan" and the "Global Migration Policy" were introduced and approved by the Kosovo Parliament with the goal of building a barrier and prevent the illegal migration of citizens of Kosovo. In 2013 with a new policy "Migration and Action Plan 2013-2018", was adopt in order to develop a long-term strategy for managing illegal migration. However, these policies have not been successful in managing migration flows in recent years. Apart from the fact that there has always been an attempt by the Government to stop the migration of its citizens, the strategies implemented have not been effective in addressing the migration problem.

However, the paper lists a few policy recommendations which are necessary to manage the economic migration of the Kosovo workforce:

Private sector labor legislation: a coordination and regulation between public and private sector must be consistent with the identification of the most competitive sectors. The average wage in private sector should be in the same line with the average wage in the public sector. Also, the health insurance contracts should be an obligation for any company.

Once the private sector is regulated and meets the demands and needs of the workers, migration of the working force will be reduced. Labor law must be strictly adopted in the private sector which needs to meet the official working criteria according to the labor law for offering a sustainable and secure work position for the labor force. This policy will eradicate the discrepancy between the public and private sector in Kosovo.

Stimulation of domestic production - Kosovo has a trade deficit or negative trade balance because the country's imports are greater than its exports. However, most of the products that Kosovo imports from outside, can be produced domestically.

Kosovo is an underground mineral-rich land. The state can stimulate and invest in this field, therefore along with the economic growth; the employment will increase as well, because a new jobs would be generated. In addition, Kosovo has the potential to stimulate the agriculture as it is rich in agriculture resources. Hence, agriculture sector would contribute on domestic production. Meanwhile, government could establish an economic relationship with neighbor countries or EU countries to exports agriculture products. Such process, would boost economic growth and creating new jobs for the Kosovo labor force. Moreover, promoting the competitive development of the private sector in order to stimulate and attract investment in the domestic market would increase the capacity of domestic companies to expand their market share and increase labor demand. In addition, their needs should be connected between domestic producers and retailers/suppliers. Retailers should be selling domestic products instead of importing products. That will boost domestic growth and reduce imports. The growth of the private sector is a crucial factor in Kosovo in allocating and keeping its labor force to the domestic market.

Link of Education System to Market – Education is linked to the country's development and plays an important role in economic growth, particularly in developing countries. And the educated / qualified population is a country's strength. Education contributes to many sectors, it reduces poverty, it raises awareness of the population, knowledge, skills, it promotes economic development, it raises employment opportunities, it contributes to GDP increase. The objective of education system is to provide professional labor force capable of filling the gaps in the domestic market. Market's needs should be identified as requirements to be followed when designing

education policies. Coordination should be established between education's policymakers and business representatives. In enforcing education policies and regulations, appropriate market data needs to be collected and evaluated, in order to prepare qualified and adequate labor force for the market, because the majority of unemployed people in Kosovo have diplomas, but they have unneeded skills for the market. The market demands are not in correlation with the population qualification. As a result, there is skills gap in Kosovo, as there is a significant disparity between the education system and the needs and demands of the market. A policy of linking the education system and the market would therefore contribute to reducing unemployment, boosting economic growth, increasing people's right qualifications and allocating them properly in the market.

Training Programs - Statistical data should be collected for the most affected sectors, lack of unskilled labor force or data from sectors with high labor demand are needed. It is necessary to establishment of state professional institutions to provide professional vocational training programs according to the market needs and demands in order to creates and expands the skills of the labor force and not only are efficient and profitable for people/employees but also are profitable for businesses. Training programs provide workers new skills which can help them to find jobs in the market and on the other hand, it provides companies with qualified labor force which in long term contributes to better performance. Kosovo market suffers from the shortage of skilled labor force in some sectors which could easily be fulfilled with professional vocational training and would reduce unemployment. As a result, the value of the employees will increase, the employee turnover will decrease, the performance will increase, the productivity will increase by which both market players will benefit and at the end of this chain, this will contribute positively to the state economy and also on reducing the number of emigrants, because they will have more job opportunities.

6.2 CONCLUSION

This study aims to identify the principal drivers of economic migration of the labor force in Kosovo. It is motivated by the fact that Kosovo has the youngest population in Europe and yet, it is ranked among the countries with the highest rate of youth unemployment and migration.

The study shows that unregulated labor market, lack of rule of law and lack of effective policies in Kosovo have affected the country's labor market and economic migration resulting in changes in population dynamics – rising the population of the third generation while the young population leaves the country.

The economic and political situation in Kosovo is forcing people to leave the country of origin and emigrate in search of better living conditions for them and their families to other countries.

In relation to my thesis question, my findings present two main conclusions:

First, economic conditions; the high unemployment rate, the very low wages and financial conditions, the cost of living, health care and education system. This study shows that 91% of the emigrants, left the country because of the economic situation and 88% of emigrants were unemployed according to the job status.⁶⁵

Kosovo has no potential to accommodate all of its labor force, however, labor irregularities have affected the labor supply to migrate even more. On the other hand, the unregulated labor market especially in the private sector has made it difficult for Kosovars to live in their country and has caused many labor market distortions. The private sector suffers from irregularities, does not offer safety and stable job position, while the public sector in Kosovo is suffocated from corruption, organized crime. Moreover, lack of investments and business support is missing. Therefore, Government should create an attractive investment business

⁶⁵ Friedrich Ebert Stiftung, 2015, The Kosovo Torrent to EU: People, Reasons and ways

environment. Having a competitive business climate for young people to enter and remain on the Kosovo market will minimize the amount of economic migrants as more than 90% migrates because of unemployment.

Second, the unlinked education system to the market demands and needs in Kosovo. In other words, Kosovo is educating its labor force for the foreign market instead of its market. A considerable number of emigrants consists of the qualified labor force that their skills do not corresponds to the market needs and demand in their country of origin. The policy in the Education curricula will help on re-structuring the labor force and reduce he professional distortions in the market.

Through another economic perspective, It is worth to noting that Kosovo is benefiting from diaspora when it comes to remittances. Kosovo 's economy is continuing to grow because of the high inflow of cash and investments by Kosovars living abroad in Kosovo. In other words, Kosovo's diaspora is what holds the economy and society alive.

Having a huge number of a working force population in position, Kosovo can be attracted to foreign direct investments. New emerging approaches will make the Kosovo market attractive for investments and will help to turn its labor force into an asset for Kosovo's economy. In turn, helping domestic firms increase their market share, build incentives or grants for start-up firms would also generate a wider labor pool for their workforce.

Based on the results and analyzes for this report, I can conclude that if the policy-makers and government do not make any improvements to the labor and education system, Kosovo will soon be facing new significant waves of migration from the professional labor force, as young Kosovars are getting enriched with new skills each day, so that they can be easily accommodated in foreign markets.

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