

11 Employment policy (Dimension 8)

Employment is central for economic development and social inclusion. This chapter aims to assess the employment regulatory framework and policies, and the institutional capacity to implement them, in the six Western Balkan economies (WB6). It explores whether they are likely to enhance the quantity and quality of employment, promote skills development, and allow labour market participation for all, including vulnerable groups and minorities. It considers four sub-dimensions. The first considers the labour market governance system, including the resourcing of inspectorates and efforts to reduce informal employment. The second, skills, looks at mismatches between the supply and demand for skills and the policies in place to identify and address mismatches. The job quality sub-dimension assesses the quality of earnings and policies to ensure men and women have equal access to high-quality jobs. The final sub-dimension considers activation policies, and the work of public employment services to implement the mutual obligation framework and active labour market programmes aimed at reducing unemployment and inactivity. Each sub-dimension provides recommendations for the way forward across the region.

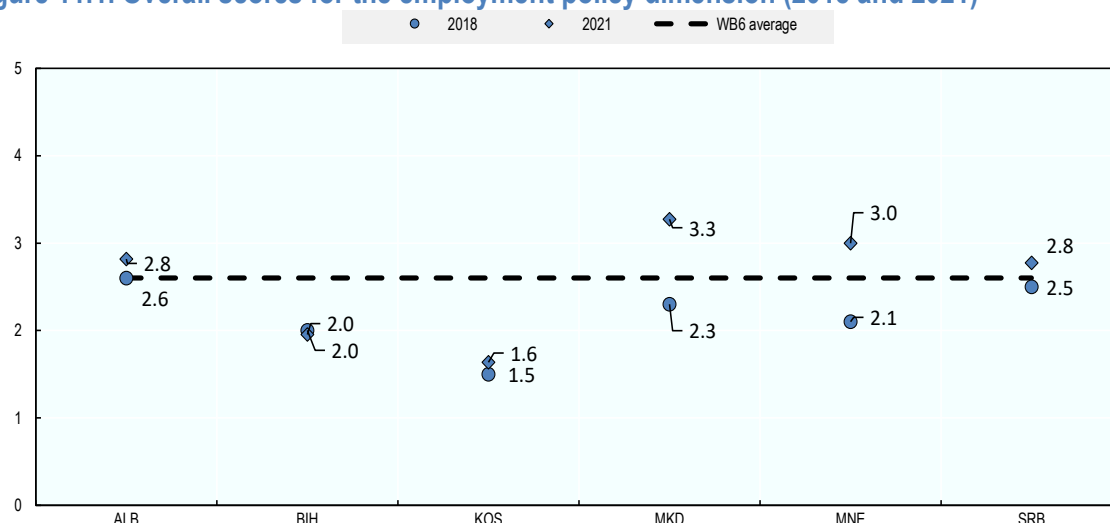
Key findings

- **Employment rates have risen but are still below the averages for the European Union (EU), Central and Eastern European (CEEC) and OECD economies.** Rates of temporary employment, self-employment and informal employment are comparatively high, and unemployment rates are very high, well above the EU, CEEC and OECD averages. Job retention schemes have limited the impact of the COVID-19 pandemic on employment in many of the WB6 economies, but the informally employed have been negatively affected.
- **Economies vary in the alignment of their employment frameworks with the EU *acquis*.** Some economies have increased labour market flexibility and improved regulatory frameworks for non-standard forms of work. The regulatory frameworks for occupational health and safety have been improved, although they still have a long way to go. Implementing the frameworks has proven to be the most challenging aspect. Labour inspectorates still generally have limited capacity, and tackling informal employment remains a key challenge. Some economies have started to improve inter-agency co-operation and work methods.
- **Workplace representation and collective bargaining remain weak,** with some variation across economies. Tripartism plays a more important role in regulating employment-related issues, with the economic and social councils consulted about key issues, such as the minimum wage. However, tripartite social dialogue could be improved, and the capacity of the economic and social councils strengthened. No assessments have been done of the impact of the minimum wage level on either informal employment or poverty reduction.
- **High unemployment rates are combined with skills shortages.** Most economies have made significant progress in analysing skills mismatches and have started to set up strategies to reduce them. Recent improvements have been made to help young people gain work experience. Nevertheless, overall, the education system is failing to produce the skills employers need, school-to-work transition mechanisms are poor, participation in upskilling and skills adaptation activities among both the employed and unemployed is low, and emigration exacerbates skills shortages and skills gaps.
- **Participation of adults in job-related learning activities is below the EU average.** The low skill levels of older adults will hinder their employment opportunities when conditions improve. Adult learning initiatives consist mainly of systems to recognise and validate prior learning and some small-scale measures for the low-skilled and unemployed.
- **Women's employment and activity rates have risen significantly** but remain below the EU and OECD averages. Female employment is particularly low in Bosnia and Herzegovina and Kosovo. Low activity rates significantly increase the numbers at risk of poverty.
- **The capacities of the region's public employment services (PESs) have improved,** with the introduction of tools to profile the unemployed and individual job seekers' action plans. Improvements have also been made in targeted active labour market programmes (ALMPs), although vulnerable groups and minority groups are still less well covered. Co-operation with local social services has improved but social services have limited capacity. Unemployment benefits and means-tested minimum income schemes are not very generous and job-search requirements are not well implemented. Low PES budgets for staff and ALMPs limit the effectiveness of activation policies.

Comparison with the 2018 assessment

On average, the WB6 economies have achieved higher scores for this dimension in the 2021 assessment than they did in 2018 (Figure 11.1). However, progress has been uneven. While North Macedonia and Montenegro have made the most noticeable improvement, Kosovo and Bosnia and Herzegovina have made no progress. These two economies recorded the lowest scores in the 2021 assessment.

Figure 11.1. Overall scores for the employment policy dimension (2018 and 2021)



Note: Scores for 2021 are not directly comparable to the 2018 scores due to the addition/removal of relevant qualitative indicators. Therefore, changes in the scores may reflect the change in methodology more than actual changes to policy. The reader should focus on the narrative parts of the report to compare performance over time. See the Methodology and assessment process chapter for information on the assessment methodology.

Implementation of the Competitiveness Outlook 2018 recommendations

Progress on implementing the policy recommendations made in the CO 2018 has been moderate overall (Table 11.1). The main advances have been in improving the regulatory framework and applied methods, while improvements to institutional capacities in terms of staffing and sustainable budgets have been limited. There are wide differences in implementation across the economies.

Table 11.1. Implementation of the CO 2018 policy recommendations: Employment policy

Competitiveness Outlook 2021		
2018 policy recommendations	Main developments during the assessment period	Regional progress status
Fully implement measures set out in strategies and action plans	Implementation of strategies and action plans varies considerably among economies in the region and across policy fields. Significant improvements have been made in promoting female employment and reducing youth unemployment and rates of those not in employment, education, and training (NEET). Low female employment and very high youth unemployment remain key challenges in Bosnia and Herzegovina and Kosovo. There was limited improvement in implementing action plans for labour market inclusion of vulnerable groups and minorities.	Moderate to advanced
Strengthen the capacities of social partners, in particular workers' organisations	There is no or little evidence of much improvement.	None to limited
Continue to tackle informal employment	There is no evidence of significant improvement yet, although some economies have started to set up dedicated and encompassing strategies (e.g., Kosovo). Implementation of these strategies remains challenging. Some economies have improved the transparency and working methods of labour inspectorates (e.g., Albania, Montenegro and Serbia). However, the overall capacities of labour inspectorates have not improved much.	Limited
Improve activation policies and create an effective institutional setup	Important progress has been made in the design and targeting of ALMPs. However, budgets spent on ALMPs remain very low (particularly in Kosovo) given the level of unemployment and long-term unemployment. PES staff's caseloads are still too high when dealing with vulnerable groups, especially in Bosnia and Herzegovina, Kosovo, and Serbia. Some vulnerable groups are not well represented among participants. There has been no (significant) progress in terms of budgets and little to moderate progress in linking social and employment policies.	Moderate
Strengthen the capacity and infrastructure of public employment services (PES)	Significant progress has been made in strengthening PES's working methods. Labour market information systems have been improved. No or little progress has been made to increase the number of PES staff or to reduce counsellors' caseloads. Little improvement has been made to employer services.	Moderate
Improve skills matching and ensure that training measures are effective	Important improvements have been made in the design of tracer studies in some economies (Albania and Serbia) and the conduct of skills needs surveys. The measuring of skills mismatches has been improved (in Albania, Montenegro, North Macedonia and Serbia) or is underway. Workplace-based training modules have been introduced into vocational education and training (VET) curricula and the promotion of internships improved in some economies (e.g. Montenegro, North Macedonia and Serbia).	Moderate
Improve job quality by targeting the factors that affect earnings, job security and the quality of the working environment	There have been few improvements to labour productivity except in Bosnia and Herzegovina. There has also been little improvement in monitoring working conditions and accidents at work. However, progress has been made in developing and implementing occupational health and safety at work frameworks.	Limited

Introduction

The quality and inclusiveness of employment should be central policy priorities, as much as job creation, while resilience and adaptability are important for good economic and labour market performance in a changing world of work (OECD, 2018^[1]). This calls for policies and institutions that protect workers and foster inclusiveness but also allow workers and firms to adapt to technological change, increase productivity, and reach good and sustainable outcomes. The key outcomes targeted by the employment policy dimension are an increase in the employment rate and a reduction in unemployment. Skilled workers

are a key asset for competitiveness and technological development and are essential to attracting investment into the region (OECD, 2019^[2]).

Other policy areas also have an important impact on employment. Policies geared toward improving competitiveness and modernising economies increase labour productivity and are thus the basis for increasing wages and purchasing power. This links the employment chapter to some of the following chapters in this publication:

- **Chapter 7. Tax policy.** Tax policies and the social protection system can create incentives for people to work in the formal economy and move from informal to formal employment and can also encourage investment in lifelong learning, which benefits the economy as a whole.
- **Chapter 9. State-owned enterprises.** Differences between wages in state-owned enterprises and the private sector have an impact on labour allocation and potential skills shortages in the private sector.
- **Chapter 10. Education policy.** Education is central to providing the workforce with the skills in demand in the labour market as well as allowing economies to modernise and advance digitalisation, innovate and grow. In turn, well-educated workers have better employment and working conditions. There is a danger that skilled workers will move abroad if they cannot find attractive employment opportunities and career prospects in the region. Conversely, ties with the diaspora in the areas of research, investment and entrepreneurship have the potential for valuable knowledge transfer.
- **Chapter 14. Transport policy.** Transport investment has the potential to reduce employment barriers, particularly for women in rural areas.
- **Chapters 15 and 16. Energy policy and environment policy.** These policies, and policies for greening the economy, require the development and adaptation of relevant technical and cross-cutting skills.
- **Chapter 18. Tourism policy.** The tourism sector is labour-intensive so tourism strategies have an impact on employment.
- **Chapter 19. Anti-corruption policy.** Anti-corruption measures may help to reduce informal employment.

From an employment perspective, sector policies need to strike a balance between tapping into the potential for additional employment opportunities (e.g., in rural areas), and addressing employment conditions. The efficient provision of social and health services and the close co-operation between employment and social policy actors is key for bringing vulnerable groups into the labour market. The provision of childcare and elderly care services is a precondition for promoting female employment.

Assessment framework

Structure

This chapter assesses policies related to employment in the WB6 in four broad sub-dimensions:

1. **Sub-dimension 8.1: Labour market governance** measures whether there is a co-ordinated, strategic government approach to labour standards, and to what extent it has been implemented. It considers the range of policies, norms, laws, regulations, institutions, and processes that influence the demand and supply of labour as well as employment quality, covering the regulatory framework, labour inspectorates, employment policy framework, and social dialogue and tripartism.
2. **Sub-dimension 8.2: Skills** assesses whether there is a co-ordinated, strategic government approach to skills development, and to what extent it has been implemented so that the incentives

are in place to reduce skills gaps and encourage upskilling and skills adaptation, focusing on reducing skills mismatches and adult learning.

3. **Sub-dimension 8.3: Job quality** assesses the policy approach to quality earnings, including wage setting mechanisms, and social security contributions and taxes. It looks at whether they strike a balance between providing decent pay, social protection, and incentives for formal employment (OECD, 2018^[1]). It also considers whether there are policy mechanisms to promote female employment and how effective they are.
4. **Sub-dimension 8.4: Activation policies** looks at the policy, legal and institutional arrangements for activation policies, which aim to bring more people into the labour force and into jobs (OECD, n.d.^[3]). It considers the economies' public employment services, mutual obligation frameworks, and active labour market programmes.
5. **Two crosscutting sub-dimensions: Informality and brain drain** have been included as separate indicators in the questionnaire, and are being dealt with in this chapter across the sub-dimensions where relevant. **Informal employment** may take various forms. It generally includes employment in unregistered enterprises, and employment in registered enterprises but which is not registered or only partly declared for the purposes of income tax and social security contributions, and thus contributes less to state revenues than it should. Informal workplaces may be unsafe and unhealthy, employment conditions may be below legal or collectively agreed minimum standards, workers may participate less in lifelong learning, and may be badly protected against illness, unemployment, and old age (pensions). **Brain drain** may be a result of high net emigration of skilled labour causing skill shortages and hindering economic development. While it is important to understand which factors push workers to work abroad it is equally important to know who returned, how return migration is managed and more generally how the transmission of skills is organised and what policies are in place to reap benefits from emigration (Moon and Shin, 2018^[4]).

Figure 11.2 shows how the sub-dimensions, and their indicators, make up the employment policy dimension assessment framework. The assessment was carried out by collecting qualitative data with the help of questionnaires filled out by governments, as well as virtual interviews undertaken with relevant non-government stakeholders for this sub-dimension. Alongside these qualitative inputs, quantitative data on relevant indicators – provided by the economies' statistical offices, relevant ministries and agencies, and other databases – formed an integral part of this assessment. For more information, see the Assessment methodology and process chapter.

Figure 11.2. Employment policy dimension assessment framework

Employment policy dimension			
Outcome indicators <ol style="list-style-type: none"> 1. Employment rate (of 15-year-olds and over), by age, gender, education 2. Unemployment rate (of 15-year-olds and over), by age, gender, education 3. Inactivity rates (of 15-year-olds and over), by age, gender, education 4. Employment growth, by age, gender, education 5. Unemployment growth, by age, gender, education 6. Real average wages / productivity growth 			
Sub-dimension 8.1 Labour market governance	Sub-dimension 8.2 Skills	Sub-dimension 8.3 Job quality	Sub-dimension 8.4 Activation policies
Qualitative indicators <ol style="list-style-type: none"> 1. Regulatory framework 2. Labour inspectorates 3. Employment policy framework 4. Tripartism and social dialogue 	Qualitative indicators <ol style="list-style-type: none"> 5. Skills mismatch 6. Adult learning 	Qualitative indicators <ol style="list-style-type: none"> 7. Quality earnings 8. Policies to promote female employment 	Qualitative indicators <ol style="list-style-type: none"> 9. Public employment services (PES) 10. Mutual obligations framework 11. Active labour market programmes
Cross-cutting sub-dimension <ol style="list-style-type: none"> 12. Informality 13. Brain drain 			
Quantitative indicators <ol style="list-style-type: none"> 1. Share of self-employed among all employed 2. Share of temporary employment 3. Number of staff of labour inspectorates 4. Trade union density (number of trade union members as a share of all workers) 5. Company with health and safety delegates 6. Long working hours 7. Physical health risk factors 	Quantitative indicators <ol style="list-style-type: none"> 8. Participation of workers in training 	Quantitative indicators <ol style="list-style-type: none"> 9. Average wages (changes, PPP) 10. Net minimum wage / net average wage 11. Share of women in management 	Quantitative indicators <ol style="list-style-type: none"> 12. Ratio of staff in public employment service to number of registered unemployed 13. Public expenditure active labour market policies by category 1-7 (ALMP) (% of GDP) 14. Ratio of passive measures / spending on ALMP 15. Ratio number of registered unemployed at the PES to registered vacancies at the PES as off 30 June of a given year; December of a given year 16. Number of benefit recipients, differentiated by unemployment benefit, social assistance, disability benefits
Cross-cutting quantitative indicators <ol style="list-style-type: none"> 17. Informal employment (% of total non-agricultural employment) 18. Stock of nationals living abroad 			

The leaders of the WB6 endorsed the Common Regional Market (CRM) 2021-2024 Action Plan (AP) at the Berlin Process Summit held on 10 November 2020 in Sofia. The action plan is made up of targeted actions in four key areas: 1) a regional trade area; 2) a regional investment area; 3) a regional digital area; and 4) a regional industrial and innovation area.

In the regional trade area, the WB6 economies commit to closely align rules and regulations with the core principles governing the EU Internal Market, based on the “four freedoms”: enabling goods, services, capital and people to move more freely across the region. The action plan includes measures to 1) enable mobility for students, researchers and professors; 2) introduce freedom of movement on the basis of IDs within the WB6 economies; 3) to remove work permits for intracompany transfers and contractual service providers; and 4) enable the portability of social rights. These measures have also been central for the EU since the Treaty of Rome in 1958. The findings of this employment policy assessment can inform the implementation of the actions in this plan. Box 11.2 assesses the current regional migration situation, while Box 11.6 looks at progress in human capital development and fighting brain drain, another objective of the action plan.

Key methodological changes to the assessment framework

There have been some major changes to the assessment framework since the 2018 assessment. Two cross-cutting policy areas have been introduced: informal employment and brain drain. The social economy sub-dimension has been removed due to unavailability of data. To better align with the 2018 OECD Jobs Strategy, a new skills sub-dimension has been added. The adult learning qualitative indicator now includes the old employee trainings indicator and the continuing education and training indicator of the 2018 education dimension. The qualitative indicators in the former activation policies sub-dimension have changed focus and been renamed to align better with the OECD Activation Policy Framework (OECD, 2015^[5]). The old employment framework indicator has been changed to regulatory framework. The former skills gap analysis indicator has been integrated into the skills mismatch indicator.

Employment performance and context in the WB6

Employment has generally risen between 2015 and 2019; average employment rates for the region rose by 4.6 percentage points (p.p.) and unemployment fell by -7.9 p.p. before the COVID-19 pandemic.¹ Nevertheless, the employment rate remains markedly below the EU, CEEC-11² and OECD averages and unemployment was still very high in the WB6 compared to EU and OECD economies in 2019 (Figure 11.3). The inactivity rate is also high in the region (32%) and is worryingly high in Bosnia and Herzegovina and Kosovo.

The impact of the COVID-19 pandemic on employment, unemployment and inactivity varied quite significantly across WB6 economies. Figure 11.4 shows how employment rates changed between the third quarter of 2019 and the third quarter of 2020 for five WB economies for which data are available, and the EU. In Albania, North Macedonia, and Serbia, the impact of COVID-19 was similar to the EU average.

Figure 11.3. Employment and unemployment rates among 15-64 year-olds (2019)

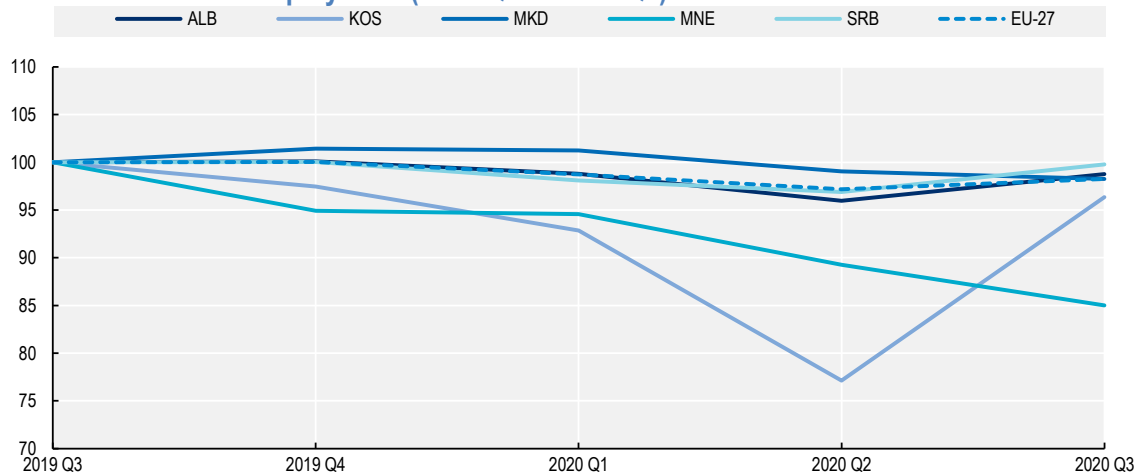


Note: The CEEC-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Source: (Eurostat, n.d.^[6]), *Labour Force Survey* for EU, Montenegro, North Macedonia, Serbia; (Instat, 2020^[7]), *Women and Men in 2020* for Albania, (ASK, 2020^[8]), *Labour Force Survey 2019* for Kosovo; (BHAS, 2019^[9]), *Labour Force Survey 2019* for Bosnia and Herzegovina; OECD average: (OECD, n.d.^[10]), *Labour Force Survey*.

StatLink  <https://doi.org/10.1787/888934254107>

Figure 11.4. Evolution of employment (2019 Q3 to 2020 Q3)



Note: 2019 Q3=100. Data for Bosnia and Herzegovina are unavailable.

Source: (Eurostat, n.d.^[6]), *Labour Force Survey* for EU, Montenegro, North Macedonia, Serbia; Instat for Albania; ASK for Kosovo.

StatLink  <https://doi.org/10.1787/888934254126>

The WB6 economies have introduced job retention schemes, employment incentives and access to more generous welfare benefits in order to mitigate the labour market impact of the pandemic Box 11.1. Job retention schemes have been widely used in the EU to contain unemployment. In most EU economies face-to-face services were suspended during the first lockdown and taken up thereafter and as a consequence digitalisation has been accelerated (Duell, 2020^[11]).

Box 11.1. Action by the WB6 economies to reduce the impact of COVID-19 on the labour market

In **Albania**, registered unemployment rose by 30% between March and September 2020. About 32% of registered jobseekers applied for unemployment benefits over this period and the number of benefit recipients increased by 50%. Unemployment risks have been significantly higher for the low-skilled; those performing trade, services and elementary occupations; and the informally employed. This led to an increase in the number of economic aid recipients by 19% between March and September 2020.

In **Bosnia and Herzegovina**, registered employment fell by 2.2% in 2020 Q2 compared to 2019 Q2. In July 2020, registered unemployment had risen by 4.7% compared to the previous year. The International Labour Organization (ILO) estimates that the pandemic constitutes an employment risk for 88% of informal workers (ILO, 2020^[12]). Job retention measures were put in place to mitigate the impact of the crisis on workers.

In **Kosovo**, employment rates fell significantly between the first and second quarters of 2020 but bounced back in the third quarter. Changes in the employment rate had a bigger impact on inactivity than on unemployment according to the Labour Force Survey (LFS) (ASK, 2021^[13]). However, the number of registered jobseekers increased by over 50%, due to expected unemployment and welfare benefits linked to COVID-19. Support was also provided to private sector companies for each employee on their payroll for March and April 2020. Firms also received a subsidy for each new employee hired on a minimum one-year contract during the crisis. A scheme for regularising informal employed has been set up.

In **Montenegro**, the number of registered unemployed in September 2020 was 28.8% higher than in September 2019, while the number of unemployed increased by 10.7% over the same period according to LFS data (MONSTAT, 2021^[14]). Between January and September 2020, the number of registered vacancies fell by 32.2%.

In **North Macedonia**, the number of unemployed fell by 5.5% between the third quarter 2019 and the third quarter 2020 but inactivity increased. A short-time work scheme has been set up with the support of the World Bank to cope with the labour market impact of the pandemic.

In **Serbia**, the COVID-19 pandemic has had only limited effects on the labour market so far. The crisis mainly hit the informally employed. Among the formally employed a rise in unemployment was avoided and the number of LFS unemployed even continued to fall (by 5.3% between the third quarter of 2019 and the third quarter 2020), although the decrease was slower than the previous year. The introduction of a job preservation scheme by the Ministry of Finance has had a positive impact. It takes the form of a wage subsidy scheme (at the level of minimum wages from March to May, and half the minimum wage thereafter) for micro and small and medium-sized enterprises (MSMEs) affected by the pandemic.¹ Take up of this measure was very high, covering roughly half of the employed, although workers on non-standard forms of employment have mostly not been covered by this measure.

1: The only criterion was that companies did not cut employment by more than 10% (CEVES / World Bank, 2020^[15]; Government of Serbia, 2021^[16]).

Source: Information from WB6 governments and (OECD, 2021^[17]), *The OECD and South East Europe: Covid-19 Response*, www.oecd.org/south-east-europe/; (Eurostat, 2020^[18]), *European Union Labour Force Survey: 2019 dataset*, <https://ec.europa.eu/eurostat/documents/203647/1004071/EU+LFS+DOI+2020v1.pdf>.

Labour market governance (Sub-dimension 8.1)

Effective labour market governance is paramount to ensuring high-quality jobs as well as developing flexible, socially inclusive, and proactive labour markets. Strong governance, clear directions, and independent regulation and enforcement help ensure labour markets are responsive and also give strong signals to investors. The scores for the four qualitative indicators under this sub-dimension vary quite substantially from one economy to the other, with scores ranging between 1.8 and 3.3 (Table 11.2). North Macedonia and Montenegro have achieved the highest scores, both scoring above average across the board for the sub-dimension. Kosovo and Bosnia and Herzegovina have the lowest scores for all indicators, particularly for regulatory frameworks and tripartism and social dialogue in Kosovo, and for employment policy frameworks in Bosnia and Herzegovina.

Table 11.2. Scores for Sub-dimension 8.1: Labour market governance

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 8.1: Labour market governance	Regulatory framework	3.0	2.0	1.5	3.0	3.0	2.5	2.5
	Labour inspectorates	3.0	2.0	2.0	3.0	3.5	3.0	2.8
	Employment policy framework	2.5	1.8	2.0	3.5	3.0	3.5	2.7
	Tripartism and social dialogue	2.5	2.5	1.5	3.5	2.5	2.5	2.5
Sub-dimension average score		2.8	2.1	1.8	3.3	3.0	2.9	2.6

Regulatory frameworks have improved but full implementation is challenging

Regulating employment and working conditions is key to ensuring high-quality jobs, which in turn protects workers, reduces incentives to work abroad and helps economies move up the value chain. Improving the quality of the work environment also helps people to prolong their working lives, which is particularly important where populations are rapidly ageing. Employment regulations encompass regulations on health and safety at work, working time, paid holidays, formal labour contracts and non-standard forms of employment.

The WB6 economies have started to adapt their regulatory frameworks to the EU *acquis*, although progress has been uneven. The economies have mostly advanced in some thematic areas but not all, with further progress planned.³ In Serbia, most of the legislative framework governing the labour market has been aligned with the *acquis*. The Law on Safety and Health at Work is, for the most part, harmonised with EU directives, with recent amendments made on temporary agency work and posting of workers to align with EU legislation. Progress has also been significant in Montenegro and North Macedonia. In Montenegro, the latest changes have increased labour market flexibility and improved labour standards for workers in certain areas, temporary agency work, working time, protection of pregnant workers and parental leave, and regulations of collective dismissals. In North Macedonia recent changes have addressed dismissal rules to allow companies flexibility to adapt employment to the market situation, protect workers from unfair dismissal and increased the re-employment chances of dismissed workers.

Bosnia and Herzegovina does not have a state-level programme for the adoption of the *acquis*, nor has it established adequate horizontal and vertical mechanisms to ensure alignment with EU directives is done properly (EC, 2019^[19]). The two entities – the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS) – have started to harmonise their labour laws with the EU *acquis*.⁴ Progress has been slow in Kosovo (where the relevant draft laws had not been adopted at the time of writing). All the WB6 economies need to identify and address the remaining gaps in their employment regulatory frameworks.

Improving working conditions is a key challenge. For example, the sixth Eurofound survey on working conditions, conducted in 2015, found that 44% of respondents in Albania, 32% in North Macedonia, 30% in Serbia and 23% in Montenegro were not very or not at all satisfied with their working conditions,

compared to only 12% of respondents in the EU (Eurofound, 2016^[20]). Posture-related health risks were particularly high in Albania and North Macedonia, well above the risk in EU economies (Eurofound, 2017^[21]).⁵ The results of the seventh survey, which was still in progress at the time of writing, will shed light on recent improvements. Long working hours and weekend working feature in some of the economies, according to Eurostat LFS data. Some economies have progressed in the area of working time regulation: Montenegro has made improvements to its transparent working conditions, part-time work, work-life balance (i.e., working from home), aligning overtime hours with EU standards, take-up of annual leave, and protection for pregnant workers and workers on parental leave (Karanovic and Partners, 2020^[22]).

Accidents at work mainly occur in the mining, manufacturing and construction industries. The WB6 economies have generally made progress in the area of occupational health and safety. Most of Serbia's health and safety regulation is aligned with the EU *acquis*, Albania has made significant progress, and the FBiH adopted a new law on occupational health and safety in 2020. Kosovo has also made some progress in this area. In addition to the regulatory framework, healthy working environments can be promoted through policies to prevent and address work-related health and safety risks (OECD, 2018^[1]). The WB6 economies need to make significant efforts in this area.

Adequate employment protection for regular workers can promote labour market resilience by preserving job matches that are at risk of being suppressed. However, excessively strict protection risks becoming counterproductive by increasing incentives for the use of temporary contracts. The challenge for public policy is to design employment protection that strikes the right balance between preserving viable jobs and avoiding labour market segmentation (OECD, 2018^[1]). While short-term or casual employment contracts and platform work may bring advantages, including flexibility for both employers and workers, they raise concerns around job quality, improper use of such contracts, fair competition among firms and the sustainability of social protection systems.

Since the last Competitiveness Outlook assessment, for which data was collected in 2017, Montenegro and North Macedonia have made significant progress in increasing labour market flexibility, while protecting specific categories of workers, protecting workers from unfair dismissal (in North Macedonia) and improving working conditions in specific areas. In the FBiH, amendments to the labour law in 2016 reduced rigidities in hiring procedures and have eased dismissals. In contrast, no progress was made in Kosovo, which in 2016 had the least employment protection for fixed-term contracts in the region and a wide gap to the protection level of permanent contracts (OECD, 2016^[23]). Some workers in non-standard forms of work are not fully protected by labour regulations, e.g., they are not entitled to annual leave,⁶ increasing the incentive to employ workers on non-standard contracts. As a result, more than half of workers in Kosovo are on temporary contracts and more than one-fifth are self-employed (the vast majority being solo self-employed or helping family members). On average across the WB6 economies, the self-employed accounted for 23.1% of workers in Q2 2019, much higher than the EU average of 15.3% (in 2018). Those on temporary contracts accounted for 21.9% compared with the OECD average of 11.8% and the EU average of 13.6% in 2019.⁷ There are no specific regulations for employment conditions and social security coverage for gig workers in the region.

Little progress has been made in reducing informal employment

As the self-employed are not registered, self-employment contributes to the informal economy. Informal employment can also occur through not declaring employees, or by declaring only part of their hours worked and wages (envelope wages). Informal employment fosters inequalities and increases the risk of poverty both in work and after workers exit the labour market as they are less well covered by the social protection system. A high share of informal employment also contributes to persistent low productivity and poor investment in people. Informal employment weakens the tax base and the social protection system, threatening public finances. Combatting informal employment calls for tax and social security contribution

policies that reduce incentives for informal employment and support the transition from informal to formal employment.

Survey results and assessments in the WB6 economies suggest that informal employment rates range from 18% (Serbia) to 37% (Albania). These data need to be compared with caution, as the informal economy and informal employment are by definition difficult to assess and the economies use different data sources and surveys. Some economies have carried out ad hoc surveys on informal employment (e.g., in Montenegro in 2014), and most have included a question in their labour force survey (not available in Kosovo). Nevertheless, a look into the structure of informal employment gives interesting insights. Across the region, informality is particularly high in the agricultural and construction sectors and some service sectors (e.g., household services, social services, and hospitality). In Kosovo, informal employment is also prevalent in the manufacturing sector, according to a previous study.⁸ The largest share of informal workers in the region is the solo self-employed. Women also often work as unpaid family members. Informal work is often more widespread among young workers who have found the school-to-work transition difficult as well as among older workers. Informal workers are typically low-skilled (for details see economy profiles) (ILO, 2020^[12]).⁹

The WB6 economies overall have made little progress in tackling informal employment, although some relevant measures have recently been introduced. The FBiH has introduced a requirement for employers to keep daily records of workers and people engaged at work to help detect envelope wages. Serbia implemented a law in 2019 to simplify the employment of seasonal workers in certain activities (e.g., agriculture) and introducing a new type of contract, which makes it easier to register these workers for social insurance and taxes. The objective is to reduce informal employment and the initial results from the labour inspectorates seem promising. In order to raise awareness among employers, Serbia uses a name and shame approach; each week the ministry publishes two lists on its website: one naming employers which have employed informal workers and another naming workers who have engaged in informal activity.

To make significant progress in fighting informality, the WB6 will need to grow and generate demand for workers in the formal labour market. Studies across EU Member States have shown that informal employment is higher in those economies with lower levels of GDP per capita and fewer modern institutions, higher levels of public sector corruption and low trust in authorities, and less effective social transfer systems (EC, 2020^[24]).

Labour inspectorates lack the resources needed to regulate effectively

A well-functioning labour inspectorate is required to ensure effective compliance with the law and is thus an essential part of labour regulation and the fight against informal employment. Labour inspection is a labour-intensive task, and, although not expensive, does require many well-trained inspectors in order to function optimally. Labour inspectorates are often plagued by internal problems including too few inspectors, poorly paid staff, lack of training and capacity, lack of resources, and vulnerability to corruption (ILO, 2013^[25]).

Labour inspectorates in the region still have insufficient staff in light of the high levels of informality, the large number of small companies, and the fact that company mechanisms to ensure compliance with occupational health and safety (OHS) rules are often weakly implemented. For example, although required by law, OHS councils at company level are often not established or operational. In Albania and Serbia, the number of workers per labour inspector exceeds the ILO maximum recommendation for industrial market economies (10 000 workers, compared to 12 600 in Albania, and around 12 000 in Serbia in 2019). In contrast, inspectors in Germany have a caseload of around 6 000 workers and they are concerned only with the detection of informal and illegal employment, as there are dedicated inspectorates dealing with OHS issues (General Customs Directorate of Germany, n.d.^[26]). In addition to high caseloads in the WB6, guidelines are often not clear and inspectors not well trained. Although improvements have been made to training (e.g., in Albania with the support of the ILO, and Montenegro), there are no curricula or certification

procedures. To reduce corruption, some economies have implemented a rotating system of labour inspectors (e.g., across cities in Montenegro or for on-the-spot visits in Serbia). Inspectorates also suffer from out-of-date equipment.

Good inter-agency co-operation, with IT systems that allow effective information sharing between institutions, increases the effectiveness of labour inspectorates. The WB6 economies have started to improve their inter-institutional co-ordination, although implementation varies across the region. Montenegro has a horizontal co-ordination mechanism, bringing together other units from the administration for inspection affairs, the tax authority, police administration (border police and the sector for foreigners) and local municipality institutions (communal inspection and police). In contrast, in North Macedonia, a lack of inter-agency co-operation is limiting the effectiveness of its inspectorates. File and information sharing between agencies may be challenging and require a unified IT system. For instance, in Serbia, labour inspectors have access to some data which were entered into the unified IT system e-Inspector from other inspections but reporting through this system is not yet available or adjusted to the needs of the labour inspectorate.

Transparency and monitoring of the work of labour inspectorates also increase trust and efficiency. Some economies have made improvements to processes: in North Macedonia, a new Law on Inspection Supervision, enacted in early 2019, created a new legal basis for risk-based inspections and introduced good practices (e.g., warnings and grace periods for infractions, use of checklists, and risk criteria) to increase transparency.

Child labour remains a challenge in the WB6 economies. All, except Bosnia and Herzegovina, have a legal framework to set the minimum working age but progress in detecting, fining and preventing child labour has been poor. Nevertheless, some economies have made some progress. For instance, Albania issued a new practical guide for labour inspectors in 2020 on identifying and controlling forms of child labour and responding appropriately.¹⁰ Serbia has also developed guidelines through participation in the project Engagement and Support at the National Level to Reduce Appearance of Child Labour, which started in 2016, while 70% of inspectors have received related training.

Employment policy frameworks are becoming more comprehensive

Labour market segmentation, high inequalities, high unemployment, and high inactivity rates in the WB6 economies call for a comprehensive employment policy framework (OECD, 2018^[1]; OECD, 2019^[2]). The economies have made some progress in employment policy, with a focus on improving frameworks for public employment services (PES) and active labour market policies (ALMPs) – see Activation policies (Sub-dimension 8.4). They have adopted employment strategies and related action plans, except in the FBiH where the employment strategy for 2018-21 had not been adopted by the parliament at the time of writing.

Employment strategies may include a few measures for minority groups such as Roma, Ashkali and Egyptian communities and other vulnerable groups (e.g., women in rural areas, as is the case in Kosovo). In many cases, activities to improve the labour market integration of vulnerable groups come through projects financed by international donors or organisations. Rendering these policy approaches sustainable by introducing them into mainstream policy and scaling them up remains a challenge. The implementation of related strategies on poverty reduction and integration of Roma and other minorities has generally been slow.

Little progress has been made to integrate people with disabilities, and the number of participants in targeted measures are generally low. Albania has recently made progress in this area, however. Its Employment Promotion Law of 1995 introduced quotas and levies for the employment of people with disabilities by public and private employers, but the levies have never been enforced. In December 2018 Albania adopted the Employment Promotion Law which set up an employment fund for the employment

and skills development of people with disabilities. Some progress has also been made in the use of a management information system for disabled beneficiaries, which is still in the pilot phase (EC, 2019^[27]).

Employment strategies have become more comprehensive by including skills development, for example in Montenegro. Other policy areas affecting employment include those targeting the informal economy and youth employment. To improve their comprehensiveness further, they should strengthen links to policies on tax, social protection systems (including pension reforms), promoting entrepreneurship and innovation, and digital skills, and support to companies to make productivity and efficiency improvements. All these policy areas directly affect employment and working conditions. Improvements have been made in monitoring the implementation of employment policies although monitoring reports are often not publicly available, administrative, and labour force survey data not fully exploited, and rigorous programme evaluations often missing.

The frameworks are in place for tripartism and social dialogue but partners lack capacity

Tripartism and social dialogue are part of the mechanisms for setting labour standards in modern economies and are the pillars of industrial democracy (Eurofound, 2020^[28]). Well-designed collective bargaining systems can promote labour market stability by facilitating adjustments in wages and working time. This can be achieved through the effective co-ordination of bargaining outcomes across firms and industries and by allowing firms enough flexibility to align wages with productivity (OECD, 2017^[29]; OECD, 2018^[30]). Labour relations should be sufficiently well developed to adapt to emerging challenges, including non-standard forms of work, economic restructuring and challenges related to the future of work (OECD, 2017^[29]; OECD, 2018^[30]; OECD, 2019^[31]; OECD, 2018^[11]).

The WB6 economies generally have frameworks for collective bargaining, but social partners often lack the capacity to regulate this important part of the economy. Union density is low in most WB6 economies and few companies are affiliated to employers' organisations. Sectoral collective bargaining is not well developed among private sector employers, with collective agreements more common in the public sector. Company-level agreements are often not recorded by domestic institutions. The share of employees covered by collective agreements was 25% in Albania (in 2017), 24-29% in North Macedonia and 30% in Serbia, compared to the OECD average of 33% in 2014 and the EU average of 60% (Ladjevac, 2017^[32]; Danaj, 2019^[33]; OECD, 2019^[31]). There is little information on other labour standards fixed in collective agreements as compared to the average of the economy. According to the Albanian Government, most collective bargaining agreements are concluded in the public sector, often without agreeing higher labour standards than those set by law.¹¹ In Kosovo, trade union presence in the private sector is mainly limited to former public/socially owned enterprises (Shaipi, 2017^[34]). Although most economies have a legal framework for workplace representation, implementation seems to be weak. In general, there is little information available on labour relations at the workplace.

All the WB6 economies have a framework for tripartite social dialogue and have established tripartite economic and social councils composed of representatives of the government and social partners. The main role of a tripartite council should be to link the government's agenda with those of economic actors on the ground (employers and workers) and so facilitate participatory policy making (ILO, n.d.^[35]). Tripartite social dialogue is particularly important in a context where collective bargaining is weak. Councils may agree on general collective agreements (although negotiations have often failed in recent years) and they are generally consulted over minimum wages. They may also be consulted when setting taxes and social security contributions (e.g., in the FBiH) and on amendments to regulatory frameworks.

While there is evidence that consultation happens, procedures are not systematically implemented in all cases. Many working groups on different themes have been set up but may only meet on an ad hoc basis. Even where they meet regularly (as in Kosovo), their influence often remains limited. In some economies, such as Kosovo, local level tripartite consultation structures have been set up. One reason for their lack of

influence is the fact that the councils do not generally have a dedicated budget for analyses and studies and get no technical support (ILO, 2019^[36]; Ladjevac, 2017^[32]). Progress on strengthening bilateral and tripartite social dialogue structures has been slow, but strategies have been set up and support is being received from the ILO (e.g., in North Macedonia).

The regulatory framework for the labour market also includes the migration policy framework. The assessment of the regulatory and policy framework in CO2021 included emigration addressed through the cross-cutting sub-dimension of brain drain – see e.g., Skills (Sub-dimension 8.2). Easing labour migration within the region (Box 11.2) and regulating conditions for commuters would certainly help to reduce labour market imbalances and skills mismatches within the region and to bundle resources in the area of higher education and research. In other regions setting up a framework for free movement of labour has been on the agenda for many years.

Box 11.2. Easing migration in the Common Regional Market

The following key findings of the CO2021 labour market and governance sub-dimension can inform progress on the actions under the CRM Action Plan component on the movement of people.

- Migration within the region is difficult to measure, especially if short-term stays and commuting are considered. In 2015, around 23% of emigrants had chosen to move to another economy in the region (Oruč, 2021^[37]). Intra-region migration was lowest for emigrants from Albania, Serbia, and North Macedonia (5-12% of emigrants) but ranged between 50% and 66% for Bosnia and Herzegovina and Montenegro (intra-region migration could not be measured for Kosovo). Serbia has attracted the most migrants from the region.
- Intra-regional migration patterns have been shaped by historical ties, differences in labour market prospects, typical rural-urban migration, and economic structure (e.g., demand for seasonal workers in the tourism industry). Another importance driver has been universities and study; in particular, Serbian universities have attracted students from Bosnia and Herzegovina and Montenegro (Leitner, 2021^[38]).
- Intra-regional migration is still hindered by existing rules, such as continuing visa requirements for movement between Bosnia and Herzegovina and Kosovo, and no progress has been made. Some economies, such as Serbia, have started to align labour legislation on the posting of workers with EU legislation, although the EU directive has not yet been fully achieved (Djuric and Todorovic, 2019^[39]). Some economies have set up agreements on the portability of social rights, e.g., between Albania and North Macedonia and Albania and Kosovo (signed in 2015) (Government of Albania, 2019^[40]). Albania's National Strategy on Migration and Action Plan 2019-22 envisions designing and implementing skills transfer programmes on the basis of sectoral skills.

The way forward for labour market governance

- **Continue to align labour laws and occupation health and safety regulations with EU directives.** Identify the remaining gaps with regard to the EU legislative framework. In those economies which do not yet have a strategy for implementing OHS measures, they will need to develop a strategy document, implement preventive measures, and strengthen worker representation for OHS related issues at company level.
- **Develop the regulatory framework for non-standard forms of employment** for which no regulation is in place or amend existing regulations to strike a balance between flexibility and protection of the employed as well as coverage by the social protection system (including self-employment, temporary agency work, platform work, etc.).

- **Reduce incentives for informal employment** and ease the transition from informal to formal employment. One approach could be to ease registration for seasonal workers, as Serbia is already doing, or to subsidise social security contributions for some workers, such as household and care workers employed by private households. Taxes could be adapted to make the transition from informal to formal employment easier, reducing non-wage labour costs, especially for low-wage earners. Awareness-raising activities among employers and workers are also important, as in the example from the Netherlands (Box 11.4). The OECD and ILO (2019^[36]) recommend supporting the transition to formal employment and the formalisation of enterprises through subsidising social security contributions. More specific measures could include support for social security contributions for some employees. For instance, France has a voucher system supporting social security contributions for household and care workers (Box 11.3). Social security contributions for workers from vulnerable groups who are otherwise likely to be informally employed could also be subsidised for a fixed period, as is done in Portugal (Düll et al., 2018^[41]). The OECD Jobs Strategy also recommends reducing non-wage labour costs, especially for low earners (OECD, 2018^[1]).

Box 11.3. The Universal Service Employment Voucher (Chèque emploi service universel - CESU) in France

One major objective of this voucher is to assist in the fight against undeclared work in these services. The CESU was launched in 2006 as part of a plan for the development of personal services and replaces the service employment voucher (CES) set up in 1994 (which was limited to traditional personal services e.g., housework, childcare in the home or care for the elderly). It includes simplified registration procedures as well as a pre-financed CESU voucher, which is totally or partially prepaid by a company, local authority etc., and used by the service user/employer to pay a personal household service worker.

The CESU also enables users to receive a tax benefit, which was extended to non-taxable active persons from 2007 and to the inactive from 2017. The list of services eligible for tax reduction has also broadened to include small maintenance tasks, garden work, study help and ICT or administrative assistance.

The Court of Auditors estimated in 2014 that 153 000 full-time equivalent jobs were created between 2003 and 2012. Another study by the Ministry of Labour shows an increase in employment in personal and household services by 250 000 between 2005 and 2015. The CESU contributed to this increase, although there has been no dedicated impact assessment of the measure. As a job creation measure, the instrument is expensive but its impact on undeclared work is significant. According to different assessments undeclared work declined by 30% between 1996 and 2015.

Source: (Cour des Comptes, 2014^[42]), *Le développement des services à la personne et le maintien à domicile des personnes âgées en perte d'autonomie*: www.ccomptes.fr/fr/publications/le-developpement-des-services-la-personne-et-le-maintien-domicile-des-personnes-agees; (DARES, 2017^[43]), *Les services à la personne en 2015. Une baisse continue de l'emploi par les particuliers employeurs*, <http://dares.travail-emploi.gouv.fr/IMG/pdf/2017-011.pdf>; (CREDOC, 2017^[44]), *Une première enquête pilote en France sur le travail dissimulé*, www.credoc.fr/pdf/Sou/Enquete_%20pilote_travail_dissimule.pdf; (EC, n.d.^[45]), *Universal Service Employment Voucher (CESU), France*, <https://ec.europa.eu/social/ajax/BlobServlet?docId=20385&langId=en>.

Box 11.4. Combating undeclared work in the cleaning sector in the Netherlands

The Netherlands is estimated to have around 14 000 cleaning companies, with the sector growing each year. This has led to increased competition, and recent evidence has shown increased fraud and exploitation (e.g., workers being paid less than the minimum wage and working unpaid hours) within the sector. The labour inspectorate decided to tackle this issue by raising awareness among hiring companies of their responsibility to hire cleaning companies who behave ethically towards their employees, and thereby put pressure on cleaning companies within the sector to change their behaviour.

The Chain Approach initiative began in 2013 and is ongoing. It involves a two-fold strategy: awareness raising among businesses who hire cleaning companies and a prevention strategy focused on changing attitudes to undeclared work in the sector. The inspectorate communicates through regular consultations with companies (e.g., with directors of fast-food chains), press releases and social media. Companies are told that cleaning companies need to fulfil a 10-item checklist, available on the web (with items such as paying tax and complying with minimum labour standards). Companies are also told about fines. The inspectorate also conducts on-the-spot visits and if infringements are found, they maintain contact with the companies to discuss how to progress.

As a result, more workplace inspections in relevant companies have been carried out, and companies are using the checklist. Companies have tightened their internal hiring conditions and adapted contracts, for instance allowing termination if exploitation is discovered). Following 398 site inspections, 32 cleaning companies in 144 locations have been banned, 22 companies in 69 locations have been replaced and 76 of the sites inspected have changed their cleaning to in-house.

Source: (EC, 2020^[24]), *What works when tackling undeclared work? Realities in Member States*, <https://ec.europa.eu/social/main.jsp?langId=en&catId=1298&furtherNews=yes&newsId=9740>.

- **Continue to exchange practices to combat undeclared work** with other economies in the region. The European Platform tackling undeclared work could serve as an example. The platform enhances co-operation between EU economies. It brings together relevant authorities and actors involved in fighting undeclared work (EC, n.d.^[46]).
- **Strengthen the institutional capacities of labour inspectorates.** This involves increasing the number of inspectors, providing clear guidelines, improving work organisation, increasing transparency to avoid corruption, providing training (including on child labour), and increasing resources for onsite visits. It would also be advisable to modernise their equipment, including hardware and software. Economies should also improve the monitoring of labour inspectorates and increase transparency (e.g., through databases recording all inspections, infringements, and fines); implement preventive measures (e.g., awareness-raising activities, information on risk prevention in the workplace, training OHS councils as well as managers, line managers and staff); and impose effective fines where there are clear infringements of the law.
- **Continue to strengthen social dialogue at branch and company level** and increase the capacity of the social and economic councils, so that they have technical support, can carry out their own analysis and meet regularly. Economic councils should be equipped with basic resources to conduct labour market and sector analysis, as happens in France, for example (Arkwright et al., 2020^[47]), and a number of other European economies.
- **Facilitate the free movement of labour among the Western Balkan economies.** Implement the measures set out in the Action Plan for creating a Common Regional Market. See Box 11.5 for examples of how this has been achieved in other regions.

Box 11.5. Examples of free movement of labour in regional common markets

- The EU has established a comprehensive free movement of labour regime. No residence permit is required for intra-EU migrants, although they may need to prove they have enough resources and do not become a burden on member states during the first five years of stay. The Bologna Process seeks to create a transparent and harmonised higher education framework, removing regulatory barriers to the movement of students (EC, n.d.^[48]). Programmes have also been introduced to support mobility among students, researchers and professors (e.g., Erasmus, Leonardo da Vinci programmes). Although social protection systems are not harmonised within the EU, migration barriers have been removed over time by the increasing portability of social rights. Regulating social contributions to social security schemes and taxation for cross-border commuters received specific attention early in the EU integration process.
- Another example of regional labour migration management comes from the Southern American Common Market (MERCOSUR)¹² created in 1991. MERCOSUR citizens, as well as nationals of Bolivia and Chile, get an automatic visa and the freedom to work and live within the territory of the state parties. The Mercosur Residence Agreement, adopted in 2002, was an important step towards addressing intra-regional migration. There are essentially no conditions on a temporary stay, but a means-of-livelihood requirement for a permanent stay (OECD, 2016^[49]). A Multilateral Social Security Agreement was signed in 2005.
- Since 1989, the Caribbean Community and Common Market (CARICOM)¹³ has gradually extended intra-regional freedom of movement to various categories of persons, and free movement of community nationals is permitted. A CARICOM Agreement on Social Security has been signed.
- More recently, the Pacific Alliance of four South American states (Chile, Colombia, Mexico, and Peru), was established through the Lima Declaration of 2011 to promote a common market and free movement of people (Alianza del Pacífico, n.d.^[50]). Visa requirements for members of the Pacific Alliance were removed. Working groups have been established addressing the issues of youth employment, child labour, labour migration and social security systems.

Skills (Sub-dimension 8.2)

Skills governance is concerned with providing the skills needed by the labour market while also permitting individuals to pursue their aspirations, exploit their potential and help them progress their careers. Reducing skills mismatches can make the economy more productive by overcoming skills shortages and gaps and can also make labour markets more inclusive by reducing unemployment and offering good-quality jobs. Key challenges are managing the school-to-work transition and enabling skills development throughout people's working lives.

The WB6 economies have achieved quite varied scores in the skills sub-dimension (Table 11.3). While Albania, Montenegro, North Macedonia and Serbia have made significant progress in measuring skills mismatches and designing measures to reduce them, Bosnia and Herzegovina and Kosovo have made limited progress. Likewise, the first group of economies have made greater advances in setting up and implementing adult learning strategies compared to the second group.

Table 11.3. Scores for Sub-dimension 8.2

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 8.2: Skills	Skills mismatch	3.0	1.3	1.0	3.0	3.5	3.5	2.6
	Adult learning	2.5	0.8	1.0	2.5	2.5	2.0	1.9
Sub-dimension average score		2.8	1.1	1.0	2.8	3.0	2.8	2.2

Skills gaps and mismatches are being identified but more efforts are needed to resolve them

Greater skills increase employment rates quite significantly and reduce the risk of being unemployed in the Western Balkans (Table 11.4). Across the WB6 economies, a low skills level is associated with poor employment conditions and in-work poverty (EC, 2019^[51]). Low-educated individuals are also more likely to be inactive, compared to those who are medium or highly educated.

Table 11.4. Average regional employment and unemployment rate by educational level (2015 and 2019 Q2)

Education level	Employment rate (%)		Unemployment rate (%)	
	2015	2019 (Q2)	2015	2019 (Q2)
Low	31.8	37.1	19.8	12.6
Medium	49.5	57.0	23.3	14.5
High	68.8	76.7	17.1	11.2

Note: Unemployment rates for 2019 Q2 are preliminary. Low educated refer to ISCED level 0-2, medium educated to ISCED level 3-4 and high educated to ISCED level 5-8.

Source: (WIIW / World Bank, 2020^[52]) *Western Balkans Labor Market Trends 2020*, <https://wiiw.ac.at/western-balkans-labor-market-trends-2020-dlp-5300.pdf>.

Skills mismatches refer to situations in which the skills offered by workers and job seekers do not match the skills employers need. Mismatches reduce the potential productivity of individual workers and of companies as a whole. The WB6 labour markets are marked by significant skills mismatches, with high unemployment rates coexisting with skill shortages. Emigration is aggravating the situation, as skilled labour leaves the economies (Box 11.6).

Skills shortages and skills gaps¹⁴ are also the result of poor quality training and education, using curricula that are not adapted to employers' needs. It has become evident that regional curricula are not sufficiently developing workplace-related skills. Insufficient adaptation of curricula to changing economic structures and technological development is another reason for skills gaps.

Box 11.6. Tackling brain drain in the Common Regional Market

Human capital development and fighting brain drain is one of the objectives of the Common Regional Market Action Plan 2021-24. The plan foresees the creation of a Regional Diaspora Knowledge Transfer Initiative to tap into the potential of the region's diaspora and encourage brain circulation. The following key findings of the CO 2021 skills sub-dimension can inform actions under this component.

Some economies have started to develop policies to mitigate the negative effects of emigration on the labour market in terms of skills shortages and foregone development potential.

- The Serbian Government has adopted the Strategy on Economic Migration of the Republic of Serbia 2021-27. Its aims are to improve the economic and social environment to slow down the departure of the working-age population, strengthen ties with the diaspora, encourage returning and circular migration, and attract foreigners with a range of educational attainment.
- In North Macedonia, the government adopted a national strategy for co-operation with the diaspora in 2019 (Government of North Macedonia, 2019^[53]).
- Albania has adopted a new law and a National Strategy for Diaspora (2018-20). The strategy focuses on boosting the diaspora's engagement in its development and facilitating investments.

Source: Government responses to OECD questionnaire; Also see Albania profile, North Macedonia profile and Serbia profile.

The results of the World Bank's STEP skills measurement employer survey in Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, and Serbia between 2015 and 2017 point to significant skills gaps and skills shortages (World Bank, 2018^[54]). On average, 69% of employers in these five economies stated that they faced difficulties in recruiting workers for non-routine jobs due to lack of skills or experience, with employers in North Macedonia and Kosovo reporting the greatest difficulties. Overall, 57% of employers reported difficulties in hiring workers for routine jobs.¹⁵ Deficits in the education system and an underperforming continuing training system in the Western Balkan economies are reducing the employability of the working age population and creating these skills shortages, which are preventing companies from growing. In addition, a horizontal skills mismatch, meaning that people tend to choose study fields that are not high in demand instead of enrolling in study fields for which there is demand, is leading to both unemployment and skill shortages.

The WB6 economies have made progress in measuring skills mismatches, using Labour Force Survey (LFS) data to calculate indicators for over- and under-qualification, with support from the European Training Foundation (ETF). This is an important knowledge basis for effective skills governance. While good practices are being implemented (Box 11.7), more needs to be done to develop regular monitoring of education outcomes. This should include information on graduate employment, use of skills in the workplace, difficulties encountered by job seekers, and strategies used to find employment.

Box 11.7. Measuring skills gaps in WB6 economies

Some Western Balkan economies have introduced tools to measure skills gaps and mismatches, have carried out studies into short and long-term skills needs and have improved their labour market monitoring system. Examples include:

1. **Employability tracer studies:** Since 2017, Albania has traced the employability of all vocational education and training (VET) graduates (both secondary VET students and trainees) through an annual tracer study conducted by the National Agency for Employment and Skills (NAES).¹ North Macedonia conducted its first trader study of VET and higher education graduates in 2014/15 (Mojsoska-Blazevski, 2017^[55]).² Serbia ran a pilot graduate tracer study in 2018 (ETF, 2019^[56]). Montenegro plans to introduce a tracer study.
2. **Skills needs surveys:** Some economies have made progress implementing skills surveys among employers. North Macedonia uses its survey of employers' skills needs for one-year forecasting at occupational level.
3. **Labour market information system:** Montenegro's employment agency conducts detailed annual supply and demand analysis, covering all levels, sectors, and municipalities. This is one of the elements needed to create enrolment policies for secondary and tertiary education institutions. Relevant data include vacancies by qualification, the length of time of seeking employment, persons without work experience by sector, the number of pupils and students completing secondary and tertiary education, the number of registered unemployed with no qualifications, the duration of unemployment etc.
4. **Skills needs and foresight studies:** Chambers of commerce and social partners, particularly employer associations, conduct various analyses (e.g., in Montenegro and North Macedonia) and provide the education sector with recommendations on future qualification needs.
5. **Labour market forecasts** are carried out by labour ministries in some economies (e.g., North Macedonia).

1: The results indicate that, in 2019, 52% of 2018 graduates were employed and 12% were concurrently working and studying, for a total employment rate of 64%. (Jorgoni, 2019^[57]).

2: Less than half of all employed VET graduates (45%) reported that the knowledge and skills they acquired during the education process are well utilised in their current job.

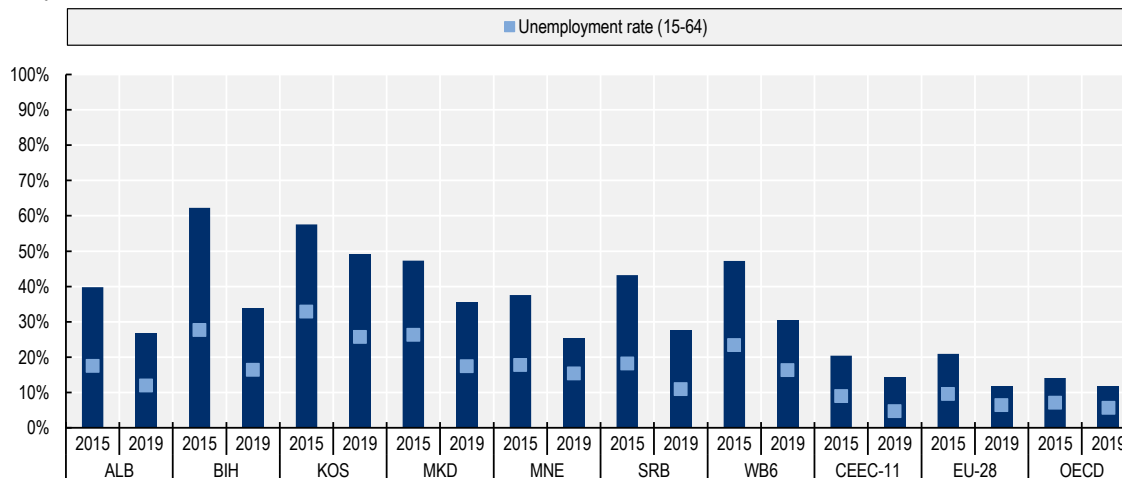
Source: Government responses to OECD questionnaire.

Labour market information and skills anticipation need to be used effectively by the relevant institutions, such as VET actors, PESs, education ministries and higher education institutions. There is much room for improvement in this regard. Some economies are taking steps to improve skills governance – for instance, the RS in Bosnia and Herzegovina adopted a new law in 2020 to include employers in the management board of public universities. The Republika Srpska, Serbia and North Macedonia, which has created an Occupational Outlook, are improving vocational and career counselling (ILO, 2018^[58]). In parts of the region, structures to bring together relevant institutions have been set up, such as local councils for education and employment in the RS, and sector commissions and councils in Montenegro and Serbia.

The transition from education to work still poses a major challenge in the region. According to the STEP survey, 35% of firms in the five participating economies reported that insufficient workers' experience was a major or severe obstacle for business expansion (WIIW / World Bank, 2020^[52]). On the supply side, unemployment rates reflect young people's difficulties in finding stable employment. Although youth unemployment (among 15-24 year-olds) fell by 36% between 2015 and the second quarter of 2019 across the region, it remains tremendously high, and well above the OECD, EU and CEEC-11 averages (Figure 11.5). Pathways to employment are often marked by unstable employment conditions. For

example, in Kosovo, entering the labour market through informal employment is widespread, with more than half (54.8%) of employed young people having a temporary employment contract (Government of Kosovo, 2017^[59]).

Figure 11.5. Youth unemployment rates in the WB6 (2015 and 2019)
15-24 year-olds



Note: Youth unemployment rate data for Albania, Bosnia and Herzegovina and Kosovo as well as WB6 average refer to the second quarter of 2019, as these are the latest available data. The unemployment rate data for Bosnia and Herzegovina in 2015 refer to the 15+ age group. The CEEC-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Source: Youth unemployment rates: (Eurostat, n.d.^[60]), *Labour Force Survey* for EU, Montenegro, North Macedonia, Serbia; (WIW / World Bank, 2020^[52]), *Western Balkans Labor Market Trends 2020* for Albania, Bosnia and Herzegovina and Kosovo; (OECD, n.d.^[10]), *Labour Force Statistics* for OECD average. Unemployment rates (15-64): (Eurostat, n.d.^[60]), *Labour Force Survey* for EU, Montenegro, North Macedonia, Serbia; (Instat, 2020^[7]), *Women and Men in Albania 2020* for Albania; (ASK, 2020^[8]), *Labor Force Survey in Kosovo, 2019*; (BHAS, 2019^[9]), *Labour Force Survey 2019*.

StatLink  <https://doi.org/10.1787/888934254145>

Most worryingly, the share of young people not in employment, education, or training (NEET) in the region is still well above the EU and OECD average (Figure 11.6).

WB6 economies succeeded in reducing the NEET rate between 2015 and 2018 or 2019, as did EU and OECD economies on average. Bosnia and Herzegovina, North Macedonia, and Serbia made the most progress in reducing the NEET rate. Discouragement among young men and women, high drop-out rates and an unsupportive learning environment, poor job-search skills, and childcare roles among young women may explain the high NEET rates.

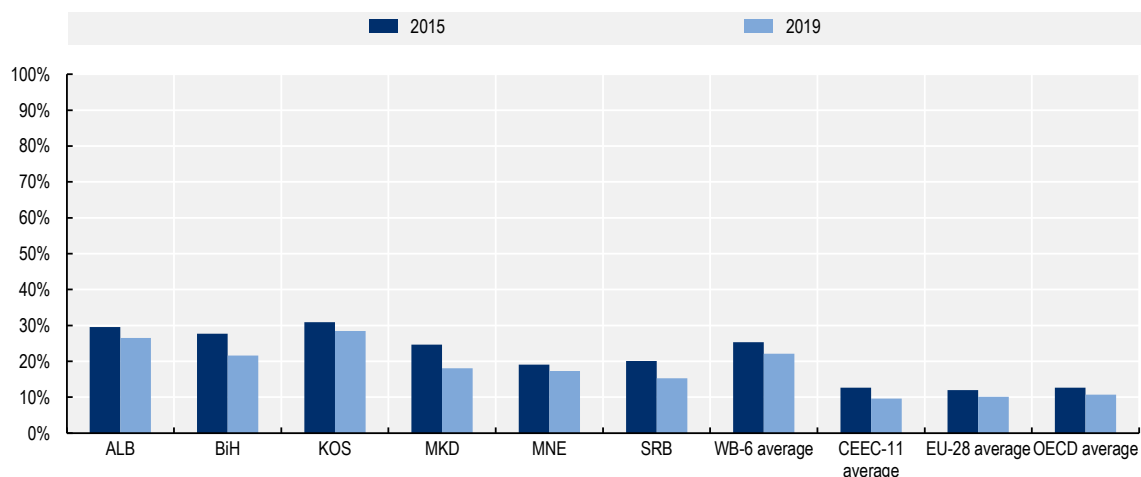
The WB6 economies have continued their efforts to reduce youth unemployment and NEET rates and smooth the school-to-work transition. For instance, North Macedonia has been implementing the Youth Guarantee scheme, in line with EU practice (EC, n.d.^[61]).

Inexperience and skills gaps do not just lead to youth unemployment but also to vertical skills mismatches, i.e., individuals' first work experience may be in jobs requiring much lower educational attainment than they have. Serbia has made progress in this area: its National Employment Service set up a new programme called My First Salary, which began in the second half of 2020. Private sector employers, and especially those from disadvantaged municipalities are given priority for inclusion in the programme. Under the programme, the National Employment Service pays a monthly cash benefit of RSD 20 000 (EUR 170) to young people with secondary education, and RSD 24 000 to those with higher education, and also pays a contribution in the case of injuries at work and occupational diseases for people included in this

programme. It plans to include 10 000 young people during 2020 and 2021 (Government of Serbia, 2020^[62]).

Figure 11.6. Young people not in employment, education or training (2015 and 2019)

Share of 15-24 year-old age group



Note: Data for Albania, Bosnia and Herzegovina, and Kosovo as well as WB6 average refer to 2018 instead of 2019, as these are the latest available data. Data for OECD average refers to the unweighted average of age groups 15-19 and age group 20-24. The CEEC-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Source: (Eurostat, n.d.^[61]), *Labour Force Survey for EU, Montenegro, North Macedonia, Serbia*; (WIIW / World Bank, 2020^[52]), *Western Balkans Labor Market Trends 2020* for Albania, Bosnia and Herzegovina, and Kosovo; (OECD, 2021^[63]), *Youth not in employment, education, or training (NEET)* (indicator), doi: 10.1787/72d1033a-en (accessed on 03 March 2021).

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Over-education among high-skilled and university graduates may result from the unattractiveness of the VET system for young people and their parents and the greater attractiveness of the higher education system. Work-based learning, such as apprenticeships and internships, is a key approach pursued in OECD economies to tackle skills mismatch (OECD, n.d.^[64]; OECD, 2018^[1]). Albania, Montenegro, North Macedonia and Serbia have recently introduced workplace-based training modules into their VET and tertiary education curricula. However, students cannot always complete their workplace-based professional practice modules; for example, it was reported that in Albania it was not possible to find enough work-based training opportunities in companies.

Adult learning will be key to closing skills gaps and increasing competitiveness

As companies respond to more volatile markets and shorter product cycles, individuals will need to adapt their skills and change jobs more frequently during their working lives. Adult learning is therefore central to a lifelong learning approach. It involves not just formal classes in training institutions or universities, but also non-formal and informal learning in workplaces (OECD, 2019^[2]). Employee training helps to foster the competitiveness of businesses and enhance labour productivity, as well as improving individuals' experience of work (ETF, 2014^[65]).

Participation of workers in continuing training in the region is below the EU average. According to data from the Adult Education Survey, last conducted in 2016, the share of adults participating in job-related non-formal education and training was only 5.0% in Bosnia and Herzegovina, 6.1% in Albania, 9.9% in North Macedonia and 14.1% in Serbia – all far below the EU average of 35.3% (Eurostat, 2021^[66]). Younger adults and highly educated workers tend to participate more often.

Developing an efficient and quality adult education system remains a key challenge. The WB6 economies have started to set up or strengthen their adult learning frameworks. Although strategies for adult education have been adopted, implementation seems to be weak in some economies or they are outdated (for example in Kosovo). Although there are small budgets for training measures for the unemployed, education ministries may lack a targeted budget for adult education (as in Montenegro). Measures to provide financial incentives for participating in continuing training are lacking. Measures in some OECD economies might offer inspiration. Some have introduced individual learning accounts (OECD, 2019^[67]), put in place infrastructure to guide adults as they upgrade their skills (such as Portugal's Qualifica Centres), or implemented programmes to increase the skills of low-skilled adults and supported companies to do so (OECD, 2019^[68]).

One important approach is the validation and recognition of prior non-formal learning. Some economies have started to set up validation and certification processes for adult learning (e.g., Albania and the RS in Bosnia and Herzegovina, while in North Macedonia a system is being set up). Evidence from some EU economies, such as Portugal, shows that linking upskilling measures to validation and recognition of prior learning increases their effectiveness (Düll et al., 2018^[41]). In the RS, the law also foresees that employers may organise various forms of training and additional training for the employed to adjust to the market demands and changes, and to the new technological and work processes.

Some economies, such as Montenegro and North Macedonia, have made progress in awareness-raising activities. For instance, Montenegro organises the Adult Education and Learning Day Conference and publishes relevant material, including flyers and a guide to the non-formal education system. One challenge is to better connect all parties involved: the policy makers, other ministries, local governments, social partners, employers, media representatives and non-government organisations (NGOs).¹⁶ North Macedonia has also made progress in increasing transparency about adult education providers. In October 2017, the Adult Education Centre in North Macedonia officially launched a newly developed web platform of certified adult education providers and training programmes (Eurydice, n.d.^[69]).

Reaching low-educated and older workers is a particular challenge, since they have often not developed their learning skills over their lifetimes. These workers are also more likely to be employed in companies with low productivity and in small enterprises, which are less likely to offer continuing training. More efforts are needed to increase participation among prime age and older workers, as well those who are low educated, vulnerable groups and the self-employed. A range of OECD economies have developed programmes exclusively targeting these groups, e.g. the Chèque Formation in Wallonia, Belgium; Profi!Lehre and Weiter!Bilden in Austria; the Consortium for HRD Ability Magnified Program (CHAMP) in Korea, the Industry Skills Fund in Australia and the Formação-Ação in Portugal (OECD, 2019^[21]).

Remedial education aims to make labour markets more inclusive and open up employment opportunities for low-skilled adults. Kosovo is developing some learning programmes for remedial education (Grades 6-9) and adult education programmes within the VET schools, supported by international donors (Haxhikadrija, Mustafa and Loxha, 2019^[70]). It is offering programmes like “Literacy for women and girls” for women from Romani, Ashkali and Egyptian (RAE) communities. One challenge is to scale up these types of programmes and to ensure sustainable financing.

The way forward for skills

- **Provide adequate financial incentives to employers to offer continuing education** to help companies adapt to technological change. These could target low-skilled, prime age and older workers and SMEs (Box 11.8). This should be combined with awareness-raising activities targeted at employees and employers to pursue continuing training.
- **Include internships in university curricula** to continue to develop and implement dual vocational training formats.

- **Improve vocational guidance for both young people and adults.** Plans could also include counselling activities for employers as well as employees, in particular for SMEs. A good example to follow would be France, where every individual has the right to information, advice and career guidance support. To put this right into action, the government launched the Advice for Professional Evolution (*Conseil en Évolution Professionnelle*) in 2014, offering free and personalised services (OECD, 2019^[31]).
- **Develop a framework for the recognition of prior learning combined with activities to increase skills.** The economies which already have such a system in place should link recognition processes to upskilling measures.
- **Scale up remedial education measures for low-educated adults.** In Kosovo, the whole education and training infrastructure should be used, including VET institutions, in order to provide remedial education and vocational skills to adults, as also recommended by ETF (2019^[71]).
- **Use the skills anticipation system to guide young people, adult workers and the unemployed** in retraining and upskilling activities. Skills anticipation and labour market information systems should provide information about the current labour market and expected changes, for instance with implementation of the Green Agenda, particularly for coal-related work. The information on skills in demand and tracer studies can also be used to adapt the curricula of VET, university, and adult education programmes. Trainers can be trained in adult education and vocational rehabilitation on skills in demand and on adult learning pedagogy.
- **Monitor the employability of VET and university graduates** (as some WB6 economies already do through tracer studies) and adapt curricula and teaching methods accordingly. Offer modular training courses to close skills gaps.

Box 11.8. Financial incentives for workplace training

In **Belgium (Flanders)**, the SME Wallet (*KMO-portefeuille*) programme offers specific incentives to encourage SMEs to train their employees. It targets SMEs exclusively and is designed to help them grow and become more competitive through investment in skills. The SME Wallet covers 30-40% of training costs, depending on the size of the enterprise. SMEs can apply for subsidies online. Employers determine their own training needs, and there is no targeting element. A recent impact assessment determined that participating firms achieved higher growth than a control group.

Finland has a financial incentive that goes hand-in-hand with building the capacity of companies to identify their training needs and deliver training. The Joint Purchase Training (*Yhteishankintakoulutus*) supports employers who want to retrain existing staff or set up training programmes for newly recruited staff. Offered by the PES, it supports employers to define their training needs, select candidates for training and find an education provider to deliver the tailored training. The PES also part-finances the training.

In **Ireland**, in 2017, Springboard+ (a programme originally conceived for the unemployed population which offers free courses leading to qualification) was extended to the self-employed who want to increase their skills in certain sectors.

Source: (OECD, 2017^[29]), *Financial Incentives for Steering Education and Training*, <https://dx.doi.org/10.1787/9789264272415-en>, (OECD, 2019^[2]), *OECD Skills Strategy 2019: Skills to Shape a Better Future*, <https://doi.org/10.1787/9789264313835>, (OECD, 2019^[72]), *Employment Outlook: The Future of Work*, <https://dx.doi.org/10.1787/9ee00155-en>.

Job quality (Sub-dimension 8.3)

The focus of this sub-dimension is on earnings quality, including non-wage elements that offer protection from labour market risks. Earnings are one of the three key dimensions of job quality (OECD, 2014^[73]; Cazes, Hijzen and Saint-Martin, 2015^[74]), with the other two being labour market security and the quality of the working environment – see Labour market governance (Sub-dimension 8.1). Good jobs should be equally available for men and women. Therefore, this sub-dimension also looks at gender inequality and policies to promote female employment.

Most WB6 economies receive only low scores for quality earnings (Table 11.5). In general, the WB6 economies score better for their policies to promote female employment, particularly North Macedonia.

Table 11.5. Scores for Sub-dimension 8.3

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 8.3: Job quality	Quality earnings	2.0	1.0	1.0	3.0	2.0	2.0	1.8
	Policies to promote female employment	3.5	2.8	2.0	4.0	3.0	2.5	3.0
Sub-dimension average score		2.8	1.9	1.5	3.5	2.5	2.3	2.4

Despite mechanisms to set minimum wages, average wages and low labour productivity remain key challenges

Quality of earnings relate to competitive wages, which set the right incentives to formally employ workers so that they are covered by social protection and set incentives for increasing productivity and workforce development. Very low wage levels are associated with a risk of the economy becoming trapped in a low wage-low productivity vicious circle (OECD, 2018^[1]). Low wage levels and poor career perspectives also increase the incentives for skilled workers to leave the country and work abroad, which in turn creates skills shortages. Widespread informality implies that large parts of the workforce are effectively beyond the reach of government policies and do not have access to social insurance or regulatory protection. Good quality earnings are associated with a more productive economy and make it more attractive for employers to invest in human capital. Policy options include setting the statutory minimum wage at a moderate level in order to raise wages at the bottom of the ladder, while avoiding pricing low-skilled workers out of jobs (OECD, 2018^[1]).

Although economic and social councils should be involved in fixing the minimum wage, in the WB6 economies their role is mostly limited to consultation and the decision is often taken unilaterally by the government. Sometimes they may not even be consulted, as happened with the increase in the minimum wage in 2020 in Albania. In Serbia, the government only steps in when the social economic council cannot agree the level of the minimum wage (this happened in 2018, 2019 and 2020). In 2018, Albania, North Macedonia and Serbia had the highest ratio of monthly minimum wage to monthly average gross wage; the ratio was higher than in Bulgaria and Croatia, for which comparable information was available. The ratio was lower in Montenegro and Kosovo (Table 11.6). Measured in purchasing power parity (PPP) terms, the minimum wage was lowest in Albania and Kosovo in 2018.

Table 11.6. Minimum and gross average wages in the Western Balkans, Bulgaria and Croatia (2018)

	Monthly gross minimum wages, EUR (ER)	Monthly gross minimum wages, EUR (PPP)	Average monthly gross wage (EUR)	Ratio of minimum wage: average gross wage (2018)	Change in minimum: average gross wage ratio since 2015 (p.p.)
ALB	181	358	397	0.46	0.00
BIH	-	-	724	-	-
KOS	170	334	558	0.30	-0.11
MKD	279	576	579	0.48	0.06
MNE	288	514	766	0.38	-0.02
SRB	285	530	580	0.49	0.03
BGR	261	517	586	0.45	0.04
HRV	462	681	1139	0.41	0.03

Note: Data for Bosnia and Herzegovina refer to 2017 Q2. p.p. = percentage points; PPP = purchasing power parity;

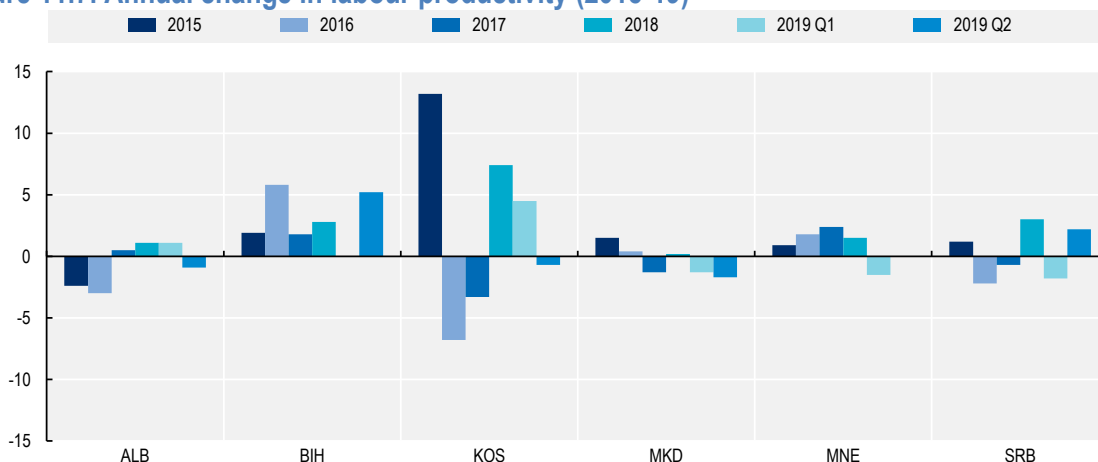
Source: (wiiw Databases, 2021^[75]) The Jobs Gateway in South East Europe, <https://data.wiiw.ac.at/seejobsgateway.html>; based on data provided by statistical offices and Eurostat.

No comparable data for 2019 and 2020 are available. In 2019, Albania increased the minimum wage to EUR 213 (48% of the average gross monthly wage).¹⁷ In 2020 the minimum wage in the RS in Bosnia and Herzegovina was fixed at EUR 266. A comparison of the ratio of minimum wages to mean monthly gross earnings found that in 2019 the ratio was highest in Albania, followed by Serbia and Montenegro (Eurostat, 2021^[76]).¹⁸

In-work poverty is caused by low wages as well as low work intensity, in particular among vulnerable groups. The self-employed are often more likely to be at risk of poverty.¹⁹ There are no policies and measures in place to reduce taxes or social security contributions for low wage earners.

It would be advisable for WB6 economies to carry out a study of the potential impact of the minimum wage on informality on the one hand, and its potential to prevent poverty in low-wage sectors and occupations on the other.

One main challenge is to increase productivity. Between 2015 and Q2 of 2019 (the latest quarter for which comparative data are available), labour productivity has been rather volatile with no or limited improvements over time, except in Bosnia and Herzegovina (Figure 11.7).

Figure 11.7. Annual change in labour productivity (2015-19)

Note: Labour productivity is defined as the ratio of labour to GDP at 2010 reference prices per person employed (LFS), growth in %.

Source: (wiiw Databases, 2021^[75]) The Jobs Gateway in South East Europe, <https://data.wiiw.ac.at/seejobsgateway.html>; based on data provided by statistical offices and Eurostat; WIIW / World Bank (2020^[52]), *Western Balkans Labor Market Trends 2020*.

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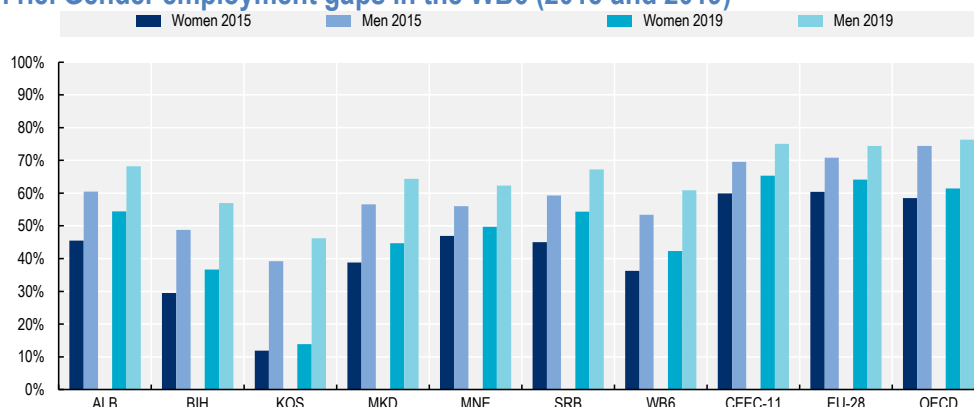
Another issue is the wage difference between the public and the private sector in some of the Western Balkan economies. For example, in Bosnia and Herzegovina, the public sector offers higher wages and better working conditions than the private sector. Likewise, in Kosovo, the highest wages were paid by publicly owned enterprises, while the lowest wages were in the private sector.²⁰ This makes it harder for the private sector to attract workers. The average gender wage gap was 16% in the region in 2014.²¹ The largest wage gap was in craft and related occupations (Suta et al., 2021^[77]).

Women's economic activity has increased substantially, but the gender employment gap remains wide

Gender inequality is not only bad for labour market inclusiveness but also harms economic performance. Conversely, there is evidence that greater gender equality increases economic growth (EIGE, 2017^[78]). Policies to promote female employment are therefore crucial. Enhanced educational outcomes for women, increased female labour force participation, and improved career development opportunities contribute to better economic performance and higher living standards. A recent study commissioned by the Regional Cooperation Council (RCC) as part of a wider Women Economic Empowerment agenda, based on the European Institute for Gender Equality (EIGE) methodology, showed that continuing to increase employment among women and narrowing the employment gap would increase GDP (Suta et al., 2021^[77]).²²

Despite rising in all WB6 economies since 2015, the average employment rate among women was still 21.8 percentage points below the EU average, 23 p.p. below the CEEC-11 average, and 19.1 p.p. below the OECD average in 2019 (Figure 11.8). The gender employment gap – the percentage-point difference between men and women's employment rates – was higher on average for the WB6 economies (18.6 p.p.) than the EU average (10.3 p.p.), the CEEC-11 average (9.8 p.p.) and the OECD average (14.9 p.p.). On average, the gender employment gap widened in the WB6 economies between 2015 and 2019, driven mainly by increased gaps in Kosovo and Montenegro. Over that period, the gender employment gap only narrowed in Albania and Serbia, where employment among women rose faster than among men. More recently, between 2019 Q2 and 2020 Q2, the gender employment gap among 20-65 year-olds has narrowed across both the WB region and the EU. Between the first and second quarter of 2020, employment rates in the WB6 economies fell by 3.3 p.p. for men on average and 0.9 p.p. for women (Suta et al., 2021^[77]).

Figure 11.8. Gender employment gaps in the WB6 (2015 and 2019)



Note: The CEEC-11 countries are Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Source: (Eurostat, 2020^[18]), *European Union Labour Force Survey: 2019 dataset* for EU, Montenegro, North Macedonia and Serbia; Instat (Instat, 2020^[7]), *Women and Men in Albania 2020* for Albania; (ASK, 2020^[8]), *Labor Force Survey in Kosovo, 2019* for Kosovo; (BHAS, 2019^[9]), *Labor Force Survey 2019* for Bosnia and Herzegovina; (WIIW / World Bank, 2020^[52]), *Western Balkans Labor Market Trends 2020* for Bosnia and Herzegovina and Kosovo (for 2015); (OECD, n.d.^[10]), *Labour Force Statistics* for OECD average.

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Women's employment rates in 2019 were highest in Albania and Serbia, and lowest in Kosovo. The women empowerment index (WEI) provides a more nuanced picture of gender inequality in the labour market. In addition to the gender employment gap, this indicator includes the share of women in middle and senior management, the female labour force participation rate, the female unemployment rate, and the share of female employees in full-time employment. In 2019, the average WEI score for the WB6 economies was 52.4 out of 100 while the EU average was 80. In the region, the highest scores were achieved by Albania (outperforming several Southern European economies) and Montenegro. Bosnia and Herzegovina (45.9) and Kosovo (27.4) scored the lowest among the WB6 and EU economies (Suta et al., 2021). Four of the WB6 economies have calculated their gender equality index following the EIGE methodology, which also includes other dimensions, such as money, knowledge, time spent in care activities, power and access to services. North Macedonia received the highest score (62) in the region, followed by Albania (60.4), Serbia (55.8) and Montenegro (55). Bosnia and Herzegovina and Kosovo did not take part. The 2019 EU average is 67.4.

There are a number of reasons for women's comparatively low employment, including gender stereotypes, a lack of affordable and high-quality child care and elderly care, and inflexible working time arrangements (World Bank, 2017^[79]; Haxhikadrija, Mustafa and Loxha, 2019^[70]; Centre for Equality and Gender Equality, 2016^[80]; NALED, 2019^[81]).²³ Differences in labour market outcomes are also related to occupational segregation, lack of access to finance and entrepreneurship support, discrimination in recruitment and career progression, and lower retirement ages in several WB6 economies. In Kosovo, generous maternity leave regulations may discourage employers from employing women. Educational attainment is also decisive for women's labour market participation and gender employment gaps are smallest among the well-educated (WIIW / World Bank, 2020^[52]). Conversely, the gaps are largest among the low educated, while low-educated women also work more often as unpaid family members than their male peers.

WB6 economies have set up co-ordination mechanisms to tackle gender inequality in a comprehensive way and have strategies for gender equality in place. Women make up an increasing share of university graduates, and women even outnumber men among recent university graduates, for example in Albania (Instat, 2020^[7]). Young women already account for a larger share of students and graduates in science, technology, engineering, and mathematics (STEM) subjects than in many EU economies (including in engineering and computer sciences), but computer sciences and engineering remain more typical choices for young men (RCC, 2020^[82]). Some WB6 economies have made progress in providing gender-sensitive vocational guidance. North Macedonia has made progress in the gender-sensitive revision of schoolbooks and the Ministry of Education and Science awards scholarships to female university students studying bio-technical, technical-technological, natural-mathematical, IT, chemistry, physics, mathematics and medical sciences. Some WB6 economies, such as North Macedonia, have made progress in revising legislation to avoid gender discrimination, but there is a general lack of transparency about the implementation of the regulatory framework.

The main targeted measures to promote female employment have been in the area of active labour market programmes, although they are mostly small in scale. Specific programmes include promoting employment among single mothers in Albania, self-employment and female entrepreneurship schemes in Bosnia and Herzegovina, measures targeted at women aged 40 and older in FBiH, and measures for women with three or more children and other hard-to-place women in Kosovo. Women are in general well represented among participants of mainstream ALMPs, except for start-up support measures. Progress has been made in training labour office staff on gender equality issues in Albania.²⁴ Another area where recent, but generally limited, progress has been made is in entrepreneurship programmes, implemented by the public employment services and other institutions. However, programmes have been small in scale; for instance, in Albania, little progress has been observed (OECD et al., 2019^[83]).

The way forward for quality jobs

- **Conduct regular analyses of earnings structures** covering earnings by gender, sectors, educational level and occupation; non-wage labour costs (like social security contributions); the share of recipients of minimum wages; and the development of the low-wage sector by gender. Monitoring of labour market data should be improved and include data on in-work poverty. Increasing the quality of earnings will mean raising the productivity of companies so wider monitoring should also include labour productivity.
- **Assess the impact of the minimum wage on both poverty reduction and informal employment.** One example to follow could be Germany's Minimum Wage Commission which is composed of two members from the scientific community in a consultative role, as well as three representatives of the trade unions and three representatives of employers who have voting rights, and a chair appointed by the government on the basis of suggestions made by the social partners. Its mandate is to constantly evaluate the impact of the minimum wage on the protection of workers, conditions of competition, employment in certain industries and regions, and on productivity. The commission presents the results of its evaluation to the Federal Government in a report together with its resolution every other year on the level of the minimum wage (Mindestlohn Kommission, n.d.^[84]).
- **Increase access to affordable and high-quality childcare as well as support for elderly care.** International experience shows that labour market participation rates of women depend on availability of childcare and after-school care (OECD, 2016^[85]).
- **Take steps to reduce gender stereotypes in education and the workplace,** including implementing the regulatory framework on non-discrimination, conducting awareness-raising activities, and adapting vocational guidance to attract more women into ICT and engineering and more men into occupations like education and care. Kosovo should make its maternity leave law less generous so as to reduce barriers to employment of young women. All the economies should promote entrepreneurship among women, including access to training, counselling and follow-up, and financing.

Activation policies (Sub-dimension 8.4)

The goal of an effective activation policy for jobseekers and other disadvantaged groups is to bring more people into the labour force and into jobs. This requires in particular ensuring that people have the motivation and incentives to seek employment; increasing people's employability and helping them to find suitable employment; expanding employment opportunities for jobseekers and people outside the labour force; and managing the implementation of activation policy through efficient labour market institutions (OECD, n.d.^[3]). Activation policies need to balance and combine different types of activities, including counselling jobseekers and employers; implementing active labour market programmes (ALMPs); and designing welfare benefits so that they increase matching efficiency, provide protection against poverty, while setting work incentives in the mutual obligations framework, which induces setting job-search requirements, rules for accepting suitable work, obligation to participate in ALMPs if needed and rules on sanctions.

WB6 economies score better for their public employment services (PESs) and ALMPs than for their mutual obligations frameworks (Table 11.7).

Table 11.7. Scores for Sub-dimension 8.4

Sub-dimension	Qualitative indicator	ALB	BIH	KOS	MKD	MNE	SRB	WB6 average
Sub-dimension 8.4: Activation policies	Public employment services	3.5	2.5	2.5	3.5	3.5	3.5	3.2
	Mutual obligations framework	2.0	2.5	1.5	3.5	3.0	2.5	2.5
	Active labour market programmes	3.5	2.3	2.0	3.5	3.5	3.0	3.0
Sub-dimension average score		3.0	2.4	2.0	3.5	3.3	3.0	2.9

The governance and service delivery of public employment services have improved, but they remain under-resourced

Public employment services are the main institutions involved in activation policies. PES staff capacity in the WB6 economies has improved in recent years, but staff caseloads, i.e., the number of registered unemployed people per counsellor, are still high or very high (Table 11.8). In France and Germany, by comparison, counsellors' caseloads of hard-to-place jobseekers are much lower, at around 70 jobseekers per employment counsellor, while overall caseloads may range between 100 and 350, depending on the degree to which jobseekers need individual guidance and how autonomous they are at using self-help guidance tools (OECD, 2015^[5]; Manoudi et al., 2014^[86]; Pôle emploi France, n.d.^[87]). In the WB6, PES staff are receiving training on implementing new work methods, ALMPs and dealing with specific target groups. However, high caseloads may hinder them from effectively implementing counselling and job placement services.

Table 11.8. Caseloads for PES counsellors (2019)

Number of registered jobseekers per counsellor

	ALB	BIH-RS	KOS	MKD	MNE	SRB
Caseload	300	> 1000	769	400	556	827

Source: Assessment on the basis of administrative data received by the PES in the economies; no data are available for FBiH.

Following EU and OECD good practice, PESs in the WB6 economies have introduced or are in the process of developing profiling tools to categorise jobseekers into three main groups: 1) autonomous and easy-to-place jobseekers; 2) jobseekers with a medium level of employment barriers; and 3) hard-to-place jobseekers. The last category are quite likely to be predominant, since many registered jobseekers have low skills and/or are long-term unemployed. The WB6 PESs have also introduced the creation of individual action plans and follow-ups; however, very high caseloads in the majority of PESs limit their effectiveness, as counsellors are unlikely to have sufficient time for in-depth interviews, counselling and timely and regular follow-up activities. PESs have also modernised their IT systems to make their labour intermediation and case handling more effective or have at least started to do so.

Despite recent improvements in the WB6 economies, the high rate of long-term unemployment remains a key challenge for labour market policies (Table 11.9). Rates are well above the EU and CEEC-11 averages.

Table 11.9. Incidence of long-term unemployment (2015 and 2019)

Long-term unemployed as % of all unemployed

	ALB	BIH	KOS	MKD	MNE	SRB	WB6	EU-28	CEEC-11
2015	66	81.7	72.1	81.6	76.8	59.7	72	48.2	43.6
2019	64.3	76	69.1	71.7	79	50.3	66.3	40.1	37.1

Note: Table shows the share who have been unemployed for more than one year as a percentage of all unemployed (15–74-year-olds). Data are for 2019 Q2 for ALB, BIH, KOS and the WB6 average. The CEEC-11 are the 11 Central and Eastern European countries joining the EU: Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, the Slovak Republic and Slovenia.

Source: Eurostat (n.d.^[6]), Labour Force Survey, <https://ec.europa.eu/eurostat/web/main/data/database>; WIIW / World Bank (2020^[52]), *Western Balkans Labor Market Trends 2020* for Albania, Bosnia and Herzegovina, and Kosovo.

Collecting vacancies and building trust with employers is challenging, particularly as the region's PESs have many hard-to-place jobseekers on their registries. They need to increase their active efforts to collect vacancies and to provide services to employers. A common approach in European economies is to identify growth sectors at the national or regional level and to contact employers active in these sectors (ILO, 2016^[88]). Other PESs explicitly target their individualised services at SMEs (Oberholzner, 2018^[89]). In Slovenia, small and micro-enterprises that lack human resources (HR) management professionals and experience can get personal assistance from advisors, while companies with HR management resources and experience are asked to use the portal for employers.

Jobseekers have mutual obligations for receiving benefits although monitoring is limited

Moderately generous and comprehensive social benefits strengthen the effectiveness of activation policies. Effective social safety nets alleviate concerns about job security among the employed, with important consequences for worker well-being. Adequate unemployment insurance and other social benefits – including sickness, disability, lone parent, and social assistance benefits – enhance job quality by effectively insuring workers against losing their jobs and giving them time to find a new one. However, unemployment and other social benefits can also create disincentives to finding work in the shortest possible timeframe. Therefore, a well-designed mutual obligation framework is decisive in preventing benefits from creating disincentives to work (OECD, 2018^[11]). Mutual obligation principles link the generosity of unemployment benefits and social assistance with requirements on beneficiaries to look for work and accept suitable offers, while imposing sanctions on those who do not comply (Langenbucher, 2015^[90]).

Unemployment benefits in the WB6 economies do not provide generous income replacements. Some economies do not link the level of unemployment benefits to previous earnings (e.g., in Albania the unemployment benefit is set at 50% of the minimum wage), which contradicts good practice in OECD and EU economies. This may facilitate processes at the PES, but it does not create a strong incentive to engage in formal employment and limits matching efficiency. On the other hand, older unemployed people with a long work history are able to receive benefits for a long period and there is a risk of unemployment benefits being misused as a route to early retirement. This contradicts OECD recommendations on reducing incentives for early retirement and eliminating early retirement elements in unemployment benefit schemes (OECD, n.d.^[91]).

In general, able-bodied social assistance recipients have to register at the PES and actively search for work, otherwise they get sanctioned, as is the case in Kosovo, for instance. Electronic data management and information exchange systems have been established but monitoring and follow-up on job-search activities may be weak. In the Federation of Bosnia and Herzegovina and Serbia, there is still an incentive to register at the PES in order to be covered by health insurance. While this may represent an opportunity to reach out to the inactive population, often no such follow-up is made. Overall, WB6 economies have improved co-operation with social services at the local level (e.g., in Serbia and North Macedonia, see Box 11.9), however, poor institutional capacity for providing encompassing social services limits the effectiveness of co-operation.

Box 11.9. Co-operation between social services and employment services to integrate vulnerable groups into the labour market in North Macedonia

Since 2019, the Centre for Social Work and the Employment Centre have co-operated to put together individual employment plans to map out beneficiaries' participation in active employment measures and job seeking. Counsellors from the two centres communicate regularly on the outcomes of activities and meet as needed, at least once a month. They perform joint assessment of the needs and the employability level of all registered unemployed persons or beneficiaries from one household, with the aim of identifying the most employable person and including that person in the active employment measures and services, taking into account their age, educational attainment, previous work experience, professional qualifications, acquired skills, the job demand in the labour market, and whether there are no obstacles to participation in the active employment measures and other circumstances.

Source: (Government of North Macedonia, 2019^[92]), *Economic Reform Programme 2019-2021*, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/north_macedonia_erp_2019-2021.pdf; (EC, 2019^[93]), "Economic Reform Programme of North Macedonia (2019-2021): Commission assessment", <https://data.consilium.europa.eu/doc/document/ST-8545-2019-INIT/en/pdf>; information received from the government.

Well-targeted, permanent in-work benefits can be effective at making work pay. In-work benefits supplement low wages with welfare benefits. If well designed they create an incentive to take up low-paid work (OECD, 2018^[11]). In-work benefits are only implemented in Albania among the WB6 economies. Supported by the World Bank, a reform of social assistance (economic aid) was rolled out across Albania at the beginning of 2018, introducing in-work benefits, by extending social assistance eligibility to people in low-paid employment, receiving a modest income from household agricultural activity in rural areas, or in receipt of other forms of social protection benefits (such as pensions or disability benefits). While the introduction of in-work benefits corresponds to international good practice (Immervoll and Scarpetta, 2012^[94]), the level of social assistance, currently less than one-third of the minimum wage, remains low (Jorgoni, 2019^[57]).

Active labour market programmes are very under-resourced

Active labour market programmes can play a constructive role in finding people employment when used judiciously. Thorough evaluations of ALMPs across OECD economies indicate that the record is mixed, but also that well-designed and targeted measures can increase the employability of jobseekers and their employment opportunities in a cost-effective manner (OECD, 2015^[5]).

The WB6 economies have improved the design of their measures and introduced targeted programmes but the most vulnerable groups are still under-served. Expenditures on ALMPs as a percentage of GDP have been low, limiting their potential impact on the region's very high unemployment rates: 0.27% in the RS, 0.08% in Kosovo and 0.19% in North Macedonia in 2019; 0.08% in Serbia in 2017. Considering that unemployment rates are nearly three times the OECD average, these expenditures are not adequate. In 2017, about 5.5% of unemployed people participated in an ALMP in Albania, around 6% in Bosnia and Herzegovina, 10.2% in Kosovo.

In comparison, on average in 2018, OECD economies spent 0.36% of GDP on ALMPs (including employment incentives, training measures, job creation measures/public works, start-up incentives, vocational rehabilitation and sheltered workshops). This rises to 0.46% if placement services, counselling and PES administration are included (OECD, n.d.^[10]). In the EU, expenditure on ALMPs (without counselling) ranged from 0.03% of GDP in Romania to 1.39% in Denmark (EC, 2020^[95]).

The way forward for activation policies

- **Continue to strengthen the capacities of PESs** by enhancing the number of employment counsellors, and offering digital and self-help services for those who are ready to help place themselves. Train staff so that they become gender sensitive, have a deep understanding of the employment barriers faced by hard-to-place jobseekers, and identify the work capacity of people with disabilities in co-operation with relevant institutions and occupational doctors.
- **Regularly monitor PES activities and outcomes** and publish the results, systematically differentiating outcomes (i.e., employment) by degree of disadvantage. Thorough evaluations of ALMPs and their impact on different target groups should be conducted by an external evaluator.
- **Continue to develop services for employers** and to proactively collect vacancies. These services could include organising job fairs, meeting regularly with local employers, cold calling employers, and following up with employers who recruited hard-to-place jobseekers.
- **Continue efforts to increase the employment of vulnerable groups**, by developing integrated approaches for the delivery of social and employment services and allocating relevant budgets to improve the labour market integration of the most vulnerable groups (e.g. Roma communities, women in rural areas). This requires close co-operation with other key stakeholders at central and local levels in order to reach those who have become inactive and support those in informal work to transition to formal employment.
- **Continue to strengthen the role of PESs in increasing skills among jobseekers and workers threatened by industrial restructuring.** Scale up training programmes leading to certification and increase the budget for ALMPs accordingly. Develop adult vocational guidance for adults. This could be done by PESs in co-operation with other relevant institutions.
- **Revise the design of unemployment benefits (where relevant)** to link them to previous earnings and avoid them being used as a pathway to early retirement. Where relevant reform health insurance schemes to avoid people only registering with the PES to get health care coverage. Where relevant, reform social assistance schemes to improve targeting and create incentives to take up work.
- **Co-operate with other PESs within the region in the area of labour intermediation.** Within the EU, the European Network of Employment Services (EURES) provides placement services.
- **Support skilled workers who gained experience abroad and are returning** to find good work conditions and living conditions. Co-operate with relevant actors to facilitate labour market integration of returning emigrants.
- **Intensify the exchange of experience and benchmarking of PESs within the region.** In the EU the European PES Network, supported by the European Commission, is very active and produces reports and survey-based studies on work methods, strategies and measures of PESs, and working groups and webinars are organised on pressing issues. It organises bench learning and mutual learning events and peer reviews with the support of the European Commission (EC, n.d.^[96]). These are key activities enshrined in the open co-ordination among EU Member States in the area of employment.

Conclusion

Labour market outcomes have improved with increased employment and reduced unemployment among both men and women. However, employment rates in the region are still below OECD and EU averages and unemployment rates are significantly higher. Job quality has not improved significantly: informality remains high and duality still characterises some labour markets, while working conditions are improving only slowly. Limited progress has been made in including the most vulnerable groups and minorities in the

labour market. Labour laws, occupational health and safety regulatory frameworks and the design of employment policy strategies have improved. However, major efforts are needed to improve implementation and to strengthen the institutional capacities of relevant actors. The capacity of social partners to regulate employment and working conditions remains weak. Employment policies would benefit from being more encompassing and better linked to competitiveness strategies, tax policies, social policies, and education policies. Tackling skills gaps and skills shortages will be paramount for economic development. This calls for further improvements in the education system as well as progress in the school-to-work transition and adult learning.

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Notes

¹ (WIIW / World Bank, 2020^[52]) for 2015 employment rate data, and for unemployment rate (population aged 15+, 2015, 2019Q2).

² The 11 Central and Eastern European countries (CEECs) which have joined the European Union: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia.

³ These include issues such as working time, pregnant women, workers' rights in case of mergers and acquisitions, and some health and safety issues in Federation of Bosnia and Herzegovina and the preparation of a draft law on maternity and parental leave in Kosovo.

⁴ E.g. the Federation of Bosnia and Herzegovina has started harmonising domestic legislation with EU directives, mainly in the area of working time, pregnant women, workers' rights in case of mergers and acquisitions, and some health and safety issues.

⁵ Except for Romania which was between Albania and North Macedonia.

⁶ According to Article 10 of the Labour Law, a contract for a specified task may not be longer than 120 days within a year.

⁷ The latest available comparative data for the WB6 are from (WIIW / World Bank, 2020^[52]); OECD and EU average are from the LFS database (OECD, n.d.^[97]).

⁸ According to a MLSW Report, developed within the EU-funded project "Support to Labour Inspectorate for fighting against undeclared work". Information provided by the government.

⁹ According to the Statistical Office of the Republic of Serbia (2021), informal employed includes the employed in unregistered companies, the employed in registered companies but without formal contract and without paying social and pension contributions, as well as unpaid family workers, (Statistical Office of the Republic of Serbia, 2021^[99])

¹⁰ The related framework of the project Measures to Protect Children from Trafficking, Exploitation for Work and Unsafe Migration is funded by the governments of Italy, Germany and France.

¹¹ Government response to the questionnaire.

¹² Argentina, Brazil, Paraguay, Uruguay and the Bolivarian Republic of Venezuela. Associate members are Bolivia, Chile, Colombia, Ecuador and Peru.

¹³ Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. Associate members are Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and the Turks and Caicos Islands.

¹⁴ Skills shortages occur when the demand for a particular skill or set of skills exceeds the supply of those available with that skill. Skills gaps occur when workers do not have the right skills required for competent job performance.

¹⁵ Non-routine jobs refer to managers, professionals and higher-level technicians, whose job descriptions usually contain non-routine cognitive and socio-emotional tasks. This corresponds to Type A occupations in the STEP methodology. Routine jobs refer to all other occupations, which are Type B occupations in the STEP methodology. This methodology was slightly adapted.

¹⁶ Information provided by Montenegro.

¹⁷ SEE Jobs Gateway, based on data provided by statistical offices and Eurostat. (WIIW / World Bank, 2020^[52])

¹⁸ In 2019, among the 17 EU countries which have a minimum wage, the average ratio of minimum to mean monthly gross earnings in the business economy was 45.1%, while it was 55.5% in Albania. This was higher than in any of the EU countries, where the highest ratio was 52.5%, in Slovenia. It was 48.8% in Serbia and 45.2% in Montenegro. There were no data for North Macedonia, Kosovo and Bosnia and Herzegovina. In the industry, construction and services sectors, the ratio in the three WB economies is lower, but it remains markedly above the EU average in Albania (Eurostat, 2021^[76]).

¹⁹ As shown in the profiles of the WB6 economies prepared by the European Social Policy Network of the European Commission (EC, 2019^[100]).

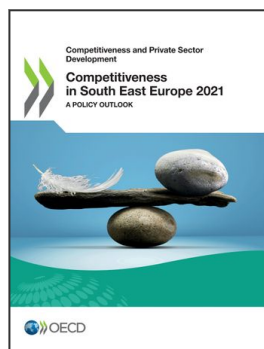
²⁰ The highest average gross wages in 2018 were: EUR 843 in the electricity, gas, steam and air conditioning supply sector; EUR 717 in information and communication; and EUR 639 in mining and quarrying. The lowest was in agriculture, forestry and fishing (EUR 256) (ASK, 2019^[98]).

²¹ There are no comparable updated data on gender wage gaps, although there is more recent evidence for some WB6 economies; see economy profiles for details.

²² According to an earlier study, the EU is expected to improve its GDP per capita over 2015-30 by between 0.8% (slow scenario, by reducing the gap by up to 13 p.p.) and 1.5% (rapid scenario; reducing the gap by 20 p.p.) (EIGE, 2017^[78]).

²³ Information on the RS provided by the RS authorities.

²⁴ Government response to questionnaire.



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