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## **THE EFFECTS OF THE COVID PANDEMIC ON THE LABOUR MARKETS IN THE WESTERN BALKANS: EXPLORING AGE AND GENDER DIFFERENCES**

### **Abstract**

This paper analyses the impact of the COVID-19 pandemic on the labour markets of the Western Balkans. In 2020, the pandemic brought the recent growth of the region's economies to an abrupt if temporary halt, and the paper analyses the impact on activity rates and unemployment rates. The analysis reveals that youth and women, and particularly young women, have been the most severely affected by the crisis. In almost all countries the activity rates of young women have fallen by more than male workers or older workers, while female unemployment rates have simultaneously increased, delivering a double setback for gender equality on the labour market. The paper concludes that future labour market policies should prioritise active labour market policies for the affected young women to assist their return to work through female-friendly training programmes and specialised support for job search and other gender-appropriate policy measures. The capacities of the

public employment services in the region will need to be improved to implement targeted and effective active employment policies to support the post-COVID recovery.

### **INTRODUCTION**

The COVID-19 pandemic hit the economies of the Western Balkans in 2020 with great severity and has continued through successive waves of infection throughout 2021.<sup>1</sup> Governments tried to cope with the effects of the pandemic by initially introducing stringent restrictive measures in March and April of 2020. This mitigated the initial effects of the pandemic to some extent. However, the ferocity of the pandemic continued well into the winter and spring of 2021. The

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<sup>1</sup> A recent survey shows that the pandemic has hit the region covered by the European Bank for Reconstruction and Development (EBRD), which includes the Western Balkans, harder than more developed European countries: See: <https://www.ebrd.com/news/2020/pandemic-hits-ebrd-regions-harder-than-advanced-europe-survey.html>

pandemic entered a second wave in the winter of 2020 and a third wave in early spring 2021. A low vaccination rate due to lack of vaccines and high levels of vaccine hesitancy (see Bieber et al., 2021) has meant that each time restrictive measures were lifted a new surge of the virus appeared. By December 2021 the countries of the Western Balkans were among the worst affected countries in the

in Montenegro and Serbia. However, this did not translate into an equal distribution of deaths. The highest death rate confirmed to have been due to COVID-19 was in Bosnia and Herzegovina, the third highest death rate in the world after Peru and Bulgaria. Close behind were Montenegro and North Macedonia, the fourth and fifth highest death rates in world respectively. The other three Western Balkan countries

**Table 1: Coronavirus cumulative confirmed cases and deaths December 2021**

Country	Share of people fully vaccinated	Confirmed cases per 100,000	Confirmed deaths per 100,000	Excess deaths per 100,000
North Macedonia	37.9%	10,421	366	634
Serbia	46.1%	18,372	173	606
Bosnia and Herzegovina	n/a	8,495	389	461
Albania	34.5%	7,010	108	391
Kosovo	43.3%	9,042	167	383
Montenegro	42.0%	25,202	370	348

Source: *Our World in Data*: <https://ourworldindata.org/covid-deaths> and *Economist Intelligence Unit*: <https://www.economist.com/graphic-detail/coronavirus-excess-deaths-tracker>

world (see Table 1).

By December 2021 the total cumulative number of confirmed cases had risen to over two million throughout the region, and the number of deaths had reached 37,630, with an average of 262 deaths per 100,000 population. However, the distribution of cases and in relation to population showed a wide variation. Considering cases, the highest relative impact in relation to population size was

apparently did better in preventing cases translating into deaths. However, a more accurate measure of impact is shown by the excess death rate (i.e. the actual death rate in a given period less the expected number of deaths). This shows a very different picture, with North Macedonia and Serbia the worst affected in the region, in fourth and fifth the worst affected globally. The difference in the estimates of the number of confirmed deaths and

the number of excess deaths may be due to errors in reporting systems, purposeful underreporting, or to the indirect impact of the pandemic due to the weak health systems in the region (Marinkovich & Galjak, 2021). Whichever method is used to estimate impact, the countries of Western Balkans appear to have been among the most affected countries in the world, suggesting both a failure of the health systems to cope with the crisis, and the low vaccine rate due to a lack of supplies (except in Serbia) and a high rate of vaccine hesitancy.

The economies of the region were badly hit by the pandemic due to lockdowns which affected the supply of goods and services, and restrictions on travel and mobility which affected the demand side. The pandemic brought economic growth to an abrupt halt leading to a deep recession in 2020 with a deeper trough than was experienced by the EU economies (RCC 2021b). About 84,000 jobs were lost in the first half of 2021 (World Bank, 2021). Montenegro was disproportionately vulnerable to the pandemic due to the large dependence on tourism. In 2020 tourist arrivals in Montenegro were down by 83% compared to 2019, due to the restrictions imposed to combat the pandemic (RCC 2021b).

The COVID-19 pandemic had profound effects of the labour markets in the region. To mitigate the effects on the labour markets governments introduced policy measures to preserve jobs by

providing support to businesses affected by the lockdowns and the general collapse of trade, including especially the tourism industry. However, after an initial set of support measures and the initial lockdowns governments relaxed the stringency of their health control measures allowing the pandemic to rip through their societies with devastating effects on direct and indirect mortality. Restrictive measures were reintroduced in the winter of 2020/2021, but again lifted in the spring and summer of 2021. By the end of 2021 the number of cases had reached enormous proportions and the death rates were among the highest in the world. Job retention schemes have been put in place in all economies to a varying extent. However, these did not cover the most vulnerable participants in the labour markets including those on temporary contracts or in the informal economy, nor did they prevent layoffs or a reduction in working hours. While wage subsidies were used as a key measure to limit the potential reduction in formal employment, the impact has been felt most severely by young workers and women working in customer facing industries such as hospitality and tourism by workers in the informal sector who lost their jobs. The most vulnerable groups on the labour market lost income during the pandemic and were at high risk of poverty. Consequently, the poverty rate increased by 1.0 to 2.5 percentage points in 2020 (World Bank 2021).

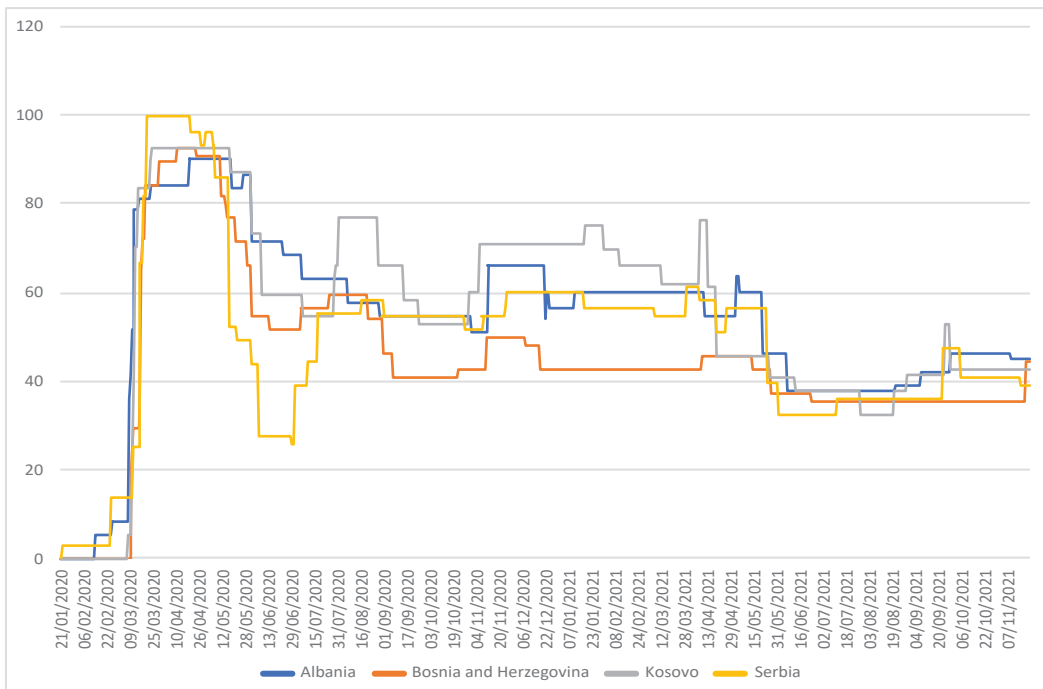
## MEASURES ADOPTED TO MITIGATE THE EFFECTS OF THE COVID PANDEMIC ON THE LABOUR MARKET

To fight the pandemic and ease the pressure on their weak health services, policymakers in the Western Balkans introduced stringent measures in Spring 2020 (OECD, 2020). The wearing of facemasks was made mandatory in public or in closed space in all economies, while the number of people allowed to participate in gatherings was strictly limited. Restaurants, bars, cafes and other catering facilities operated with reduced working hours. Travel

restrictions were introduced and borders partially closed. In some economies, a curfew was introduced. Combined in-person and remote learning was introduced in schools. EU economies began to require a quarantine period and/or a negative PCR test results as an entry requirement for residents from the Western Balkan economies. Restrictions were eased after the first wave of the pandemic subsided in May 2020, in Serbia in time for elections.

Although the initial recovery prospects were rather good for the Western Balkans, a new wave of COVID-19 infections at the start of the third quarter of 2020

**Figure 1: COVID-19 Containment and Health measures Index**



Source: *Our World in Data*

delayed reopening efforts and forced governments to reintroduce previous mitigation measures. In autumn and winter 2020 (see Figure 1). However, these measures were less severe than during the first wave, and after the end of the winter the restrictive measures were gradually relaxed. A Containment and Health index, compiled by the “Our World in Data” website, shows that the containment and health measure introduced in Bosnia and Herzegovina were less stringent than in Albania, Kosovo, and Serbia.<sup>2</sup>

Most economies adopted similar support measures, although the size of measures varies between economies. The measures were a mix of short-term measures for mitigating the immediate impact of the crisis, such as providing access to loans for businesses, tax breaks and loan repayment moratoriums. Wage subsidies were provided to cover the labour costs of affected companies to avoid large-scale dismissals and preserve jobs. Some of the central banks in the Western Balkans cut policy interest rates to record lows to deal with the economic impact of the pandemic (Albania, North

Macedonia, and Serbia). In Bosnia and Herzegovina, the entity banking agencies adopted temporary measures in 2020 to preserve the stability of the banking system.

Support for employees unable to work due to the pandemic was provided, and all Western Balkan countries temporarily increased social benefits for affected households. This support varied from a monthly allowance corresponding to half of employees’ average monthly net salary (over the previous 24 months) in North Macedonia, to a capped amount of financial support elsewhere.

One-off cash-transfers to citizens were offered in some cases; Serbia offered a cash transfer of the equivalent of €100 to persons aged 18 or older who applied for it (Pejin Stokich, 2020). Most measures were focused on providing social benefits to households and providing support to companies to sustain their cash flows to avoid bankruptcies and to protect jobs. However, these measures excluded informal sector enterprises and informal workers. Consequently, while they mitigated the potential negative impact of pandemic on the formal labour market, they did little to support workers in the informal labour market.

### **Country snapshots of pandemic measures during 2020**

Albania adopted some of the most stringent lockdown measures in March 2020 as soon as it detected the first confirmed COVID-19 case. A state of

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<sup>2</sup> This index is calculated using thirteen metrics: school closures; workplace closures; cancellation of public events; restrictions on public gatherings; closures of public transport; stay-at-home requirements; public information campaigns; restrictions on internal movements; international travel controls; testing policy; extent of contact tracing; face coverings; and vaccine policy. Unfortunately values of the index are not available for Montenegro and North Macedonia.

natural catastrophe was declared for three months. In March 2020, the first package of support measures was approved to support incomes of employees of some 30,000 businesses that had been closed, granting them a subsidy equal to the minimum wage for three months from March to May.<sup>3</sup> The measures covered both self-employed and unemployed family members who would otherwise not receive unemployment support. In April, a second set of measures was approved, covering all families who were affected by job losses, and for all furloughed employees. In September 2020, the government launched a further employment support programme to provide a wage subsidy, up to the level of the minimum wage, to employers who retained their workers. Social and health insurance was provided for those who lost their jobs due to the COVID-19 pandemic.<sup>4</sup>

In Bosnia and Herzegovina, a country-wide state of emergency was declared in March 2020, with closure of schools and universities, restaurants, and shops. Public transport was suspended, public gatherings banned, and severe restrictions placed on the movement of people. Borders were closed to all except

Bosnia and Herzegovina's citizens who were quarantined for 14 days.<sup>5</sup> Specific measures differed across the Entities. General support was provided for the business sector but there were no specific measures to improve the weak social protection system, nor any special measures to provide social assistance to the unemployment or those who had lost income due to the pandemic.<sup>6</sup> Wage subsidy schemes covered half of registered employees by June 2020 (World Bank, 2020).

In Kosovo, restrictive measures were introduced early including lockdown and suspension of public transport in March. The restrictive measures were lifted in the summer only to be reimposed in the autumn. A Fiscal Emergency Package was adopted in March and April providing for a monthly payment of €130 for people registered as unemployed for the first time at the Employment Agency.<sup>7</sup> Social assistance payments were doubled for all beneficiaries for April and May 2020. In addition, all individuals who benefited from social schemes or pensions, and who's usual monthly payment was less than €100, were paid an additional €30

<sup>3</sup> See: <https://www.esap.online/observatory/measures/1/socio-economic-measures-for-the-coronavirus-crisis-in-albania>

<sup>4</sup> "Procedures, criteria and rules for the implementation of the Programme for Promotion of Employment for the Unemployed due to Covid-19" DCM no. 608 dated 29.7.2020

<sup>5</sup> See: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#B>

<sup>6</sup> See RCC Employment Observatory public policy tracker: <https://www.esap.online/observatory/measures/2/socio-economic-measures-for-the-coronavirus-crisis-in-bosnia-and-herzegovina>

<sup>7</sup> See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/3/socio-economic-measures-for-the-coronavirus-crisis-in-kosovo>

monthly from April to June. A wage subsidy of €130 per worker per month for the first two months of employment was given to companies that hired new workers for one year or more,<sup>8</sup> while a wage subsidy of €170 per month covered other private sector employees.<sup>9</sup>

In Montenegro, mitigation measures included subsidies for private sector wages at 100% of the gross minimum wage for firms closed during lockdown and for firms in the tourism sector. The measures also provided 50% of the cost of social security contributions for firms that maintained employment. Payments of 50% of the gross minimum wage were given to employees in quarantine or isolation.

In North Macedonia, wage subsidies of MKD 14,500 per month per employee were offered in April and May 2020 to companies affected by the crisis or 50% of the cost of contributions for each employee.<sup>10</sup> A furlough scheme was provided in sectors closed due to the pandemic and for employees unable to work due to childcare reasons, or people who were self-isolated or quarantined. Wage subsidies were provided for six months for registered unemployed

workers who became newly employed in small and medium sized enterprises (SMEs). Financial assistance to workers in the informal economy who had lost their incomes, and utility allowance were provided for social security beneficiaries.<sup>11</sup>

In Serbia, as in Bosnia and Herzegovina, measures were mainly focused on preserving jobs. A first set of measures in March 2020, deferred payment of taxes and contributions on salaries.<sup>12</sup> It also offered to pay the minimum wage of employees in all firms who had not reduced employment by more than 10%. Furlough payments of 50% of salary were given to businesses for their workers who were temporarily laid off due to the lockdown.<sup>13</sup> A one-off payment of €100 was made to all beneficiaries of social protection payments including pensions, and to other citizens who applied for it. In May, a second set of measures targeted financial assistance to the business sector at a cost of about 1.8% of GDP. In July, the job subsidy for SMEs was reduced to 60% of the minimum wage, and payment of taxes and contributions was postponed.<sup>14</sup>

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<sup>8</sup> See RCC Employment Observatory Public Policy Tracker: <https://www.esap.online/observatory/measures/3/socio-economic-measures-for-the-coronavirus-crisis-in-kosovo>

<sup>9</sup> World Bank (2020) Western Balkans Regular Economic Report No. 18, p. 11.

<sup>10</sup> See: <https://www.esap.online/observatory/measures/5/socio-economic-measures-for-the-coronavirus-crisis-in-the-republic-of-north-macedonia>

<sup>11</sup> See: <https://www.esap.online/observatory/measures/5/socio-economic-measures-for-the-coronavirus-crisis-in-the-republic-of-north-macedonia>

<sup>12</sup> See <https://www.esap.online/observatory/measures/6/socio-economic-measures-for-the-coronavirus-crisis-in-serbia>

<sup>13</sup> ILO (2020) COVID-19 and the World of Work: Policy Responses and Gaps, Geneva: International Labour Office.

<sup>14</sup> The fourth set of measures involved distributing one hundred euros in local currency to all adults in Serbia who applied for it.

## THE LABOUR MARKET EFFECTS OF THE COVID PANDEMIC

All these measures had some effect in mitigating the effects of the pandemic on the labour market. However, they could not entirely insulate businesses or their employees from job losses, or reductions in incomes. To identify the impact of the pandemic on the labour market, I compare the position before the pandemic hit the region in the fourth quarter of 2019 with the position a year later in the fourth quarter of 2020 when the impact of the pandemic on the labour market was observable. These data are taken from the Labour Force Surveys in each country and enable an analysis of the unequal impact of the Covid-19 crisis by age and gender. The focus is on the position in 2020 when the first and second waves of the pandemic hit the region and the initial impact on the labour markets was most severe.

### Changes in the activity rate

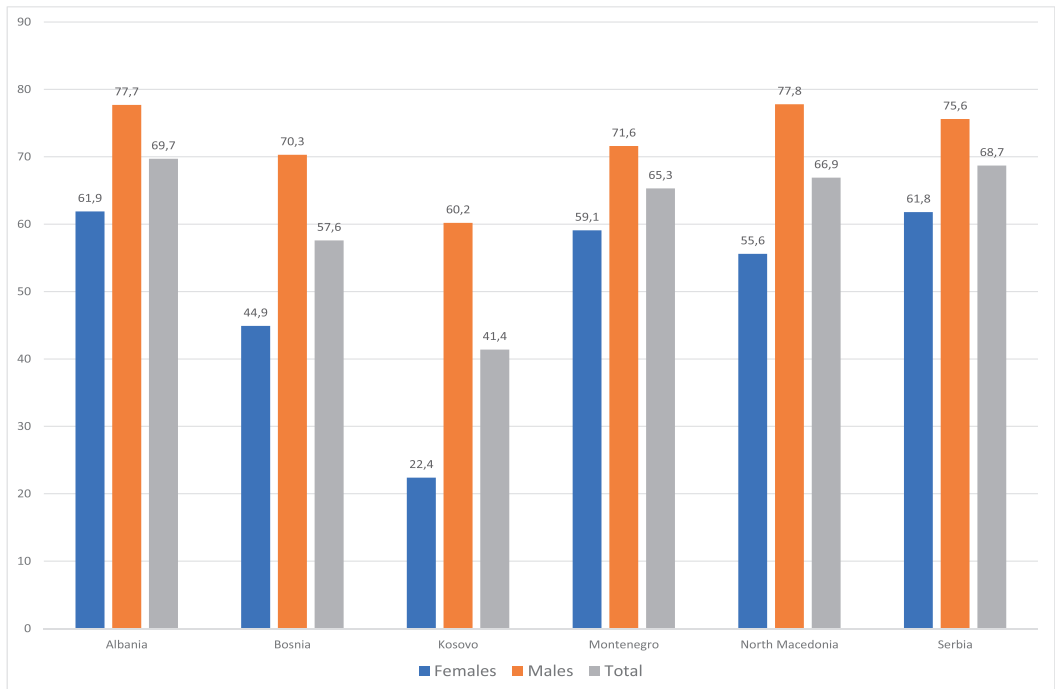
Even before the pandemic hit the region, in the fourth quarter of 2019, the average labour force activity rate for the 15-64 age group in the Western Balkans was relatively low, at 61.6% (in the EU27 it was 73.5%).<sup>15</sup> Four countries had activity rates between 65% and 69%, while the activity rate in Bosnia and Herzegovina was 57.6% and in Kosovo only 41.4%

(see Figure 2). There was a large gender gap in activity rates; the regional male activity rate was 72.2% (about the same as the EU27 total activity rate) but female activity rate was 51.0%. The female activity rate varied from 61.9% in Albania to just 22.4% in Kosovo (see Figure 2). The Western Balkan economies now have some of the lowest female activity rates in Europe (Atoyán & Rahman, 2021). Under the former socialist system, women had participated more fully in economic activity, but following privatization and the development a more market-oriented economy women's more traditional role in the family was restored. The revival of traditional cultural norms and a retraditionalization of the role of women in society has been a step backwards from the relatively egalitarian gender policies that had been developed in the former Yugoslavia - at least in urban areas (Allcock, 2000). The large gender gap, especially among younger age groups may reflect the high proportion of young women who need to take care for their children at home in a society with a young demographic profile and a relative absence of publicly provided, or affordable private, childcare facilities. The lack of child-care facilities and the scarcity of part-time employment contracts weighs especially heavily on younger mothers in the region (Lebedinski & Vladislavljovich, 2022). The economic crisis of the later 2000s and early 2020s also set back women's position in the labour market. For example, Shehaj and Agolli (2020) show

<sup>15</sup> The activity rate, sometimes called the labour force participation rate, is the number of employed persons divided by the working population for the corresponding age group.



**Figure 2: Pre-pandemic quarterly activity rates by gender 2019 q4 (15-64 age group)**



Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2021q1.

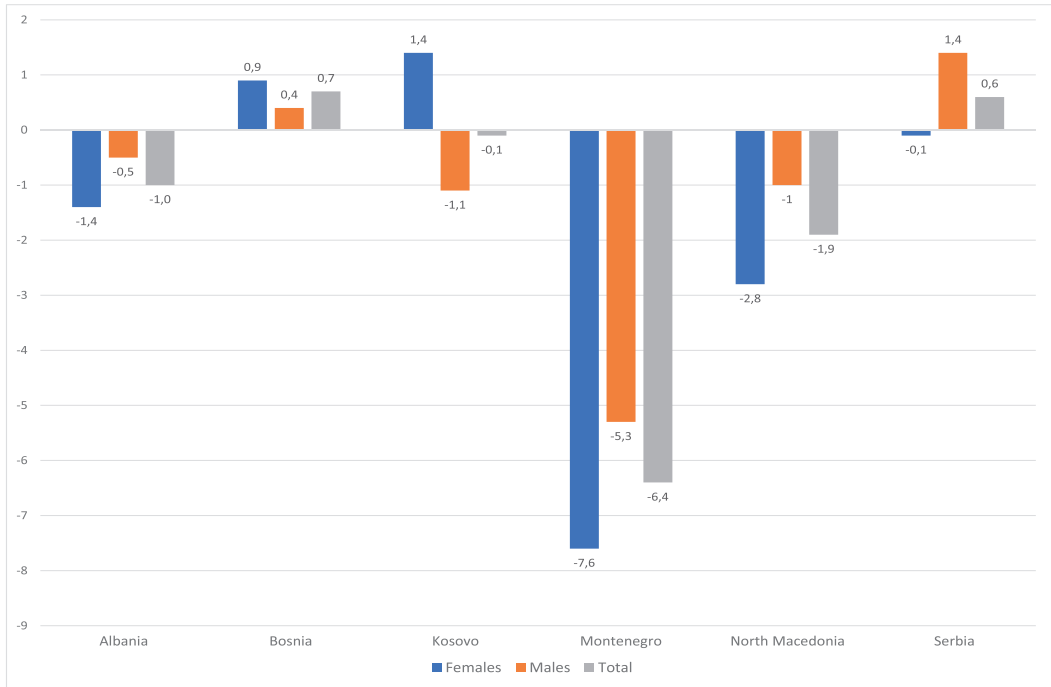
that the global economic and financial crisis reduced female activity rates in Albania, especially among younger and more highly educated women.

According to the findings of a 2016 survey by the European Foundation for Living and Working Conditions, women’s role in the household is more traditional in the Western Balkans than in the EU (Eurofound, 2019).<sup>16</sup> One of the survey questions explores the frequency

of cooking and/or housework by male and female members of the household. In the EU, 55.9% of male respondents answered that they do this activity “at least several days a week”, whereas in the Western Balkan countries the proportion of men doing housework was only 22.5%. These differences in the intensity of housework shared between men and women makes it more difficult for women to participate in paid employment outside the home. The dynamics of women’s participation in the labour market are also influenced by the extent of social capital, cultural factors, social protection policies, and pro-

16 The 2016 wave of the Eurofound European Quality of Life Survey was carried out in Albania, the Former Yugoslav Republic of Macedonia, Montenegro, and Serbia in 2016.

**Figure 3: Impact of the pandemic on activity rates by gender, 15-64 age group, 2019q4-2020q4, p.p.**



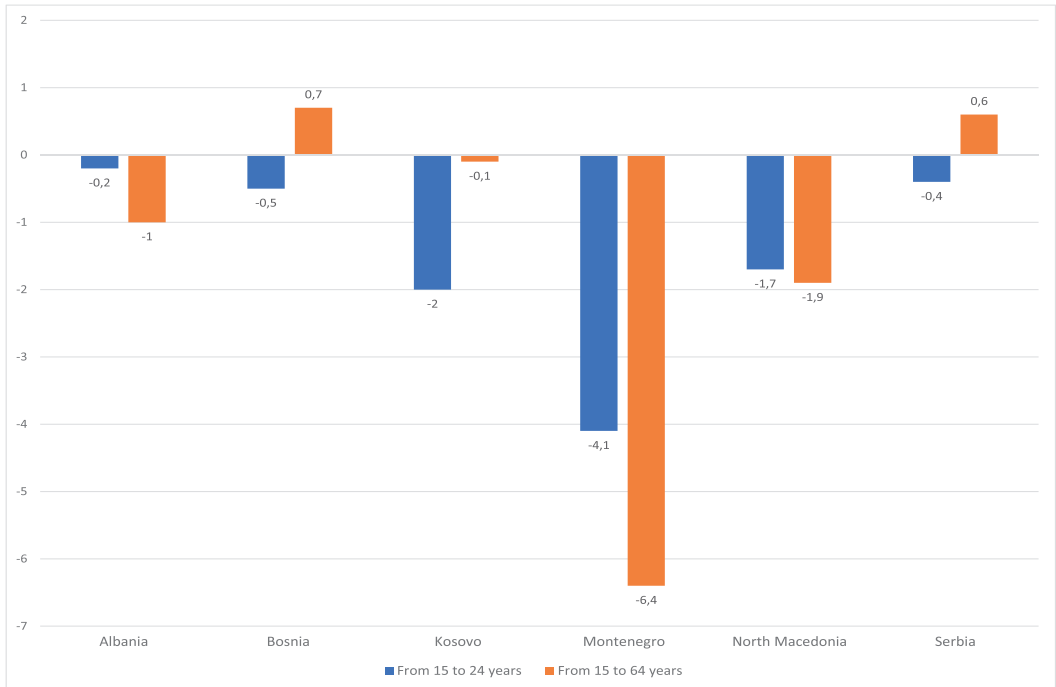
Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2020q1-2020q4

natalist family policies alongside limited provision of child-care facilities outside the home (Dobrotić, 2022; Dobrotić & Stropnik, 2020).

The COVID-19 pandemic has adversely affected the labour force participation of women for several reasons. First, school closures have placed an increased burden on working mothers (ILO, 2020a). Second, due to the lockdown measures adopted, many women withdrew from the labour market. Female activity rates fell in Albania, Montenegro, North Macedonia,

and Serbia, although they increased in Bosnia and Herzegovina and Kosovo. The largest fall in the female activity rate took place in Montenegro, where it fell by 7.6 percentage points. The exception of Kosovo may be explained by the existing extremely low initial female activity rate, so that there was little opportunity for a further reduction and the brunt of the effect was felt by men who exited the labour market into inactivity to a greater degree than did women. The increase in activity rates in Bosnia and Herzegovina may reflect the fact that the governments

**Figure 4: Impact of the pandemic on activity rates by age group, 2019q4-2020q4, p.p.**



Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2020q1-2020q4

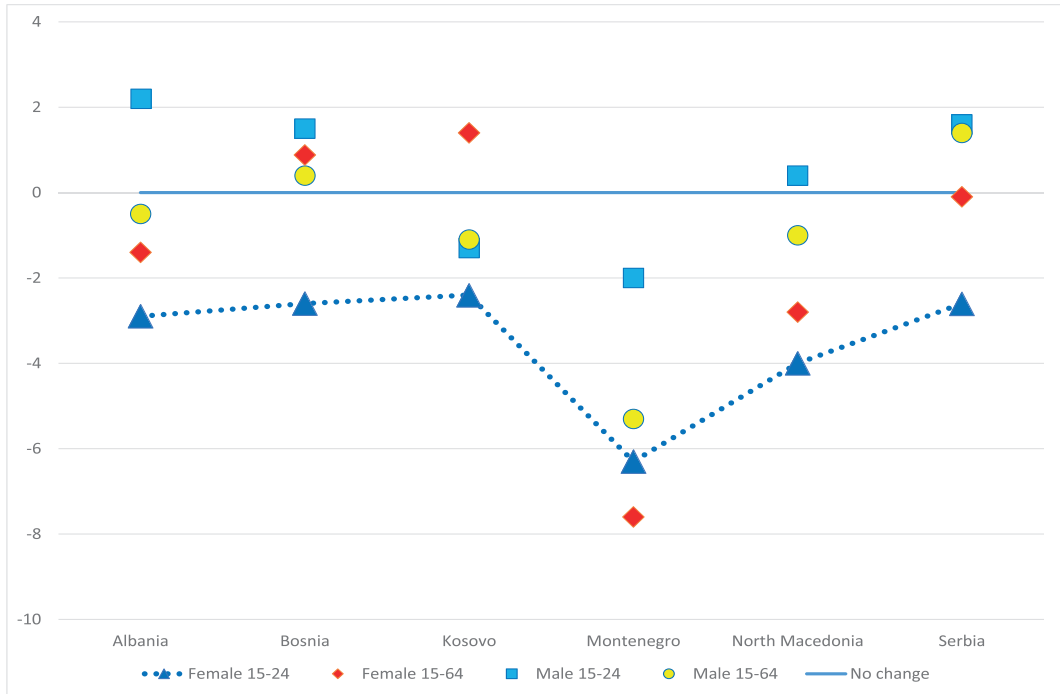
in that country made less use of restrictive measures, and gave greater allowance to economic activity to continue throughout the pandemic than did other countries in the region.

Youth activity rates for the 15-24 age group is relatively low in the Western Balkans (RCC, 2021c); in the fourth quarter of 2019 it was 32.2% (seven percentage points below the EU27). As well as women, many young people in the Western Balkans have lost their jobs because of the COVID-19 pandemic and have exited the labour force into inactivity. This is reflected in a fall in youth activity

rate rates between the fourth quarters of 2019 and 2020 (see Figure 4), which fell to just 30.7% by the fourth quarter of 2020. The largest fall took place in Montenegro where the tourism industry was badly affected reducing overall activity rates by 6.4 percentage points and reducing youth activity rates by 4.1 percentage points. In Bosnia and Herzegovina, Kosovo and Serbia, the youth activity rate fell by a larger margin than for the workforce as a whole, although this was not the case in Albania, Montenegro and North Macedonia.

The effect of gender and age group on reducing activity rates throughout the

**Figure 5: Impact of the pandemic on activity rates by age group and gender, 2019q4-2020q4, p.p.**



Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2020q1-2020q4

pandemic are cumulative, and activity rates have fallen the most for young women, both in absolute terms and in relation to the male youth activity rate (see Figure 5); the latter even increased in four countries (Albania, Bosnia and Herzegovina, North Macedonia, and Serbia). This suggests that there may have been some substitution in labour market activity within households, with young women exiting the labour market, and young men (or older women) entering it. The general pattern, therefore, is for the brunt of the pandemic to have been

borne by young women, many of whom who withdrew from the labour force into inactivity. This may have been partly due to school closures, which implied that young mothers with childcare responsibilities needed to stay at home with their children. It may also reflect the higher incidence of the pandemic on sectors such as retail and accommodation where women have a higher presence. The vulnerable position of young women is also be associated with the greater likelihood that that young people may have temporary jobs or other insecure

forms of work contracts. Finally, young women are also more likely to work under atypical work contracts or in the informal sector and are therefore excluded from the employment and income support measures introduced by governments.

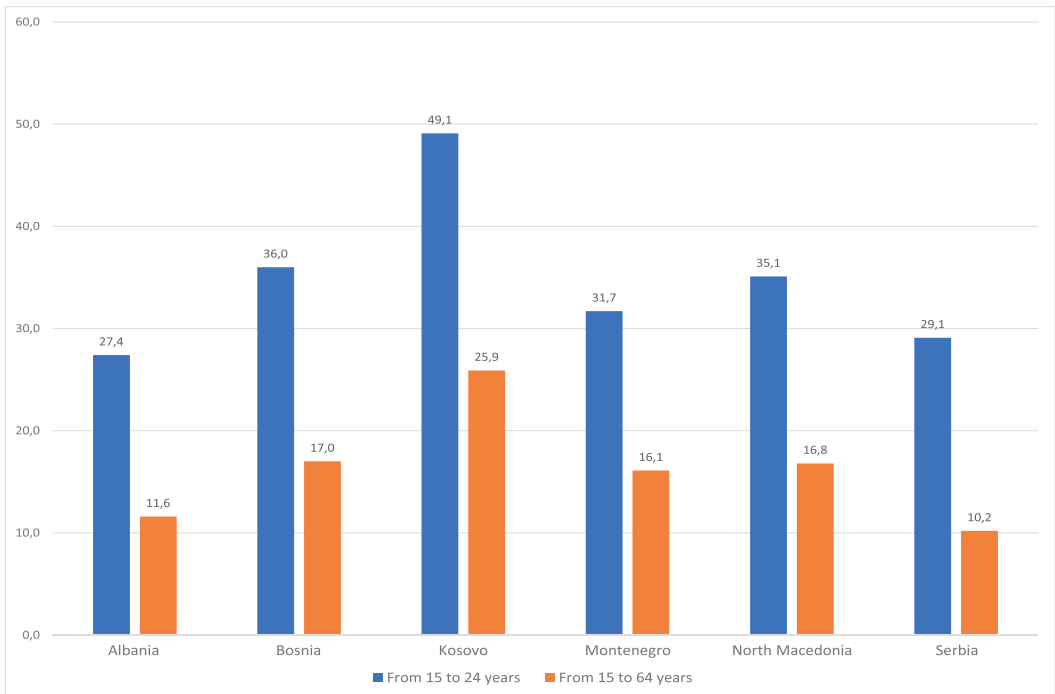
### Effect of the pandemic on Unemployment

Before the pandemic hit, unemployment rates were already relatively high in the Western Balkans although they had been falling for several years due to the economic recovery that had been taking place since around 2015. Overall unemployment

levels were above 10% in every country, and double that in Kosovo. There was little difference in the unemployment rates of men and women in most countries, except in Bosnia and Herzegovina where the female unemployment rate was 20% compared to 15.1% for men, and in Kosovo (36.6% for women compared to 22.0% for men).

Before the pandemic struck, the youth unemployment rates were substantially higher than the overall unemployment rates in the Western Balkans. Youth face a precarious position on the labour markets, since young people in the region have a

**Figure 6: Pre-pandemic quarterly unemployment rate by age group, 2019 q4**



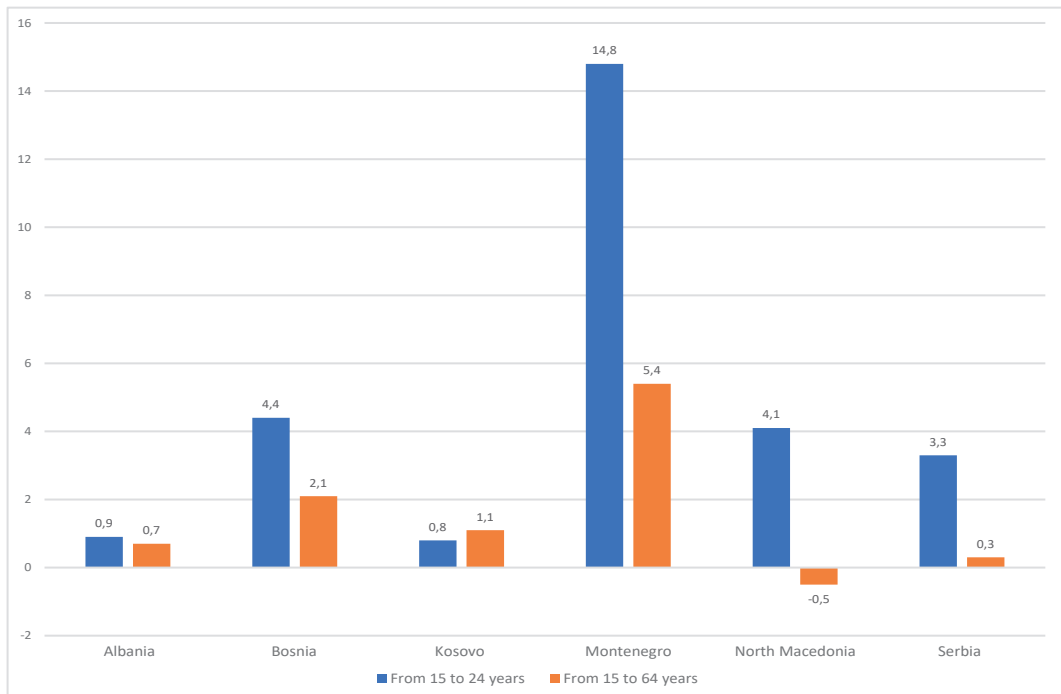
Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2020q1.

higher share of temporary contracts than do young people in the EU-27. This especially so in Kosovo and Montenegro where more than three quarters of employed youth hold this type of contract, while in Serbia more than one half do so. Precarious employment of this type can adversely affect individual well-being as well as productivity. Many people in precarious jobs are not well served by social protection systems in the region (Gerovska Mitev, 2019; 2020). In addition, high levels of long-term youth unemployment can blight the prospects of young people due to the “scarring” effect

that long-term unemployment can cause (Selenko & Pils, 2016; Petreski et al., 2017). Public employment services have had little success in assisting young people to find work. Only North Macedonia has adopted a Youth Guarantee, which has had a positive impact, reducing the share of long-term youth unemployment by about nine percentage points between 2017 and 2019 (RCC, 2019c).

The inactivity and unemployment of young people can be combined into a single measure of vulnerability known as “neither in employment, nor in education

**Figure 7: Impact of the pandemic on unemployment rates by age group, 2019q4-2020q4, p.p.**



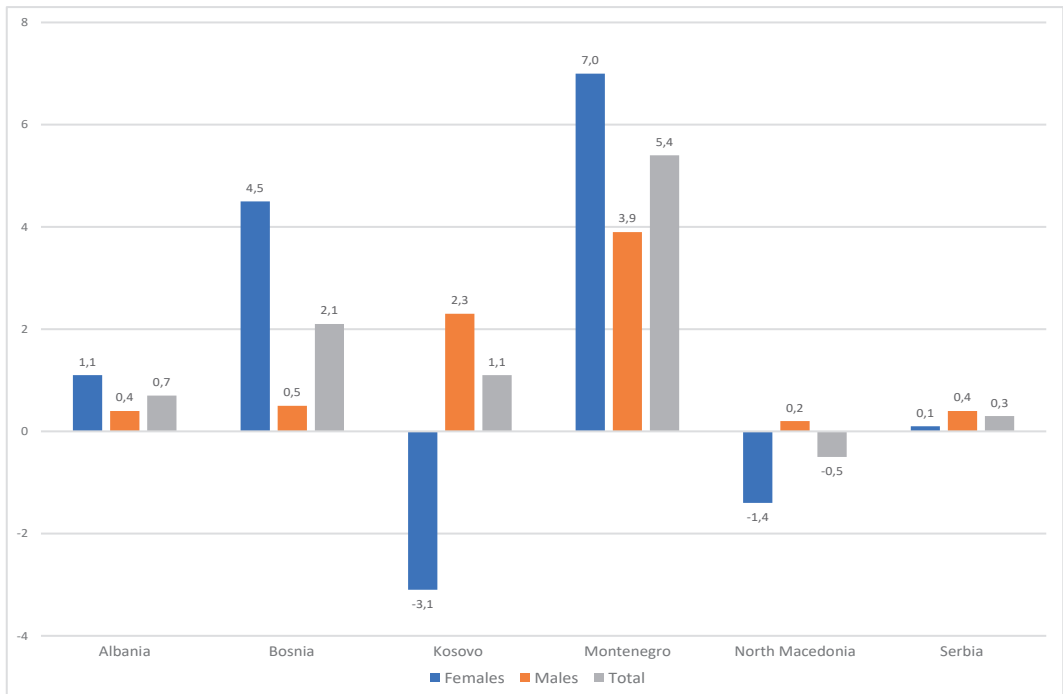
Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2020q1-2020q4

or training” (NEETs) and are likely to remain so for a long time, especially if they have not acquired the skills needed to find and keep a job. The NEET rate was highest in 2019 in Kosovo at 32.7% and lowest in Serbia at 15.3% (compared to 10% in the EU-27). Long-term youth unemployment, combined with limited access to education and training, can reduce job prospects, reduce future earnings, and increase the risk of poverty. A Youth Guarantee introduced in North Macedonia reduced the NEET rate substantially, demonstrating that targeted active labour market policies can be

highly effective in mobilising this group of workers.

In 2020, the COVID-19 pandemic led to a sharp increase in unemployment levels, despite the extensive job protection measures that were introduced. The unemployment rate of 15-64 age group, i.e. the labour force as a whole, increased the most in Montenegro, by 5.4 percentage points over the year. Elsewhere the increase in unemployment rates was moderated by the mitigation measures put in place by governments. The labour market in Serbia has been less affected by the crisis than others due to the high level of policy

**Figure 8: Impact of the pandemic on unemployment rates by gender, 2019q4-2020q4, p.p.**



Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note: data for Bosnia and Herzegovina ILO data from 2020q1-2020q4

support to preserve jobs (Pavlovich, et al. 2020). In North Macedonia, the overall unemployment rate even fell slightly, by 0.5 percentage points, continuing a fall in the unemployment rate that had been proceeding over several years prior to the pandemic. However, the job retention measures that were adopted did not usually cover workers in the informal sector, and so these workers were at high risk of losing their jobs (Esch & Palm, 2020).

Youth unemployment increased in all countries of the region, with an especially severe impact in Montenegro, where it increased by a staggering 14.8 percentage points (see Figure 7). Youth unemployment increased by more than overall unemployment in every country of the region (except for Kosovo, where the increase in the unemployment rate was low and similar across age groups). The stronger impact of the pandemic on youth unemployment compared to overall unemployment is to be expected. Since young people often work in the informal sector (Cvetičanin et al., 2019), or in precarious employment with only temporary contracts, they have not been protected by government mitigation measures designed to protect formal sector jobs. Young workers have therefore carried a heavier burden of the pandemic effects than older workers.

The male unemployment rate increased in each Western Balkan country in 2020, most substantially in Montenegro where the unemployment rate increased by 3.9

percentage points (see Figure 8).<sup>17</sup> The effect on female workers has been less clear cut than the effect on young workers, with the female unemployment rate even falling in Kosovo and North Macedonia. In the case of North Macedonia, this may reflect the decrease in the activity rate of women, as they left the labour market in greater numbers than men to take up caring responsibilities at home (see Figure 3). In the case of Kosovo, the fall in the female unemployment rate was accompanied by an increase in the female activity rate by 1.4 percentage points (see Figure 3), which suggests that employers may have substituted female labour for male labour. More women than men work on a part-time basis in the Western Balkans (RCC 2021a) and this substitution may have involved more women taking on part-time jobs to replace dismissed full time male workers.

Considering age and gender simultaneously, the pandemic had an exceptional impact on the unemployment rate of young women in four of the countries of the region (Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia). In Albania the pandemic had little impact on unemployment rates for men and women alike, while, as noted

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<sup>17</sup> According to a recent ILO study on the effects of the pandemic in Montenegro, “[w]omen, who account for 81 per cent of jobs in the health and care sector in Montenegro, are in the frontline of the crisis, and are also overrepresented in the informal service sectors and in labour-intensive manufacturing sectors (ILO, 2020b).



**Figure 9: Impact of the pandemic on unemployment rates by age group and gender, 2019q4-2020q4, p.p.**



Source: Labour Force Survey data from Eurostat and national statistical offices, quarterly data. Note data for Bosnia and Herzegovina are annual data from 2019-2020

above, the unemployment rate of women decreased in Kosovo for all age groups. The severe impact of the pandemic on young women may be explained by their greater exposure to risk as compared to either men or women of older age groups. This is due to their greater presence in customer-facing sectors exposed to the drop-in demand (tourism, accommodation, and retail in particular), to their less secure employment contracts, and to their greater involvement in the informal economy. Young men were also badly affected for the same set of reasons

but to a lesser extent, reflecting the greater impact of school closures on the young mothers who left work to take up childcare responsibilities, and possibly also due to gender discrimination in the labour markets of the region, which has been well documented in several studies, notable RCC (2021a).

### ACTIVE AND PASSIVE LABOUR MARKET POLICIES

As shown in detail above, the main casualties of the pandemic on the labour markets of the Western Balkans have

been young people, women - and young women in particular - both in relation to reduced rates of activity and increased rates of unemployment. In the post-COVID recovery period, active labour market measures will need to be designed to target young women who have dropped out of the labour market or who have lost their jobs but are still looking for. More public money will need to be allocated for active labour market measures (ALMPs) to support the return of young women into employment or self-employment, and to intensify programmes for vocational training. Improved parental benefits, possibly in the form of vouchers, should be provided for young women with childcare responsibilities and who may require childcare services to assist them in their return to work. This should be done through flexible programmes, with young mothers eligible to receive government wage subsidies in jobs with flexible working hours to enable them to achieve a satisfying work-life balance as they transit to the labour market.

Many of those registered with public employment services in the Western Balkans are passive users of the service, who register mainly to claim health insurance. Consequently, relatively few are beneficiaries of ALMPs. In most economies, less than one tenth of people registered with the PES take part in ALMPs (RCC, 2020c). Serbia is an exception, with over one quarter of all registrants involved in these measures by 2018. Lessons could be drawn from

international experience, especially in the EU (Santos-Brien, 2018). For example, dedicated youth outreach workers may be needed to identify and inform marginalised young women about the opportunities available to receive support from the public employment services. Targeted support measures have already been introduced in North Macedonia, with some success. Recently, the EU has launched an ambitious €9 billion Economic and Investment Plan for the Western Balkans (European Commission 2020a). One of the ten flagship initiatives of this plan is the launch of a Youth Guarantee to create jobs and opportunities for young people. When they are implemented by the governments of the region, these programmes should be designed with a focus on gender equality to take account of the severe impact that the pandemic has had on young women in the region's labour markets.

Unfortunately, the public employment services in the Western Balkans are struggling to respond adequately to the effects of the pandemic on the labour market (RCC 2021c). In Kosovo, North Macedonia and Serbia, the average caseloads per staff member of 479 jobseekers far exceeds the average EU caseload of 140 and are also above the caseloads in Croatia (169) and Slovenia (137). This suggests the need for a major expansion of staff in the public employment services in the Western Balkans, especially if the adoption of Youth Guarantees were to lead to a larger

number of young people registering with the services.

There is also a role for passive labour market policies during the pandemic and even in the post-pandemic recovery period in order to maintain incomes and livelihoods for those who have lost their jobs and are ineligible for financial support through furlough or short-time work schemes. Regrettably, social assistance schemes have long been underfunded in the Western Balkans (Gotcheva & Sundaram, 2013; Bartlett, 2013). They have proved unable to prevent an increase in poverty during the COVID-19 pandemic. Some governments are therefore considering structural reforms to their social protection systems (World Bank 2021). In North Macedonia, greater flexibility is being introduced to the Guaranteed Minimum Income programme to allow people to apply online rather than in person, and eligibility criteria have been made more generous to include those who lost their jobs and incomes because of the pandemic. However, few laid off workers have access to unemployment benefits as they belong to the “second tier” of the labour market with atypical employment contracts (or the “third tier” if they work in the informal economy) and are not eligible for benefits (ILO, 2020c). In Kosovo, the Social Assistance Scheme is being refocused away from categorical benefits towards a greater focus on poverty reduction, and the scope of the scheme is being broadened to

allow benefits to be paid in response to economic shocks. As in North Macedonia, applications will be enabled online, backed up by investments in systems and procedures. In Serbia a Social Card registry is being established to enable the better identification of vulnerable people and enable a speedy response of the social protection system to unexpected emergencies. These reforms are a step in the right direction and should presage a much-needed improvement in the scope and generosity of social assistance schemes throughout the region.

## CONCLUSION

The COVID-19 pandemic brought the recent growth of the Western Balkan economies to an abrupt halt in 2020 causing a deep if temporary recession; several economies have experienced a severe economic shock. The impact of the crisis has been felt most severely by young women, often working in customer facing industries such as hospitality and tourism, but also textiles and trade. The worsening labour market prospects for young women and other vulnerable groups in the region make it crucial to mitigate the worst effects of the crisis by providing greater and more targeted assistance to them to enter the labour market, find jobs, undertake work-based training or an apprenticeship, or to set up their own business venture. Such measures can best be organised through the proposed new Youth Guarantee schemes.

Young women have been badly affected by the crisis also due to lack of childcare facilities and a reversion to their traditional role in the family. More attention should be given to gender-neutral policies to support women's greater participation in the labour market and reduce gender gaps in employment and wages. Parental benefits should be provided for young women who are caregivers at home and who may require childcare services to assist them in their re-entry into the labour market. This should be done through flexible programmes which would support flexible working hours to achieve a satisfying work-life balance as they transit to the labour market.

To implement effective employment policies to support the post-COVID recovery, the capacities of the public employment agencies and staff will need to be increased. Some progress in capacity building has been made in recent years, but more remains to be carried out. The expected Youth guarantee programmes that are to be introduced through the EU Economic and investment Plan for the Western Balkans should prioritise active labour market policies for young women, who have been severely impacted by the pandemic, to assist their return to work through suitable training programmes and specialised support for job search and other gender-appropriate measures.

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