

# **Activation and Smart Safety Nets in Kosovo: Constraints in Beneficiary Profile, Benefit Design, and Institutional Capacity**

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This study is part of the Western Balkans Activation and Smart Safety Nets analytical and advisory services. It was completed by a World Bank team led by Boryana Gotcheva and Aylin Isik-Dikmelik, and including also Matteo Morgandi, Victoria Strokova, Flora Kelmendi, Tomas Damerau, Levent Koro, and Ardiana Gashi.

## Abbreviations

ALMPs	Active Labor Market Programs
CSWs	Centers for Social Work
ECA	Europe and Central Asia
EOs	Employment Offices
EU	European Union
EUR	Euro
GDP	Gross Domestic Product
HBS	Household Budget Survey
IEP	Individual Employment Plan
KPWP	Kosovo Public Works Program
LFS	Labor Force Survey
MEF	Ministry of Economy and Finance
MIS	Management Information System
MLSW	Ministry of Labor and Social Welfare
OECD	Organization for Economic Cooperation and Development
OJT	On-the-job Training
PES	Public Employment Service
PWPs	Public Work Programs
REC	Regional Employment Center
SEDPP	Sustainable Employment Development Policy Program
SIMP	Kosovo's Labor Management Information System
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USD	United States Dollar
VT	Vocational Training
VTC	Vocational Training Center

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# 1. Introduction

## 1.1 Motivation of the Note

**The countries in the Western Balkan region are cognizant that dependence on cash transfers may negatively affect human development outcomes.** They operate cash social assistance programs that are not generous but nevertheless establish certain preconditions for long-term dependency. One sign of this is that more than 50 percent of all current beneficiaries of last-resort social assistance (LRSA) in the region are able-bodied, of working age, and not necessarily inactive (many are working, albeit in low-productivity and low-paying jobs, often in the informal economy). Their long-term dependence on social assistance is detrimental to human development in the long run: it undermines working habits, social skills, and self-esteem, and it could cause intergenerational dependency on social transfers. Long-term dependence on social assistance also prevents recipients from building a pension contribution history and having subsequent access to a pension in old age. Triggered by the 2007–09 global economic and financial crisis and the long-term challenges of high inactivity and unemployment, the Western Balkan governments have become increasingly focused on improving the efficiency of social assistance spending and targeting it predominantly to those who cannot cope with risks on their own while providing incentives to work and graduate from social assistance for those who are capable of making the transition.

**The Government of Kosovo is no exception in attempting to limit dependence on social assistance when families have able-bodied members.** Kosovo has a single social assistance scheme (Asistenca Sociale), which is a guaranteed minimum income program that is quite narrowly targeted but at the same time open to able-bodied recipients. Two categories of units of assistance, or families, are eligible for Asistenca Sociale:

1. *Category I* claimants are families in which all members are dependent<sup>1</sup> and thus neither capable of nor available to work.
2. *Category II* claimants are families with able-bodied members who do not work and are registered as unemployed, and who at the same time raise at least one child under 5 years of age or an orphan under 15 years of age.

At the end of 2012, there were 31,111 direct beneficiaries<sup>2</sup> of Asistenca Sociale, of whom 13,541 belonged to Category II. Category II claimant families include more than 40,000 able-bodied family members who are registered as unemployed. Over the past several years, the number of able-bodied

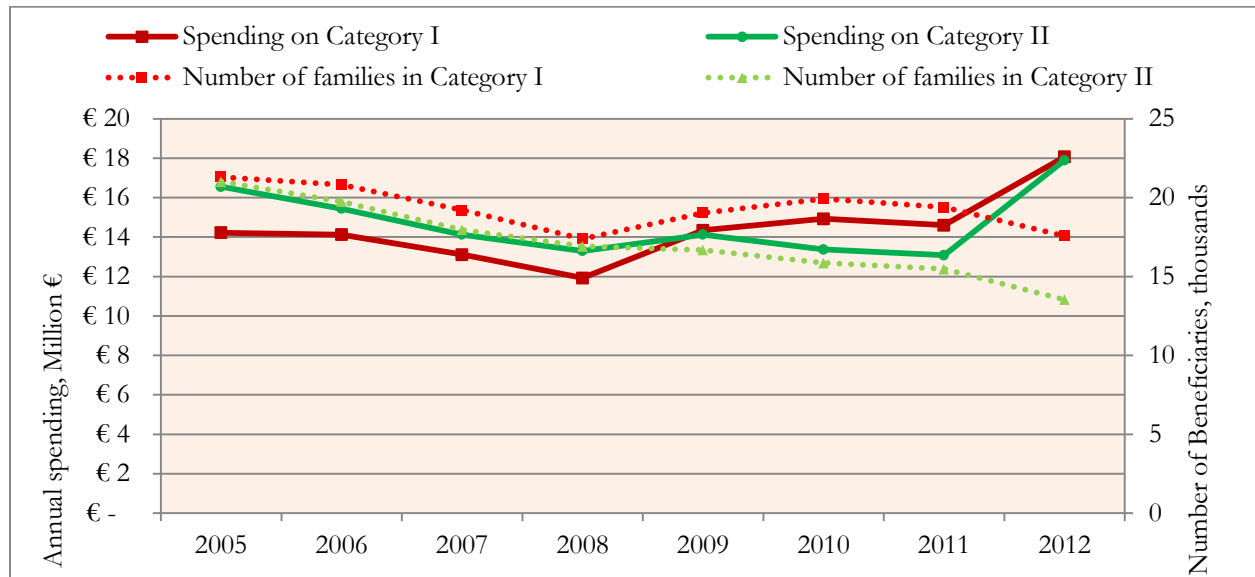
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<sup>1</sup> Dependent persons are defined as (a) the elderly, of 65 years of age or older; (b) adults with permanent and severe disability that renders them unable to work; (c) full-time caregivers to people with permanent and severe disability, elderly needing full-time care, or children under 5 years old; (d) single parents who have at least one child under 15 years old; and (e) persons between 5 and 18 years old (Law 2003/15 as amended).

<sup>2</sup> The direct beneficiaries are family heads who filed the application for Asistenca Sociale.

beneficiaries of Category II has decreased more rapidly than Category I beneficiaries.<sup>3</sup> At the same time, the spending on Category II remained relatively stable and even slightly increased—from close to EUR1.4 million per month in December 2005 to EUR1.5 million per month in December 2012, indicating rising needs for financial support. Figure 1 presents data on Asistenca Sociale beneficiaries and spending.

*Figure 1: Beneficiaries and Spending on Kosovo Asistenca Sociale, by Category, 2005–12*



Source: Republic of Kosovo, Ministry of Labor and Social Welfare, administrative data.

Note: Asistenca Sociale is Kosovo’s social assistance program that provides guaranteed minimum income support to eligible families in two categories. Category I includes families in which all members are dependent (not capable of, or available to, work). Category II comprises families that include able-bodied members who do not work, are registered as unemployed, and are raising at least one child under 5 years of age or an orphan under 15 years of age.

**Policy makers attribute the relatively slower pace of decline in the number of Category I Asistenca Sociale recipient families to welfare dependence that manifests as a “change of category” (shifting to Category I when Category II eligibility expires).** As seen in figure 1, the decline in Category I Asistenca Sociale recipients is not as pronounced as in Category II even though the income thresholds that determine eligibility were updated only once between 2005 and 2012—and in a uniform manner for both categories of Asistenca Sociale claimants. Anecdotal information from the Centers for Social Work (CSWs), which implement Asistenca Sociale at the local level, suggests that those who lose eligibility for Category II<sup>4</sup> tend to find ways to claim Category I eligibility, mostly by acquiring a certification of disability and thus the status of “dependent,” which means they are not required to work. These trends and assumptions motivated recent changes in the social assistance legislation aimed at further limiting the access of the able-bodied to unconditional

<sup>3</sup> In December 2005, the numbers of Category I and Category II beneficiaries were almost the same: 21,306 and 21,016, respectively. In December 2012, Category I accounted for 17,570 direct beneficiaries and Category II for 13,541.

<sup>4</sup> Category II eligibility is lost mostly because children grow up, and the family stops having at least one child under 5 years of age.

social cash transfers while at the same time fostering their activation efforts by connecting them to public work programs (PWPs) and to employment and training services.

## 1.2 Objectives

**Activation<sup>5</sup> is a new direction of policy change in social assistance. As activation reforms are unfolding, significant learning is taking place by understanding “what other countries do and why.”** Experience in the Organization for Economic Co-operation and Development (OECD) countries suggests that most progress can be made with a coherent overall activation *policy package*. Such a package is based on a good understanding of the target clients’ profile and encompasses assessment of benefit adequacy and reasons for receipt (whether benefits are received as a result of short-term unemployment or long-term work detachment) as well as an assessment of labor supply and demand (particularly the reasons for insufficient labor supply, be it a result of insufficient financial incentives to work or other relevant barriers). While the Government of Kosovo reforms social assistance to promote activation along these lines, it is experiencing knowledge gaps and facing capacity constraints. The World Bank and other development partners have responded to requests for help in mastering the theory and practice of activation.

**This study is part of the knowledge generation and knowledge sharing effort.** It contributes to knowledge transfer in two main ways. First, it identifies the main legal and institutional constraints to activation related to the design of cash transfers as well as social and employment services. Particularly, it identifies incentives and disincentives in benefit design and benchmarks the design of *Asistenca Sociale* against the design of programs that are similar in their objectives, including arrangements for effective and efficient activation and graduation policies in last-resort social assistance programs. Second, it analyzes the institutional readiness for activation of social assistance beneficiaries, looking specifically at: (a) the available mix of active labor market programs (ALMPs) and their financing; (b) the capacity and business processes of existing labor market institutions such as the Kosovo employment offices (EOs); and (c) the coordination mechanisms, including referral processes, between the CSWs and the EOs that are applied to social assistance beneficiaries.

**Kosovo follows Europe’s general trend toward promoting activation while reforming its welfare and labor market policies.** The new strategic document of the European Commission—“Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth” emphasizes the inclusive growth that would follow from modernizing and strengthening employment, education and training policies, and social protection systems. A regional - South East Europe 2020 Strategy - is under preparation and it will translate the Europe-wide activation approaches to the regional (including Western Balkans) context. It calls for development and implementation of policies to support access to employment, education, and training for all those distant from the labor market and who are receiving social welfare payments. It also calls for increased awareness that the groups furthest from

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<sup>5</sup> Activation is a combination of policy tools that supports and incentivizes job searching and job finding as a way to increase productive participation in society and self-sufficiency.



the labor market require specific and often more intensive assistance to achieve employability. Designing successful activation policies requires the right balance between the *demanding elements* (conditions for receiving benefits) and *enabling elements* to lower the barriers to employment (Vidovic et al. 2011). In that vein, Kosovo has embarked on reforming its guaranteed minimum income scheme by enforcing policies aiming at bringing able-bodied recipients (Asistenca Sociale Category II) back to employment by mandating activities (such as compulsory participation in PWPs) and linking them to employment services to increase their employability.

### 1.3 Scope of Work and Methodology

**The note attempts to address three important policy areas related to activation and overcoming dependence on social assistance:**

1. *Beneficiary profile.* The note analyzes the profile of those who are unemployed and out of the labor force, including those on social assistance, and the reasons for their detachment from the labor market.
2. *Benefit design.* It also analyzes the legal frameworks and policies in support of activation, looking at whether they are designed to provide individuals with the right incentives to work, particularly: (a) whether the last-resort income support programs are designed to minimize the negative effects of redistributive schemes on incentives to participate in the labor force; and (b) whether specific design elements are used to promote activation (for example, does the social assistance scheme build on co-responsibilities, mutual obligations, and incentive-compatible program design to help move the recipients to jobs?).
3. *Institutional capacity.* Finally, the note analyzes the institutional roles and impact on fostering or obstructing activation in the following aspects: (a) the mix of available ALMPs and adequacy of instruments for improving the employability of vulnerable groups; (b) the financing and regional coverage of ALMPs and PWPs; (c) the capacity of the EOs to provide meaningful employment support; and (d) the effectiveness of coordination mechanisms between the EOs and the CSWs for activation of social assistance beneficiaries (who are among the “hard-to-serve” because of long-term detachment from the labor market and multiple barriers to work).

**The analysis uses a combination of quantitative and qualitative data sources.** It draws on administrative data for analyzing the scope of social assistance in Kosovo, its coverage, and its financing, as well as household budget survey (HBS) data to analyze the performance of Asistenca Sociale, including its targeting accuracy, coverage, and adequacy. A significant part of the analytical work involves desk review of the key legislative acts and internal instructions regulating institutional roles in design, implementation, financing, eligibility restrictions, and links to services and associated rights. A significant body of evidence is brought in from previous World Bank analytical work and policy discussions as well as from research undertaken by other institutions. Two background studies for the note (World Bank, 2012 and World Bank, 2013) summarized the results of field visits

and structured interviews with key staff of two EOs (Ferizaj and Vushtri), three CSWs (in Gjilan,<sup>6</sup> Pristina, and Mitrovica), municipal authorities, the Department of Labor and Employment, and the Department of Social Welfare in the Ministry of Labor and Social Welfare (MLSW) of Kosovo. The analysis is reinforced by references and benchmarking to good international practices with respect to redesign of social assistance to incentivize activation, key reforms in ALMPs, and implementation of “make work pay” initiatives.

**The note is organized as follows.** *Section 2* provides a macroprofile of the employed, the unemployed, and those out of the labor force in Kosovo as well as a microprofile of social assistance beneficiaries with estimates of the share of the activable among them. *Section 3* analyzes the design of the minimum income guarantee scheme from the perspective of built-in conditions, incentives, and disincentives for moving out of social assistance into employment. *Section 4* discusses the readiness of the employment and social assistance institutions to improve the employability of people who are largely detached from the labor market. *Section 5* summarizes analytical findings and suggests ways of enhancing the incentive compatibility in the design of the guaranteed minimum income scheme in Kosovo.

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<sup>6</sup> Gjilan is also a regional center with offices in Gjila, Kamenica, and Vitija.

## 2. Profile of Work-Able Minimum Income Guarantee Recipients

This section summarizes the results of profiling of the work-able, including those who receive minimum income support. The analysis reveals that among the work-able in Kosovo, only 40 percent are employed while the rest are either unemployed or inactive. Gender and age gaps are significant, with over 70 percent of youth looking for jobs. Only a small share of the unemployed and inactive are social assistance beneficiaries. They are particularly likely to benefit from activation policies because they are disproportionately out of work—or, if working, in low-quality jobs. At the same time, they are a heterogeneous group with different barriers to activation, including employability barriers (low education and subsequent limited capacity to absorb vocational and other training, lack of basic skills and work experience leading to long-term detachment from the labor market); participation barriers (greater compared to the general population caretaking duties), as well as administrative restrictions to work while receiving social assistance. The section argues that their activation is only an entry point for implementation of activation policies with broader outreach to the inactive and unemployed in Kosovo. The section also argues for advancing profiling that would improve the cost-efficiency of employment services for clients with different types of employment barriers.

### 2.1 A Framework to Understand Labor Market Outcomes among Social Assistance Beneficiaries

**Activation is defined as a combination of policy tools that supports and incentivizes job searching and job finding as a way to increase productive participation in society and self-sufficiency.** Activation policies are by far not limited to social assistance beneficiaries, but they are gaining increasing importance in the design of effective, proactive, and incentive-compatible safety nets, especially in middle- and high-income countries. Understanding barriers to activation of social assistance recipients compared with the non-beneficiary population is an entry point for tailoring policy responses.

**Three main types of barriers could prevent social assistance beneficiaries from participating in gainful employment: employability constraints, participation constraints, and benefit-related disincentives.**<sup>7</sup> Many are the reasons that could explain nonparticipation in the labor force or prolonged unemployment spells among the working-age population—in particular, among social safety net beneficiaries. Figure 2 illustrates the organizing framework used in this study to analyze constraints to employment in a systematic manner:

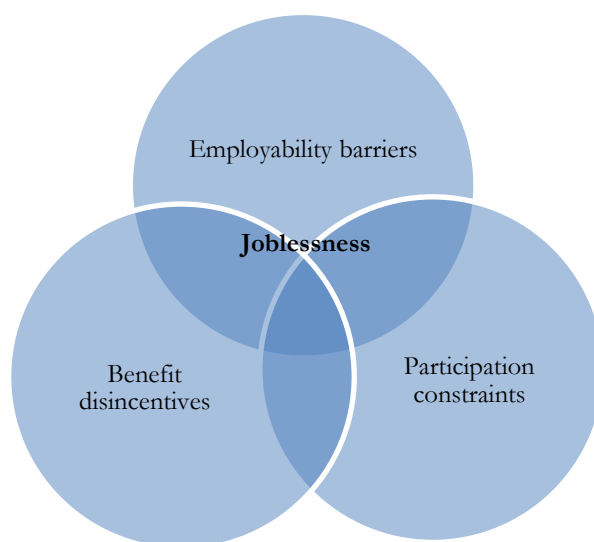
- *Employability constraints.* People may be out of work because their existing level of human capital, such as their education, skills, or experience, does not meet the requirements of the labor market.

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<sup>7</sup> The focus of this note is on labor supply issues. It should be noted that the labor market outcomes also largely depend on labor demand and how jobs are intermediated. Labor demand and overall labor market conditions are to be analyzed in forthcoming World Bank research on Jobs and Skills in the Western Balkans.

- *Participation constraints.* A person may be potentially work-ready but facing nonmarket constraints to joining the labor force. These include, for instance, caretaking duties in the household, lack of transportation, or lack of information about job opportunities.
- *Benefit disincentives.* In addition to the two preceding types of constraints—which apply to the entire labor force—the design of social assistance benefits (and their interaction with the tax system) may be an additional factor discouraging beneficiaries (who would otherwise be working) from taking up employment.

*Figure 2: Analytical Framework of Constraints to Employment of Safety Net Beneficiaries*



**These barriers are interrelated.** The ultimate labor force participation outcome of each individual results from the combination of these factors, which are strongly interrelated but also particularly difficult to identify. In classical labor supply models (Heckman 1979; Blundell and MaCurdy 1999; Killingsworth and Heckman 1986), the expected market wage of an individual (which relates to employability) affects the decision to participate in the labor force. For individuals whose leisure time is particularly valuable, supplying labor to the market at a low wage may be prohibitive. For instance, this is the case for low-educated women with children, whose labor income may not be sufficient to compensate for the cost of performing time-consuming but essential household tasks, such as taking care of children. In addition, social transfers may reduce labor supply, not only because—like any other unearned income—they may reduce the valuation of work over leisure, but also because the design of benefits may constitute an effective tax on earnings, especially among workers with low wage potential.

**Only rigorous impact evaluations or natural experiments have been able to identify the effects of some of these factors.** In the case of social transfers, the existing studies relate to OECD countries; overall, they do find some evidence that welfare programs involve work disincentives,

especially among low-income earners and women, driven by the design of tax and benefits (Gruber 1996; Moffitt 1992; Hoynes 1993; Blundell 2000). On the other hand, the emerging literature on safety nets and labor supply in developing countries (Skoufias and Di Maro 2006; Ardington et al. 2007) fails to find significant work disincentives, possibly because the generosity, the design of benefits, and the labor market conditions all differ strongly from the OECD context (Charlot et al. 2013). Where countries in the Western Balkans stand in this respect has not yet been proven empirically, and the profiling exercise presented in this section can be a first step toward building such evidence.

**The labor market profile focuses on identifying the characteristics of those who can work, safety net beneficiaries among them.** The following part of this section will provide an operational definition of work-able population – the main client of activation policies. Using HBS 2011 data, it will then illustrate the share of social safety nets beneficiaries who are work-able, in comparison with the general population (See Box 1 for a discussion of data sources). The second part of the section will describe the work-able population, and highlight, to the extent possible, the constraints to participating in productive employment that it may be facing. This detailed profile of SSN beneficiaries will then inform the design of activation policies that may help each identified subset of the population overcome barriers to employability and participation. The findings of this section will be complemented by an analysis of the design of the social safety net in Section 3, which will explore whether there are inherent (dis) incentives for work in the current social assistance design.

*Box 1: Data Sources: the Kosovo Household Budget Survey (HBS) 2011*

**The current analysis relies largely on the Household Budget Survey (HBS) 2011 data.** This is the only nationally representative dataset that allows identification of households that benefit from various social safety net programs. The HBS also contains several basic employment variables, which are used to develop the labor market profile of social assistance beneficiaries.

The employment statistics of the HBS, however, are not directly comparable with official data derived from the Labor Force Survey (LFS) for two main reasons. First, the samples of the two surveys differ (one aiming at being representative of households in Kosovo, the other one aiming at being representative of the labor force). Second, the two instruments use different questions to detect unemployment, employment, and labor force participation.

**In principle, about half of the population in Kosovo can be considered work-able, although this share is lower among Asistenca Sociale beneficiaries.** This note defines as “social assistance beneficiaries” all those individuals living in households that received income from the social assistance program, and it adopts a simple operational definition of the “work-able” population as individuals of working age (15–64) who are not in full-time education or training and who are not disabled. This group is the population that activation policies could target, within the larger group of all people who are out of work. Defined as such, 51.3 percent of the population in Kosovo is work-able, against only 43 percent among social assistance beneficiaries (figure 3). It should be noted that this definition of work-able is broader than the definition used in Asistenca

Sociale to identify individuals available for work in beneficiary households (see box 2). For instance, a working-age woman who is not disabled or in education—who would be “work-able” by this note’s definition—can be considered as dependent for social assistance purposes if she is designated as a caregiver.

*Box 2: Definition of “Work-Able” and “Social Assistance Beneficiary” in Kosovo*

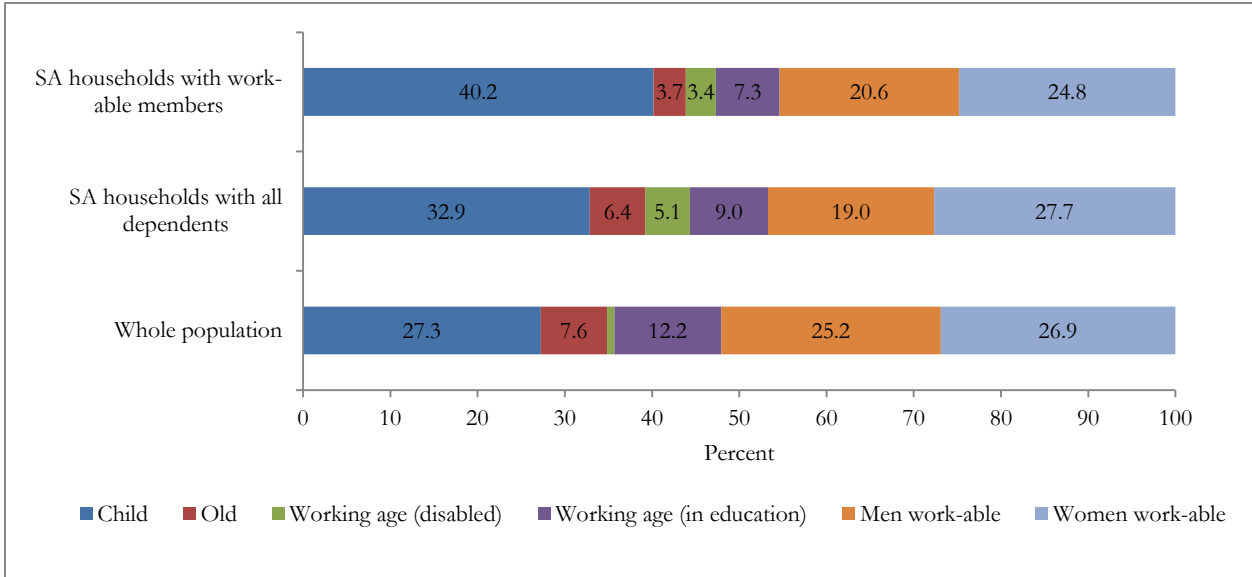
*Work-able* includes all individuals of working age who are neither disabled, in education, nor in training. Note that this definition does not question the ability of persons with disabilities to work, but rather acknowledges that this population may not be *expected* to seek or find employment as a condition of receiving social assistance. In the case of HBS data, “disabled” refers to family members who have limited abilities, and it covers a variety of cases, from mental disorders to sensory, motor, or communication abnormalities.

*Social assistance beneficiaries* are all individuals living in households that benefit from the minimum income guarantee program, Asistenca Sociale. The program constitutes the main safety net for work-able individuals in Kosovo, in the absence of unemployment insurance, and it targets families in need through a means test.

The design of Asistenca Sociale in Kosovo is modulated according to two categories of households: Category I consists of households with *all dependent members*, while Category II can include household members who are *able to work*. Note that the definition of “dependent member” used in the program differs from the one used in this note: in the Asistenca Sociale program, able-bodied individuals who are designated as caregivers for either a young child, an orphan, a severely disabled person, or an old person in need of care in the household are not considered legally available for work (World Bank 2011b).

According to the 2011 HBS, 9.9 percent of the sampled households’ members were Asistenca Sociale recipients. Among the recipient families, 52.3 percent belonged to Category I and the rest (47.7 percent) belonged to Category II. These shares are in line with the administrative data from the MLSW of the Republic of Kosovo (see annex 1).

Figure 3: Age Composition of Social Assistance Beneficiaries and Whole Population in Kosovo, 2011



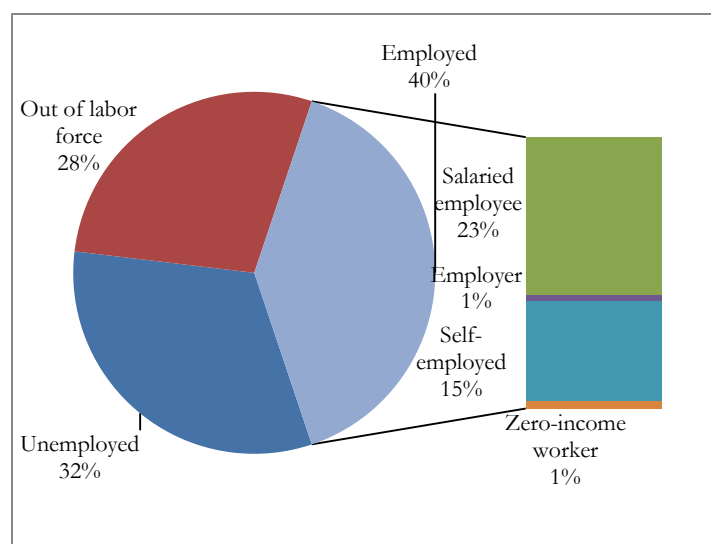
Source: Kosovo HBS data 2011.

Note: The child variable represents children younger than 15 years old. The working-age population includes those aged 15–64 years. Finally, old individuals include household members aged 65 and older. SA = social assistance. HBS = household budget survey.

**A sizable share of the population is not work-able, mainly because of Kosovo’s age structure.** Kosovo has a relatively young population, with 27 percent of the inhabitants aged 15 or younger, while the elderly constitute only 8 percent of the general population, indicating a low dependency ratio. On the other hand, largely because of the Asistenca Sociale program’s design, the households receiving social assistance benefits comprise relatively more children and a reduced number of individuals capable of working.

**Among the work-able, the labor force participation rate is similar to that in the rest of the Western Balkans, while the out-of-work ratio is higher in Kosovo.** A salient characteristic of the labor market in Kosovo is the low share of individuals employed, and the strong gender gap in employment and participation rates (ETF, 2011). On the other hand, almost 28 percent of working-age people who are capable of working remain inactive (figure 4). Among the employed (40 percent), the self-employed constitute a sizable share (37.1 percent of those employed or 15 percent of the work-able population), potentially reflecting the large agricultural sector. Employees account for another 58.3 percent of overall employment.

Figure 4: Labor Market Status of the Work-Able Population in Kosovo, 2011 (%)



Source: Kosovo HBS data 2011.

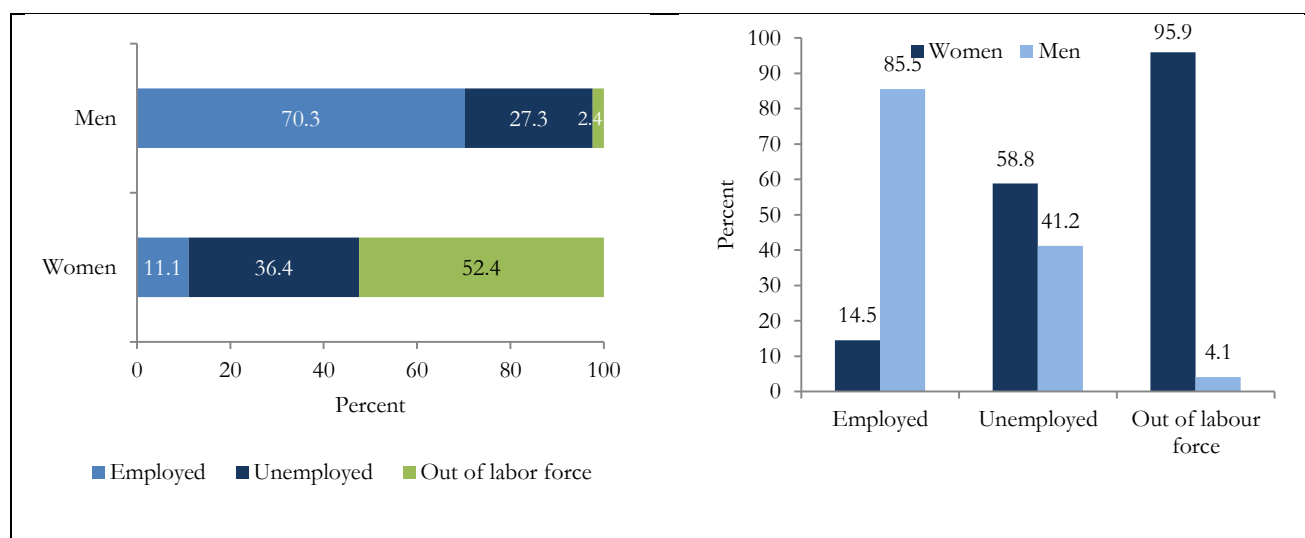
Note: Considering only work-able population.

**Notable gender and age gaps exist in terms of participation and nonparticipation in the labor force.** Although 52.4 percent of work-able women are out of labor force, this share is only 2.4 percent for men. Inversely, 70 percent of the able-bodied men are employed, while the proportion for women is only 11.1 percent (figure 5, panel a). As a result, most individuals out of work but potentially work able in Kosovo are women (figure 5, panel b).

Figure 5: Labor Force Status of the work-able in Kosovo, by Gender, 2011

a. Labor Category Distribution across Gender

b. Gender Shares in Labor Status



Source: Kosovo HBS data 2011.

Note: Calculation based on the work-able population.

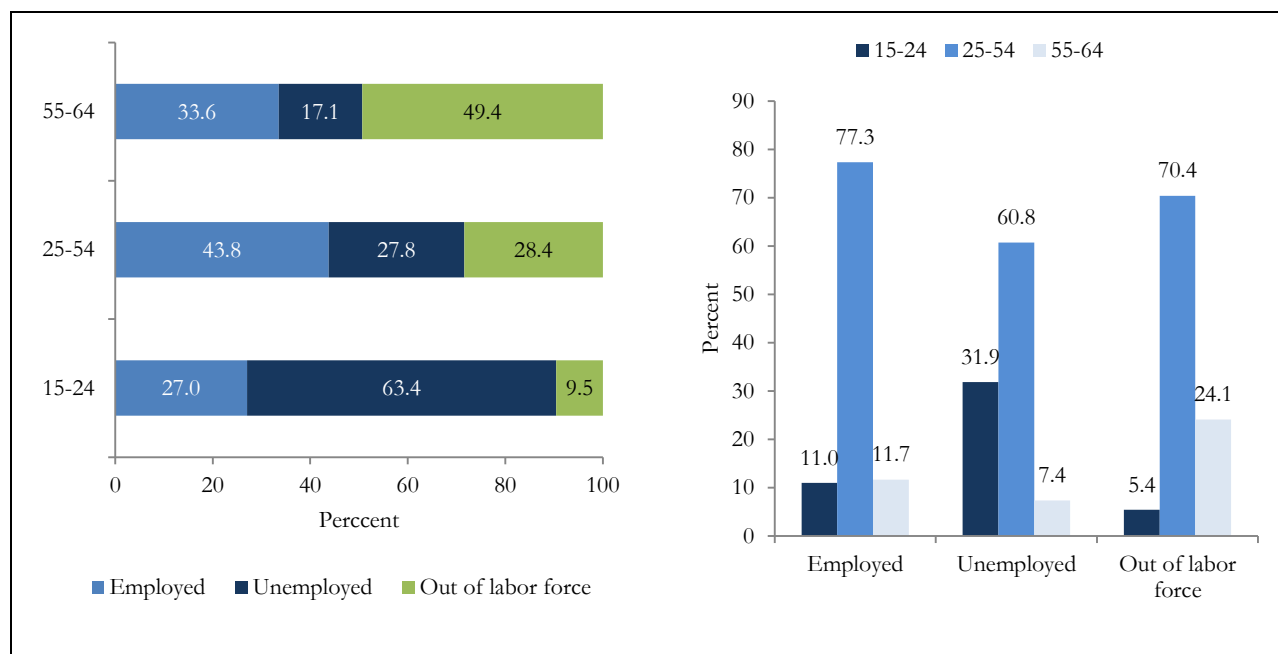


The differences in employment across age groups are high, with about 63 percent of youths (age 15 – 24) searching for a job. The employment share is also the lowest for this group, at only 27 percent. On the other hand, people aged 55–64 years are concentrated in the “out of labor force” category, potentially because early retirement is prevalent among women at this age (figure 6, panel a).<sup>8</sup>

Figure 6: Labor Force Status of the work-able in Kosovo, by Age Group, 2011

a. Labor-Force Status across age groups

b. Age Shares in Labor Status



Source: Kosovo HBS data 2011.

Only small shares of those who can be activated are covered by the Asistenca Sociale program. Among those who are looking for a job, only 14.7 percent live in Asistenca Sociale beneficiary units of assistance (families or households). This share is even smaller for the overall inactive population, with only 8.8 percent of the inactive receiving Asistenca Sociale. Among both unemployed and inactive individuals, the number of nonbeneficiary poor<sup>9</sup> exceeds slightly the numbers of beneficiaries (figure 7), reaching shares of 13.8 percent and 14.7 percent, respectively. Given the relatively low coverage of social assistance<sup>10</sup> in Kosovo, the scope of the activation policies could be enhanced considerably if they are not directed solely at those who are currently

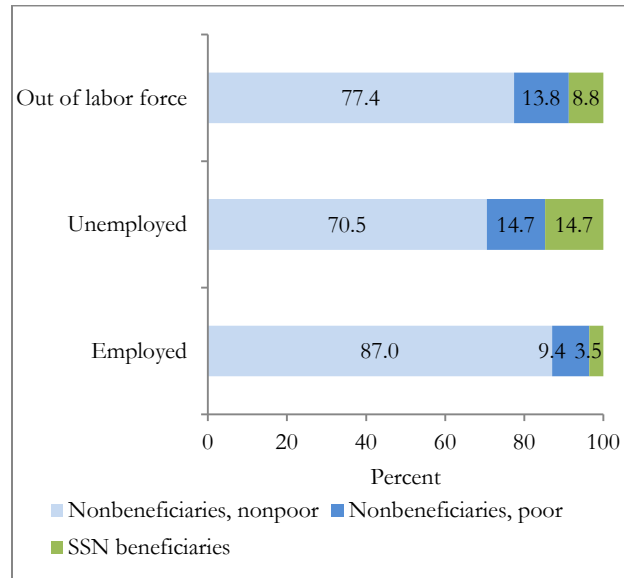
<sup>8</sup> In this particular age group, the distribution of inactive women and men is 90 percent and 10 percent, respectively.

<sup>9</sup> Here, “poor” refers to the individuals belonging to the bottom 20th percentile of the total consumption distribution.

<sup>10</sup> The terms ‘social assistance’ and ‘social safety net’ (SSN) are used as synonyms. The SSN / social assistance usually includes three ‘traditional’ types of benefit programs: last resort social assistance, family and child benefits, and non-contributory disability benefits. In the Western Balkan countries, the safety net has war veteran benefits as additional and region-specific set of benefits (World Bank, 2011b). In the case of Kosovo, the ‘traditional’ safety net is small. Its main building block is Asistenca Sociale, and it also includes a benefit for children with severe disability. Thus, the safety net or social assistance and the Asistenca Social guaranteed minimum income support scheme overlap to a quite large extent.

receiving Asistenca Sociale. Activation should target broader groups of unemployed and inactive, and particularly youth (aged 15 to 24) whose share in all unemployed is close to 32 percent.

*Figure 7: Social Assistance Coverage of Work-Able Population in Kosovo, 2011*



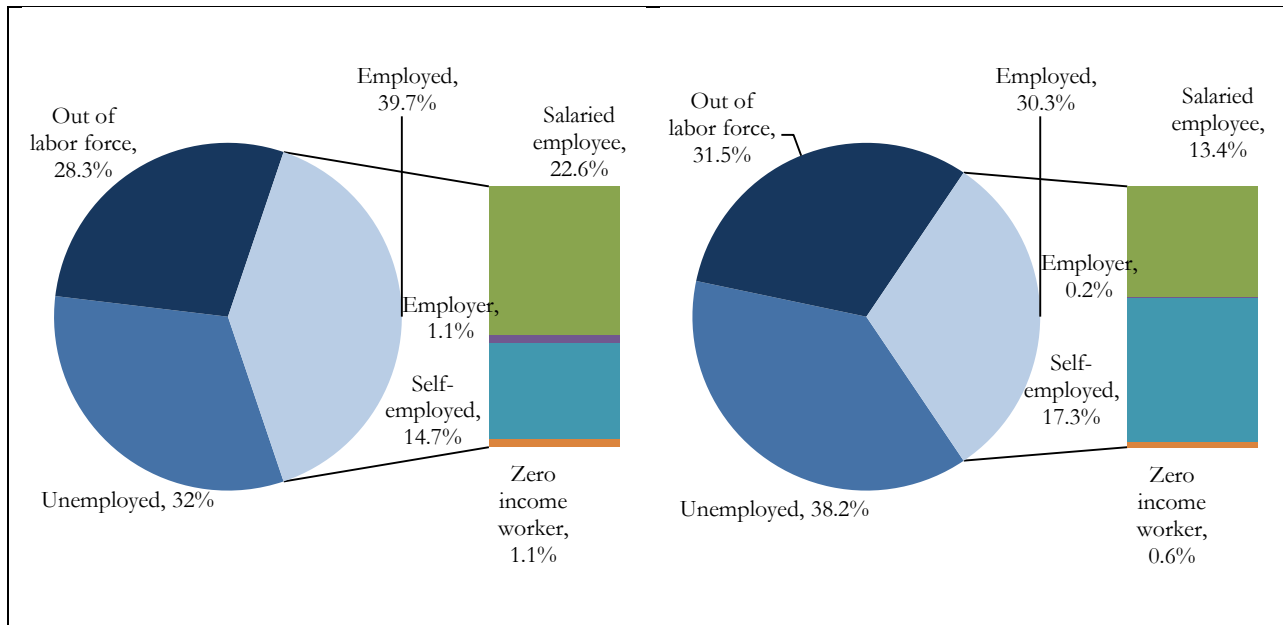
*Source:* Kosovo HBS data 2011.

*Note:* SSN = social safety net.

**Despite their small number, Asistenca Sociale beneficiaries are particularly likely to benefit from activation policies because they are disproportionately out of work—or, if working, in low-quality jobs. Error! Reference source not found.** shows that their employment rate is considerably lower than that of the whole population. The share of Asistenca Sociale beneficiaries who are actually employed is around one-fourth for beneficiary families with work-able members (Category II, figure 8, panel c) and less than one-tenth for beneficiary families in which all members are dependent (Category I, figure 8 panel d). Moreover, the distribution across salaried employees and the self-employed is highly asymmetric, with self-employment being the prevailing employment status among SSN beneficiaries, unlike the rest of the population.

Figure 8: Employment, Unemployment and Inactivity Rates of the work-able population, 2011

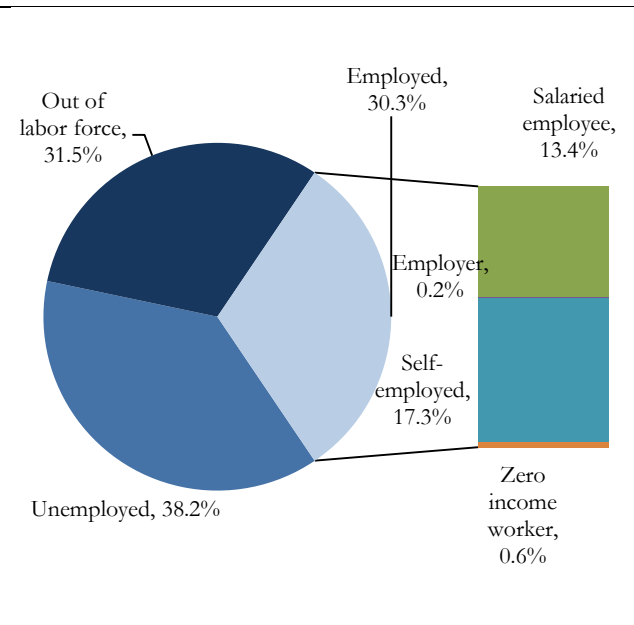
a. Whole population



Source: HBS 2011

Note: Statistics calculated based on the work-able population.

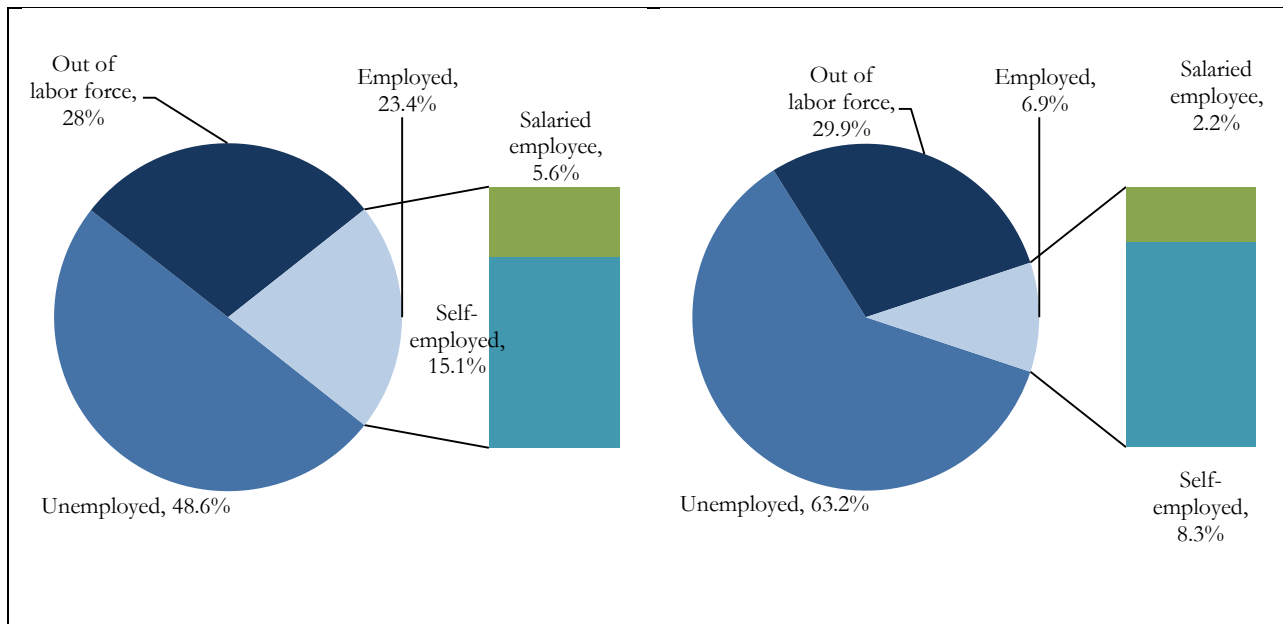
b. Nonbeneficiaries, poor



Source: HBS 2011

Note: Statistics calculated based on the work-able population.

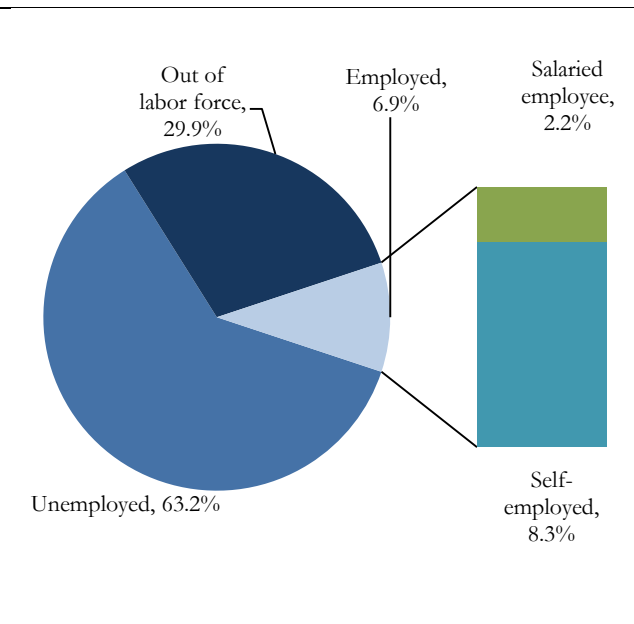
c. Social assistance beneficiaries with work-able dependent



Source: HBS 2011

Note: Statistics calculated based on the work-able population.

d. Social assistance beneficiaries with all dependent



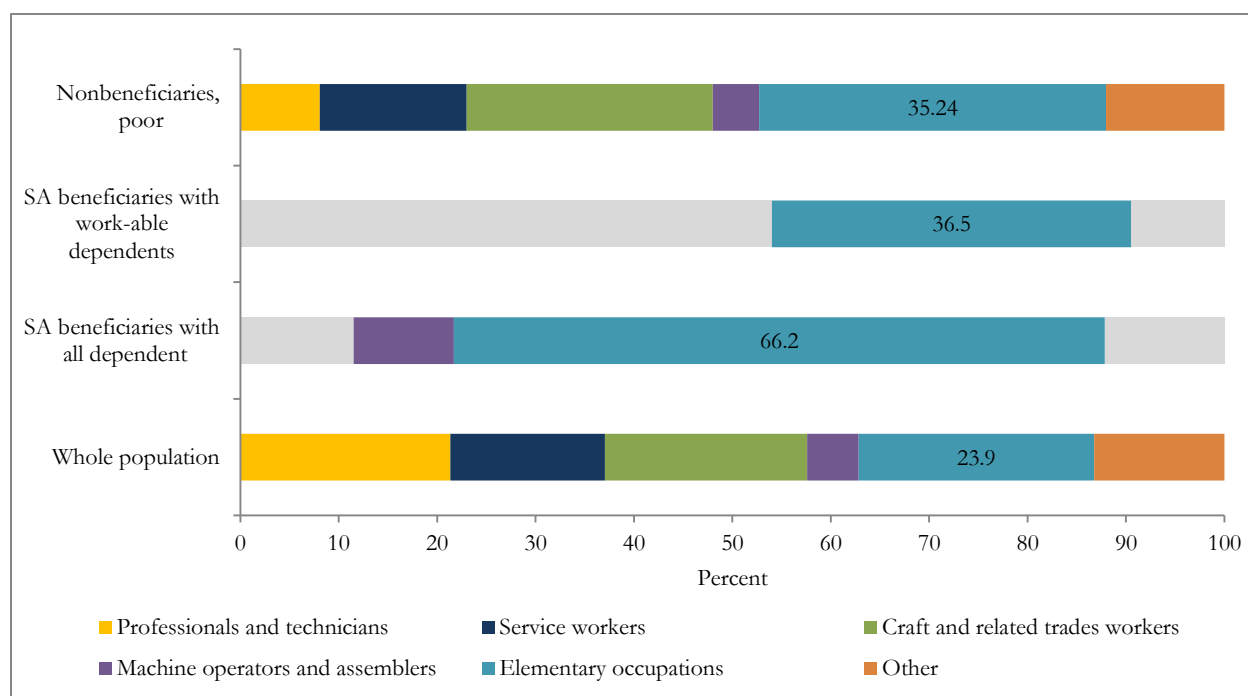
Source: HBS 2011

Note: Statistics calculated based on the work-able population.

**Asistencia Sociale design elements are reflected in the main labor-market outcomes of program beneficiaries.** Labor market outcomes are characterized by the following:

- The participation rates of those in Category I and II are in line with the overall population (around 70 percent). Under Category I, all household members should be dependent according to the program legal criteria, and hence not expected to work or to look for a job. Work-able individuals can be dependent when having significant caregiving responsibilities. This explains why most of the work-able under Category I are women (see figure 3). Those few Category I beneficiaries who report being employed are most likely to be working in the informal sector, as shown by the high concentration in the self-employment (figure 8, panel d) and elementary occupations categories (figure 9).
- The occupational status of employed beneficiaries under Category II is more similar to that of the nonbeneficiary poor and rather different from that of Category I beneficiaries in terms of the share of work-able population employed (figure 8). This is explained by the fact that Category II beneficiary families have, on average, three family members who are work-able. Some are engaged in Public Works Programs (PWPs) and officially working. Most, however, are not supposed to work by program design because eligibility for Asistencia Sociale excludes those who work (except for those engaged in temporary PWPs and ALMPs, if any). Those in Category II who report working (including both men and women), are most likely to be informal workers for an employer or engaged in self-employment.
- The CSWs require the claimant for Asistencia Sociale to officially register as unemployed, look for a job, and update unemployment status every three months. These requirements, however, apply only to the family member who files the application for Asistencia Sociale Category II. The rest of the work-able family members have no obligation to be work-ready. The Asistencia Sociale Category II eligibility has been tightened as of the beginning of 2013, to include only units of assistance (families or households) with one able to work member.
- The CSWs have neither the capacity and nor even a legal mandate to track informal employment and willingness to work. As a result, the official unemployment status—which is a key element in the design of Asistencia Sociale scheme and “prescribes” that formal work and benefits receipt cannot be combined—creates significant work disincentives or, alternatively, incentives to work only informally in order not to lose the benefit.

Figure 9: Occupations in Kosovo by Asistenca Sociale Beneficiary Status, 2011



Source: Kosovo HBS data 2011.

Note: Because of the small sample size, the occupational breakdown for beneficiaries was limited to “elementary occupations” and “other” (gray color) SA = social assistance (Asistenca Sociale) recipients. “Poor” refers to individuals in the bottom 20th percentile of the total consumption distribution.

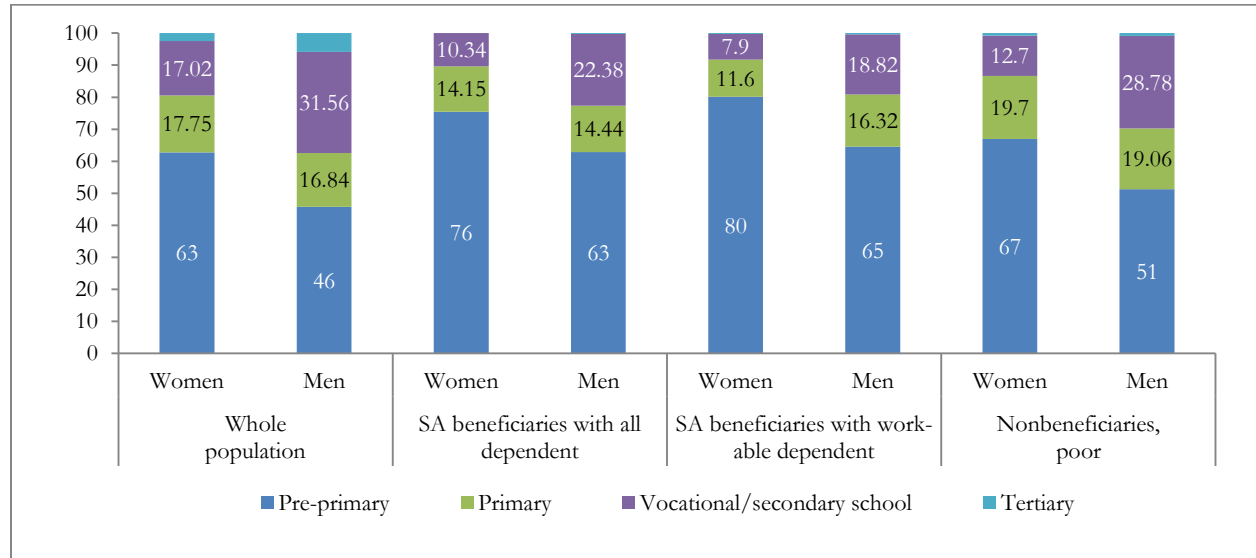
## 2.2 Employability and Participation Constraints to Activation for Asistenca Sociale Beneficiaries

**The Asistenca Sociale beneficiaries are more likely than the general population to have no or only basic education.** The level of educational attainment is lower for Asistenca Sociale beneficiaries compared with the whole population (figure 10), and it shows a sizable gender gap. In general, women are more likely than men to have never attended school, with a more prominent gap among those with the highest degrees. Beneficiaries of Asistenca Sociale in the all dependents category show the lowest level of education, with only 10 percent of women and 22 percent of men with more than primary education, compared to 13 percent and 29 percent respectively among nonbeneficiary poor.

**Although more educational attainment indicates better labor market outcomes for the general population, this is less so for Asistenca Sociale beneficiaries.** Labor force participation increases with educational attainment for all groups. In addition, employment rates increase, and unemployment decreases, with greater educational attainment in the general population (figure 11). However, education does not appear to play a role in the employment rates for Asistenca Sociale beneficiaries with all dependents. Furthermore, in the latter group, beneficiaries with secondary (or

more) education are more likely to be unemployed. One possible explanation is the lower quality of the skills held by this group, hindering their employability. Alternatively, beneficiaries in households with all dependents may be either unwilling to enter into employment (because of the program's requirement) or hindered in accepting certain types of employment that are not compatible with their caretaking responsibilities.

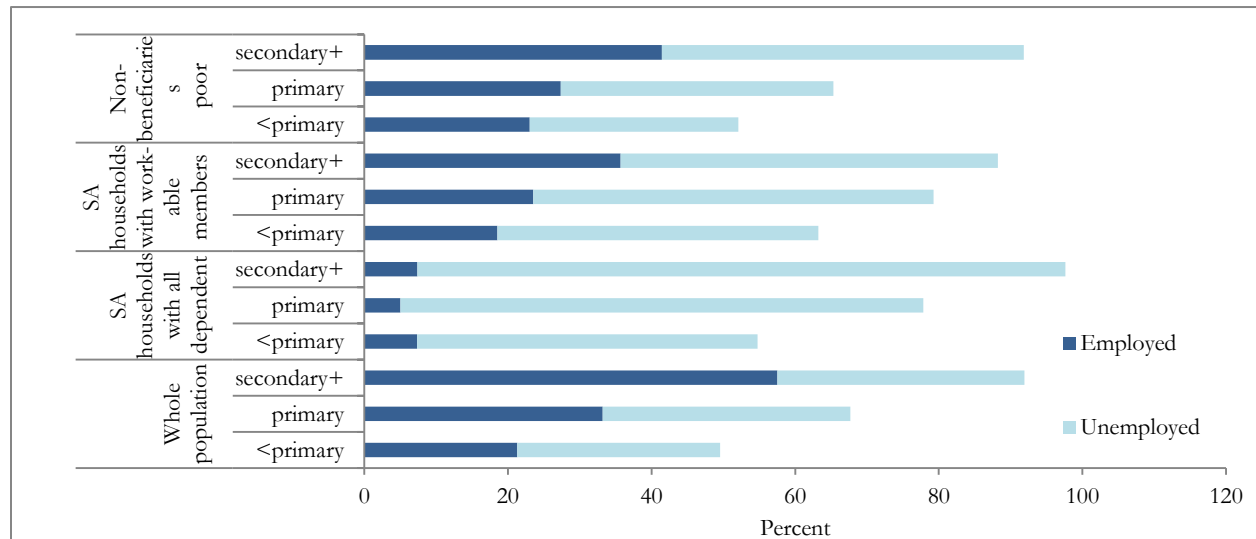
Figure 10: Educational Distribution by Gender of Work-able Population, 2011



Source: HBS 2011

Note: SA = social assistance (Asistenca Sociale) recipients. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

Figure 11: Employment Status, by Educational Level and SA Beneficiary Status, in Kosovo, 2011

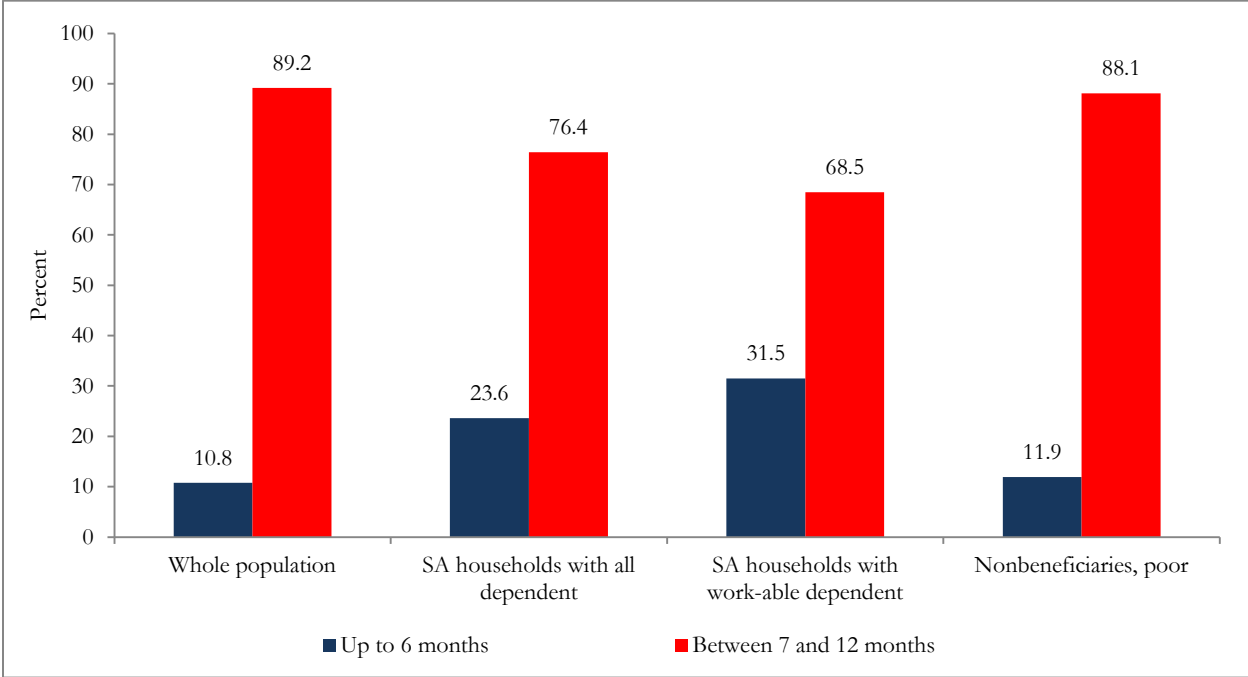


Source: Kosovo HBS data 2011.

Note: Statistics for the work-able population. SA = social assistance (Asistenca Sociale) recipients.

**Temporary employment is more prevalent among Asistenca Sociale beneficiaries.** Close to a third of the beneficiaries worked only six months or less during the year of the survey, although this proportion is only around 11 percent among the whole population (figure 12). This difference relates to high levels of self-employment among the Asistenca Sociale beneficiaries. Unfortunately, data limitation prevents further exploring characteristics of informal employment.

*Figure 12: Employment Duration in the Last 12 Months, by SA Beneficiary Status, in Kosovo, 2011*



Source: Kosovo HBS data 2011.

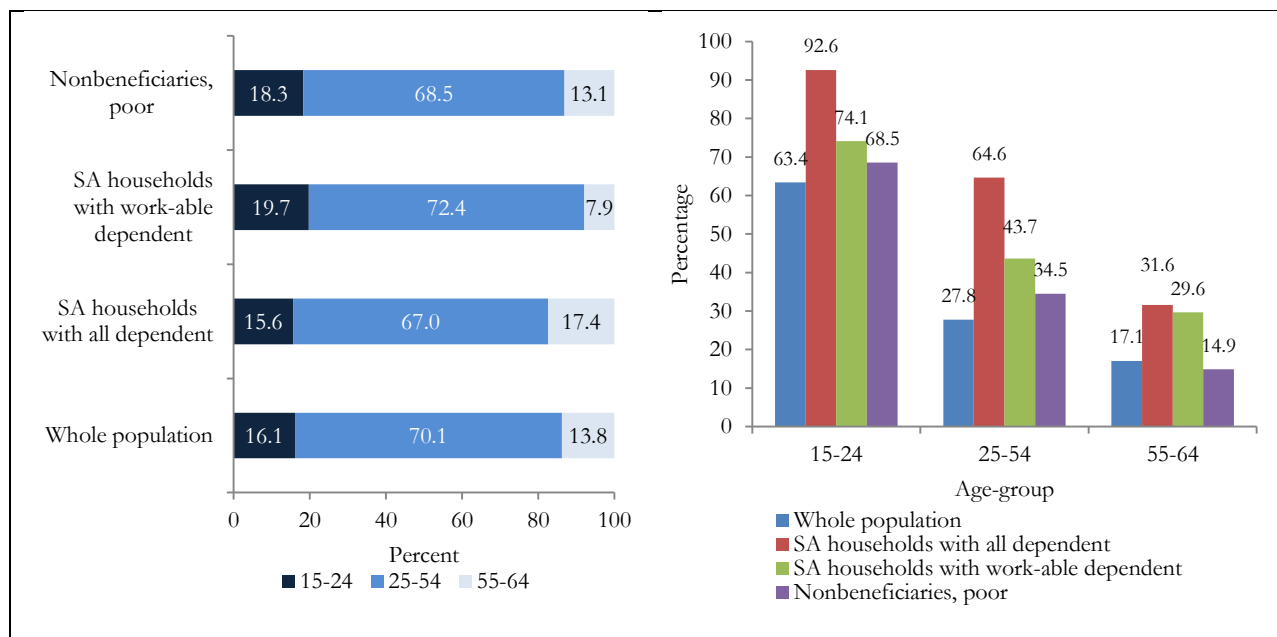
Note: Statistics for work-able individuals. “Poor” refers to individuals in the bottom 20th percentile of the total consumption distribution.

**Low employment rates among social assistance beneficiary households are also related to the slightly larger share of young who are not in school.** Work-able Asistenca Sociale beneficiaries in Category II are slightly younger, on average, than the whole population and poor nonbeneficiaries (figure 13, panel a). The low employment rates for Asistenca Sociale beneficiaries are partially due to the fact that the work-able population excludes young people in education. Hence, young individuals in work-able households are early school leavers and tend to face bigger barriers to employment. Unemployment rates tend to fall with age but less so among social assistance beneficiaries relative to the rest of the population (figure 13, panel b).

Figure 13: Work-Able Population and Unemployment in Kosovo, by Age Group and SA Beneficiary Status, 2011

a. Age Distribution of Work-Able Population

b. Unemployment Rates



Source: Kosovo HBS data 2011.

Source: Kosovo HBS data 2011.

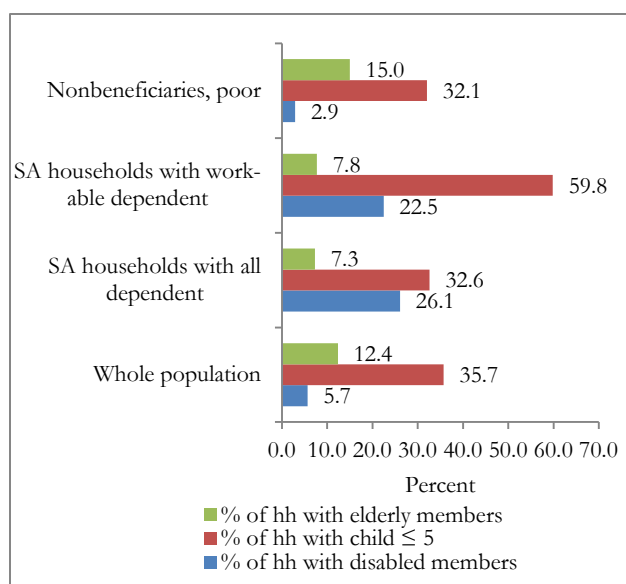
Note: SA = social assistance (Asistenca Sociale) beneficiaries. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

Note: SA = social assistance (Asistenca Sociale) beneficiaries. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

**Additional barriers not related to human capital could prevent work-able Asistenca Sociale beneficiaries from realizing their labor market potential.** These obstacles are mainly related to particular household characteristics such as the presence of disabled members, the number of children and elderly within the family, the distance to the market, availability of transportation, social exclusion among minority groups, and so forth. Data limitations allow us to examine only one such barrier: caretaking duties.



Figure 14: Share of Households with Dependents in Kosovo, by SA Beneficiary Status, 2011



Source: Kosovo HBS data 2011.

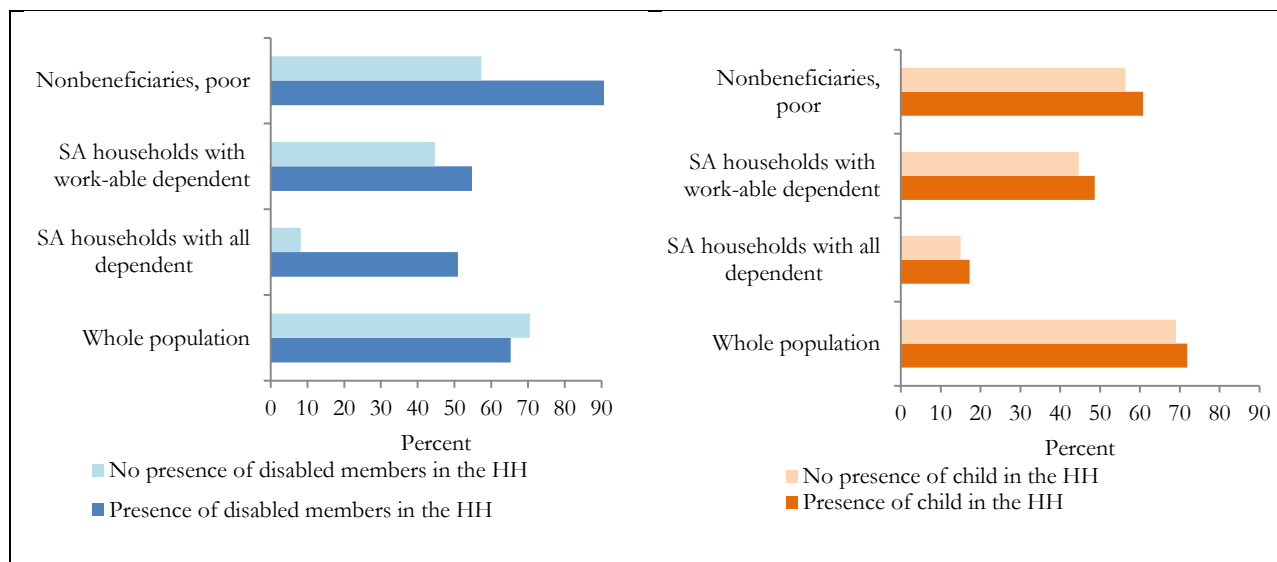
Note: SA = social assistance (Asistenca Sociale) beneficiaries. “Poor” refers to individuals in the bottom 20th percentile of the total consumption distribution. hh = households.

**Asistenca Sociale beneficiaries exhibit greater caretaking duties, which nonetheless are not associated with lower employment rates.** As expected, given the program design, households receiving the Asistenca Sociale benefits display greater caretaking duties (figure 14). They include higher shares of disabled people, children, and elderly. However, the evidence does not suggest a clear relation between the presence of individuals needing care and employment rates. The employment rate of males who live in households with disabled members or children is not lower than the rate for those without dependents (figure 15, panel a), while there is no significant difference in presence of young children (figure 15, panel b). Female Asistenca Sociale beneficiaries—who are more likely to have caretaking duties than the general workable female population and of men—do not seem to work less than those without dependents, particularly because, as shown in figure 16 (panels a and b), labor force participation among women is extremely low even in the general population, regardless of whether they receive benefits.

Figure 15: Male Employment in Kosovo, by SA Beneficiary Status, 2011

a. Male Employment rate and Presence of Disabled

b. Male Employment rate and Presence of Children



Source: Kosovo HBS data 2011

Note: SA = social assistance (Asistencaa Sociale) beneficiaries. HH = household. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

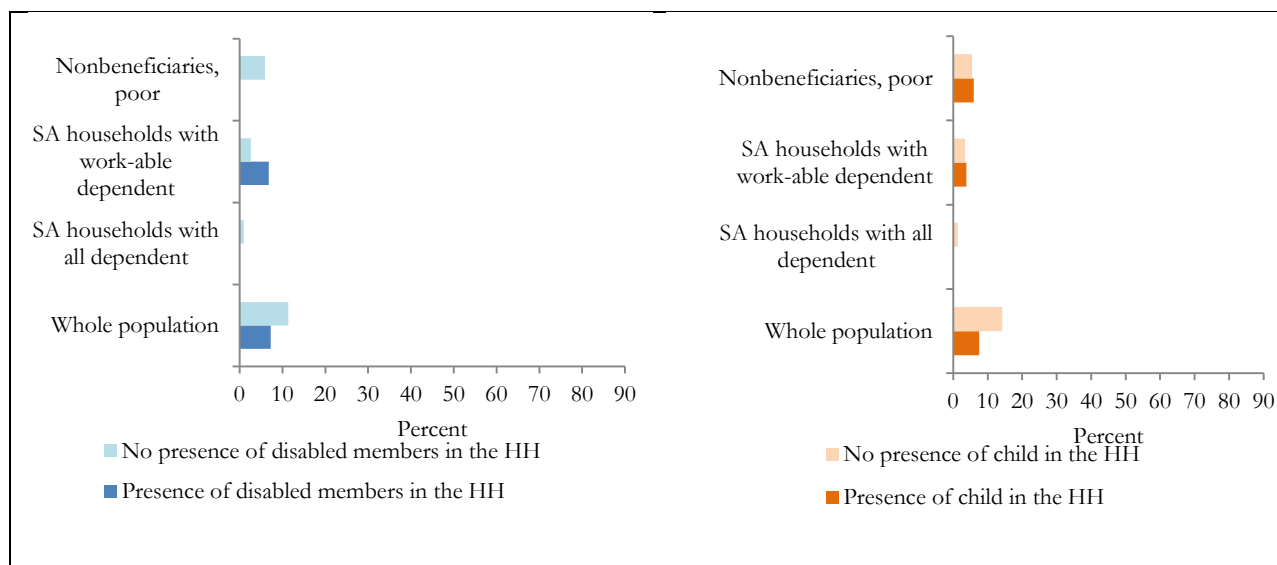
Source: Kosovo HBS data 2011

Note: SA = social assistance (Asistencaa Sociale) beneficiaries. HH = household. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

Figure 16: Female Employment in Kosovo, by SA Beneficiary Status, 2011

a. Female Employment rate and Presence of Disabled

b. Female Employment rate and Presence of Children



Source: Kosovo HBS data 2011

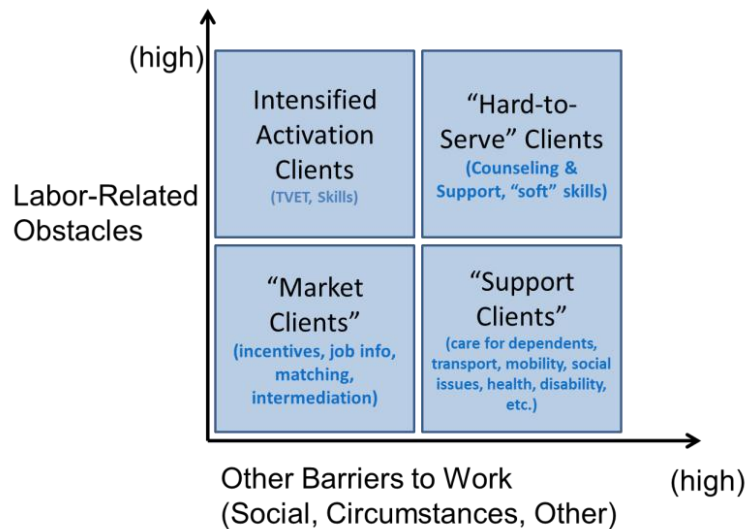
Note: SA = social assistance (Asistencaa Sociale) beneficiaries. HH = household. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

Source: Kosovo HBS data 2011

Note: SA = social assistance (Asistencaa Sociale) beneficiaries. HH = household. "Poor" refers to individuals in the bottom 20th percentile of the total consumption distribution.

The potential for activation of work-able beneficiaries varies according to their characteristics and will require a tailored mix of services. Figure 17 below presents a taxonomy of activation ‘packages’ that could be used to activate different typologies of beneficiaries. The four activation packages are distributed along the two axes representing the extent of constraints related to employability and ‘other barriers’ to entering employment. It is important to consider this discussion as a first step towards a comprehensive exercise that matches profiling of beneficiaries with services, which would require a wider range of information, such as the one that is included in the administrative datasets.

Figure 17: Activation Services According to Typology of Beneficiaries



Source: Authors.

**Market Ready Clients** are those that can be more easily - and less expensively - activated. These clients normally do not require other services than those offered to facilitate intermediation with the labor market, because their unemployment spells tend to be short and engagement in ALMPs other than tools for job matching may not be cost-effective. In Kosovo a share of the unemployed, especially the young and educated, or skilled unemployed with work experience, could belong to this group. To the extent that the labor market has open vacancies, cost-effective services to these clients can range from access to information on vacancies to workshops on resume preparation, interview skills and job search (Brown and Koettl, 2012). Impact evaluations of incentives or threats, such as the reduction of benefits with the duration of unemployment, or more stringent work search requirements where job search efforts are monitored, have been associated with reductions in unemployment duration (Cahuc and Lehmann, 2000; see Fredriksson and Holmlund, 2006 for a review of the evidence).

**Intensified Activation Clients** can benefit the most from interventions that build human capital. SSN beneficiaries in this group include individuals that, in order to become employable, require (re)training in job-specific skills that are required by the labor market. An essential element

for the success of such training programs, whose discussion is beyond the scope of this study, rests in the quality and market relevance of the training offered, with on-the-job training being the most effective. Training could be the most appropriate strategy to activate the group of beneficiaries who have work experience, but are at higher risk of becoming – or actually are - long term unemployed; for such groups training have been shown to have little short term effects, but positive effects in the long-run (Brown and Koettl, 2012). Options for training design may be limited by the fact that an important share of the work-ready SSN beneficiaries in Kosovo has only primary or no education, with a limited capacity to absorb vocational training. Financial incentives built in the benefit formula and associated with participation to activation measures and to the activities offered for “market clients” would be an appropriate mix to sustain the effort of this group to find employment.

***Special Support Clients*** require intensified case management and a mix of services to improve their participation to the labor market. An important share of work-able SSN beneficiaries are women with very low participation rates in the labor force. They face nonmarket barriers to joining the labor force, particularly caretaking duties (which the design of the SA program in ‘all dependents’ households exacerbates). Other barriers may include geographic barriers, temporary health conditions. This heterogeneous group of clients requires an intensive and more costly case management in order to enable their labor market participation, which often lies beyond the confines of the employment services. In this case the main role and challenge of activation services is to ensure proper institutional coordination with other service providers in the community, including facilitating clients’ access to specific benefits (transport, housing, prioritization in childcare centers, disability benefits for other family members, etc.). As these clients are not part of the labor force, they will also benefit from a mix of incentives and job search assistance in order to build motivation and identify their labor market potential.

***Hard-to-Serve clients*** include individuals that face high barriers both in terms of employability skills and in terms of ability to participate in the labor market. This group is similar to the former, but in addition suffers from lack of basic skills and work experience. As their name implies, such beneficiaries may be considerably harder to activate and require a longer process, which will include both the intensive case management for Special Support clients, and in addition basic skills development activities.

**Advanced profiling of beneficiaries could further improve targeting and cost-efficiency of activation measures and of social assistance itself.** In many OECD countries, such as Germany, United States, Australia or Denmark, profiling of beneficiaries of unemployment insurance or of last resort social assistance is an exercise integrated into the regular business process of case management<sup>11</sup>. The main objective of ‘statistical profiling’ is to improve the cost-efficiency and the effectiveness of activation services, by reducing the “deadweight loss” associated with providing services to populations that would be likely to find a job without the need for intensified activation measures. The advanced analysis of administrative data and of the results of individual

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<sup>11</sup> This section draws from the comprehensive assessment of statistical profiling in OECD countries conducted by (Konle-Seidl, 2011).

questionnaires that collect information on hard skills, behavioral skills, personal motivation and constraints is used to predict the optimal timing and mix of activation measures based on past success rates for similar clients.

**Statistical profiling could be particularly appropriate in countries where case management is still relatively under-developed.** Statistical models have shown acceptable degrees of accuracy in predicting unemployment spells. A model for the United Kingdom could predict duration of unemployment in 70 percent of cases (Driskell, 2005). Similar rates were observed for Denmark and Sweden (Konle-Seidl, 2011) and even higher in Ireland (O’Connell et al., 2009). This technique can be particularly useful in countries, such as those in the Western Balkans, where case managers have high caseloads, which are associated with poorer performance (Hainmueller et al., 2011), and where case management is still at the developmental stage. Especially because the practice of face to face case management is still not very institutionalized, staff resistance to statistical techniques may be lower. However, the available data for Kosovo, exploited in this note, can provide only an initial overview of the general beneficiary profiles and of the policies that they may benefit from. Advanced profiling would require the analysis of administrative data, an improvement of the information collected at entry to capture also soft skills, and potentially the use of a classification system of skills that matches the one used to define skills shortages by employers.

### 3. Incentives and Disincentives for Activation Arising from the Design of the Minimum Income Guarantee Program

This section complements the labor market profile with an analysis of the design of Kosovo's minimum income guarantee scheme from the perspective of whether it contains inherent (dis)incentives for work. The section starts with acknowledging the scheme's high targeting accuracy and low coverage associated with restrictive eligibility rules. Against this background, it identifies possible incentives and disincentives for work that are built into the design of the program, some of which are "generic" for most minimum income guarantee schemes—stemming from the application of the means test and benefit formula—while others are distinctive and specific to Kosovo, stemming from country-specific program design features. The main design disincentive stems from the incompatibility of work (even when it is low paying and keeps applicants below the income eligibility threshold) and the receipt of *Asistenca Sociale*. The recent changes in the design of *Asistenca Sociale* are geared towards expanding the administrative restrictions on the access of able-bodied to the program, and their activation through participation in PWPs. The section argues that PWPs are a form of safety net, but not an activation tool per se, and that the design of *Asistenca Sociale* is missing key demanding and enabling elements of activation.

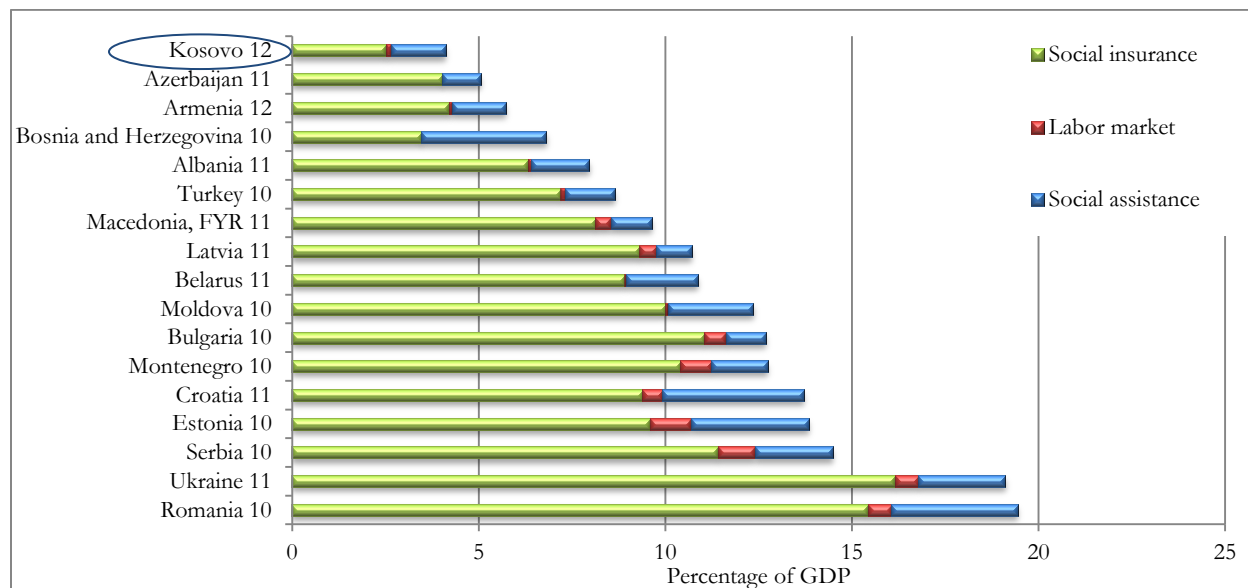
#### 3.1. Main Program Characteristics

**Kosovo has a relatively small social protection system with a single minimum income guarantee program: *Asistenca Sociale*.** This is a new system established in the early 2000s that completely overhauled the legacy of the former Yugoslavia's large, generous and at the same time fragmented social protection. The main building blocks (categories) of the new social protection system in Kosovo are similar to those in the rest of Europe—social insurance programs, labor market programs, and social assistance—but the number of programs and risks that they protect against is more limited. The main programs include a tax-financed pension (basic pension), a supplementary contributory pension, early retirement pension schemes, a tax-financed disability pension (benefit), limited ALMPs, a minimum income guarantee scheme (*Asistenca Sociale*), a small-scale monthly benefit for families taking care of children with severe disability, and various war veteran-related benefits. In addition to the cash transfers, social protection also includes social care services for families and individuals at risk (World Bank, 2011b, DFID 2011). Unlike most of the European countries, Kosovo has neither a contributory unemployment benefit nor a separate child allowance (World Bank, 2011b).

**In Kosovo, social protection is very limited overall.** The country allocates to contributory and noncontributory social protection programs around 4 percent of GDP, which is the lowest spending for these purposes in Europe. Expenditures on pensions and labor market programs are particularly low in comparative terms. Social protection, including the pension system, is predominantly noncontributory, financed by the state budget. Figure 18 presents the composition of social

protection spending by main categories in Kosovo (social insurance, labor market programs and social assistance) compared with other countries from Eastern Europe and Central Asia for which spending data are available.

*Figure 18: Structure of Spending on Social Protection in Kosovo and Selected Other Eastern European and Central Asian Countries, 2009–12*



Source: Eastern Europe and Central Asia Social Protection Database, World Bank. Each country data is for the year indicated in the figure (most recent year for which data is available).

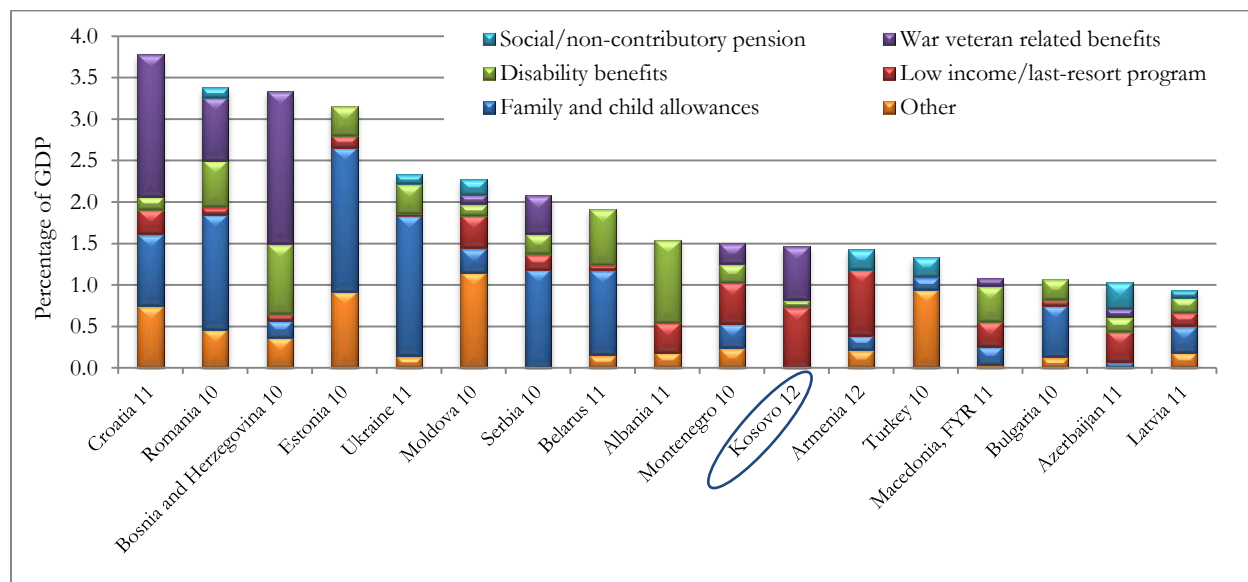
Note: Social insurance includes pension and disability programs based on social insurance contribution payments. Labor market programs include both passive (unemployment) benefits and ALMPs. Social assistance encompasses three main types of noncontributory benefits, among others: last-resort social assistance, family and child protection benefits, and noncontributory disability benefits. In some cases, including in the Western Balkan countries, social assistance includes region-specific war veteran-related benefits (World Bank, 2011b).

**In contrast to its overall low social protection spending, Kosovo’s minimum income guarantee scheme is one of the largest in the region in terms of spending as share of GDP** (figure 19). The state budget allocated EUR27.4 million for Asistenca Sociale in 2012, down from EUR28.3 million in 2011.<sup>12</sup> The annual budget allocations on Asistenca Sociale are as high as 0.7 percent of GDP. Spending is high in Kosovo because the country’s poverty rate is among the highest in Eastern Europe and Central Asia—between 34.5 percent and 62.3 percent, according to estimates using absolute and USD2.15 per day poverty lines (Gassmann and Roelen, 2010, World Bank 2011a)—underscoring higher demand for social benefits. The national target for the benefit is to cover all the extreme poor, comprising around 12 percent of the population (Republic of Kosovo, White Paper 2009). In addition, Asistenca Sociale covers larger groups than the extreme poor. It is an encompassing benefit that performs a range of functions, combining social assistance of last resort with a means-tested child benefit and means-tested noncontributory unemployment assistance

<sup>12</sup> As mentioned earlier, administrative data on spending and beneficiary numbers are provided in annex 1 to this note.

(in the absence of unemployment insurance benefits and comprehensive child protection in Kosovo).

*Figure 19: Social Assistance Spending in Kosovo and Selected Eastern European and Central Asian Countries, 2009–12*



Source: Eastern Europe and Central Asia Social Protection Database, World Bank.

Note: Social assistance encompasses four main types of noncontributory benefits, among others: last-resort social assistance, family and child protection benefits, noncontributory disability benefits, and war veteran-related benefits.

**The performance<sup>13</sup> of Asistenca Sociale is very good by regional standards.<sup>14</sup>** The program is characterized by high targeting accuracy: over 70 percent of the transfer is captured by the poorest population quintile, and close to 80 percent of the total transfer goes to the poorest 40 percent of the population. Leakage to the richest quintile is negligible – it claims less than 3 percent of the program allocation. Program coverage is good by regional standards. In Kosovo, close to 40 percent of the poorest quintile and 6 percent of the second-poorest quintile receive Asistenca Sociale. In the richest quintile, only 1.0–2.5 percent has received Asistenca Sociale since the program was introduced<sup>15</sup> till now. In the same period, the benefit has been received by 11–15 percent of the entire population, which is consistent with the national target but insufficient for covering a larger share of the poor. As previously mentioned, the scheme is well targeted to the poor; the limitations in terms of their coverage are therefore the result of financing constraints. The poverty impact of

<sup>13</sup> We use household survey micro data to assess performance outcomes of Asistenca Sociale in terms of (a) *coverage* (percentage of the poorest quintile who receive benefits); (b) *targeting accuracy* (percentage of benefits going to the poorest quintile); and (c) *generosity (adequacy)* (average transfer amount as a fraction of average consumption for beneficiary households in poorest quintile and unit transfers as a fraction of minimum wage). We use a standardized methodology to develop these performance indicators. Welfare is measured with a harmonized consumption aggregate, and individuals are ranked based on per capita consumption before social assistance cash transfers. Standardized software is used to compute indicators. For comparative purposes, those belonging to the quintile with the lowest consumption are defined as poor.

<sup>14</sup> The main performance characteristics of Asistenca Sociale are presented in annex 2.

<sup>15</sup> Asistenca Sociale was introduced with Law 2003/15, and is under implementation since 2005.



Asistenca Sociale is modest: in its absence, poverty would increase by 2 percentage points and extreme poverty by 4 percentage points (World Bank 2008). An insufficient budget has undermined policy integrity in determining the benefit package (WYG, 2011). Despite the legal obligation, the benefit standard rates have not been updated with inflation. A single ad hoc increase took place in 2009. As a result, the adequacy of Asistenca Sociale is declining.

### **3.2 Work Incentives and Disincentives Associated with the Eligibility Criteria and Benefit Formula**

**The eligibility determination rules for Asistenca Sociale in Kosovo are quite similar to the ones applied in the rest of the Western Balkan countries, and subsequently they encompass many of the disincentives for work that are “generic” for such programs.** Generic disincentives primarily relate to the design of the means test.<sup>16</sup> Asistenca Sociale is centrally designed by the MLSW and granted through the CSWs (which belong to the municipal administration) based on centrally set criteria such as a means test (income and assets); work-ability status (able to work or dependent); family demographics; and unemployment status. The design of Asistenca Sociale weakens incentives to work in the following ways:

1. Although the means test can be an effective way to target spending to the poorest and neediest—and is applied throughout OECD and the European Union (EU) member states—it also creates trade-offs between preserving the incentives to work and save and maintaining eligibility for benefits. In principle, the means test impedes the incentives to work and save (NAO 2011). Means-tested income support decreases as income rises, and it is withdrawn when incomes and assets reach a preset threshold, so some claimants see little financial return to working more.
2. The income test for Asistenca Sociale is rigorous. All incomes are considered “reckonable” if not explicitly listed as “nonreckonable” and count when eligibility for Asistenca Sociale is determined. Reckonable income includes all cash and in-kind incomes, rent, remittances, benefits for disabled war veterans and survivors of fallen soldiers, pensions from individual saving plans, supplementary individual savings plans, employers’ pensions, and pensions from outside Kosovo. Few incomes are disregarded; instead, family members with specific incomes are excluded from the calculation of income and total number of family members. Significant disincentives for activation stem from the fact that incomes from participation in training and PWP are fully and immediately calculated as part of the family income.
3. Disincentives to work and to increase earnings are embedded in the benefit formula. Like in the EU member states and former Yugoslav republics, the Asistenca Sociale benefit is calculated as the *difference* between the gross standard rate of Asistenca Sociale applicable to a

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<sup>16</sup> These “generic” disincentives are also present in the design of guaranteed minimum income programs in the EU member states. A recent audit of the means test in the United Kingdom reveals how the U.K. National Audit Office understands and addresses disincentives in the means test applied by the Department for Work and Pensions in the United Kingdom (NAO 2011).

unit of assistance (i.e. household or family) of particular size and its actual monthly income. This means that any additional income is fully taxed away from the benefit amount due. This formula, however, takes into account only formal or legal income, while income from informal employment, household agriculture, and intra-household transfers are not reckonable. They could be captured only indirectly by using possession of assets as proxies for income.

4. Similarly, *Asistenza Sociale* creates disincentives to asset acquisition in a social assistance recipient household. The asset test scrutinizes the availability of certain assets, and the presence of each acts as a binary (Yes/No) filter for access to *Asistenza Sociale*. Thus the asset test has the power to exclude claimants who would have been eligible based only on income status—and, moreover, to exclude them based on the presence of a single asset that the claimant family possesses. This treatment of assets discourages asset ownership and thus efforts to work, earn, and save to accumulate assets. It actually acts as punishment (stoppage of the benefit) with a negative long-term impact on incentives to invest in human capital. Specifically in Kosovo, ownership of productive assets such as land, a car, a tractor, and other agricultural equipment makes applicant families ineligible for *Asistenza Sociale*. The list of scrutinized assets is not compiled based on robust analysis of whether and to what extent they are correlated to poverty status.<sup>17</sup> This kind of asset test discourages the acquisition of certain productive assets that could help people graduate from social assistance. Policies towards ‘counting’ assets could be changed. One option would be, instead of denying eligibility due to asset ownership, to allow the social assistance eligibility criteria to disregard certain assets, especially if this is combined with counseling on how to use these assets productively. It is also possible to move toward an asset ownership scoring formula that would consider the overall quality and quantity of available assets instead of excluding a household from social assistance based on the presence of a single scrutinized asset.

**Compared with guaranteed minimum income schemes in OECD and the EU member states, *Asistenza Sociale* is formally less accessible by those able to work, and in this sense, has more limited built-in work disincentives.** Category I is only for those who are dependent and not able to work, while Category II allows eligibility when the able-to-work family members are registered as unemployed and the family has a child under 5 years old or an orphan under 15 years old. Also, compared with other schemes, *Asistenza Sociale*’s definition of “able to work” is relatively broad—including, for example, all who have completed secondary education and are older than 18 years, even if enrolled in full-time education and training. The adult family members who are capable of working but are presently out of work are required to register with the offices of the Public Employment Service (PES), and their employment status is verified every three months. The intent of this procedure is to provide a mechanism for linking (referring) *Asistenza Sociale* recipients to the PES offices and for the PES offices to support the efforts of the registered family members in

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<sup>17</sup> World Bank (2008) finds that the application of the car ownership filter excludes equally the non-poor and the poor from the receipt of *Asistenza Sociale*. WYG (2011) suggests that the land ownership criterion is unable to account for the quality of land.

finding employment. Experience in the past few years has shown that this mechanism has not proved effective in promoting employment among Assistenza Sociale beneficiaries, whose links to the labor market remain poor.

**Poor links of Assistenza Sociale beneficiaries to the labor market stem from a number of program design features**, such as exclusion of low wage earning workers whose family income is below the standard rate from eligibility for Assistenza Sociale, weak verification of disability, and weak commitment to activation of the EOs and CSWs. The following further explains these constraining program design features:

1. **Specific and significant work disincentives in Kosovo’s Assistenza Sociale relate to the fact that, by design, work and benefit receipt cannot be combined.** They mutually exclude one another; having a job acts as an exclusionary filter. Any formal job—even if sporadic or very low-paid—makes the family of the working individual ineligible for Assistenza Sociale. Thus the able-bodied family members are forced to either enter employment or stay on social assistance. Moreover, this choice by the able-bodied family member affects the access to Assistenza Sociale by the whole family.
2. **The verification of disability status is weak when eligibility for Category I Assistenza Sociale is determined.** A 2011 EU-financed survey revealed fraud while applying criteria for disability determination. CSW staff confirms this, based on anecdotal evidence that up to 90 percent of Category II claimants move into Category I after their youngest child reaches 6 years of age, on the grounds of disability. The same trend for moving from Category II into Category I is observed after imposing work-related conditionalities to the receipt of Assistenza Sociale. This occurs possibly because of poor gatekeeping mechanisms in the social assistance system (for example, disability certificates are not verified, just acknowledged) as well as poor gatekeeping in the medical commissions that certify disability. The MLSW has no administrative capacity for detecting error and fraud in the medical certification of disability. Raising the criteria for disability certification and strengthening the control over the process will prevent “leakage” of the able-to-work into the category of unable-to-work who are not required to participate in PWPs or other activation measures that would increase their employability and bring them closer to the labor market. In parallel, work requirements can be extended to Assistenza Sociale beneficiaries suffering from mild to medium disability who are still able to work.
3. **The mandatory registration as “unemployed” of Category II Assistenza Sociale recipients, in its present format, is not sufficient to link them to the labor market.** There is no requirement for conditioning continuing receipt of Assistenza Sociale to an active job search. This is the major weakness of the existing scheme in relation to European standards (WYG, 2011). The obligations of the EOs to help the unemployed with their job search are very weak, while at the same time the job seeker’s status is changed and the benefit is stopped if the recipient tries an occasional or temporary job on his or her own. Category II Assistenza Sociale recipients are rarely obliged to participate in activation

measures organized by the PES, nor are they encouraged to seek employment outside the obligations that are taken with the PES. The interaction of this category of social assistance beneficiaries with the EOs could be based on a more balanced relationship of mutual obligation. It could be also more flexible to allow for, and even reward, an independent job search and any attempt to enter employment instead of punishing it. For example, the independent job search can be included as a type of desired behavior in the individual employment plan (IEP) prepared by the EO and the jobseeker.

4. **The relative generosity of cash transfers is among the reasons for work disincentives, but for Assistenza Sociale these disincentives do not seem significant.** Indeed, Assistenza Sociale's share in the post transfer consumption of the poor is significant (over 40 percent) and one of the highest in Eastern Europe and Central Asia. This distinction is due first and foremost to the low consumption level in the poorest quintile, but it is also affected by the relatively generous nominal size of the transfer (relative to other Western Balkan countries and new EU member states). Assistenza Sociale transfers are relatively small as a share of the minimum pay standard (the *actual* average benefit is 7.2 percent of the minimum wage per recipient in the poorest quintile according to most recent HBS data). The highest *possible* transfer value of Assistenza Sociale is 41.5 percent of the minimum wage, in the case of a single adult claimant who is not able to work, and has no incomes from other sources.

**Higher disincentives emerge due to “packaging” the eligibility for Assistenza Sociale with supplemental benefits.** The beneficiary status provides automatic eligibility for an electricity subsidy, some other financial benefits such as emergency assistance, and an in-kind supply of wood for heating in the winter. As a result, the overall “benefit package” (Assistenza Sociale plus associated benefits, along with the possibility for informal work) becomes more attractive for its recipients than the remuneration when taking part in PES PWPs, for example, which is EUR170 per month.

**The activation conditions are new, and at this stage their role in changing the behavior of Category II Assistenza Sociale beneficiaries remains weak.** An analytical framework distinguishes between two generic “elements of activation”—demanding and enabling (see table 1). The table also includes benchmarking of the existing activation conditions in Kosovo to this generic framework. This reveals that few of the demanding and enabling conditions are present in Kosovo. The enabling side includes mostly opportunities for participation in PWPs (which is, as already mentioned, rather a safety net than a vehicle for activation) and some options for training with employers (who receive subsidies for providing on-the-job training) or training at vocational institutions. The PWPs are newly established and have significant supply-side constraints, and are available only for up to 3 months per eligible claimant in a year. Moreover, their availability is quite uneven across the country. The demanding side focuses on sanctions for noncompliance with requirements to take up offered ALMPs as well as strict conditions for reentry into social assistance after participation in activation measures. (For example, Assistenza Sociale recipients are supposed to renew their applications every 6 months and any time when they get engaged in short-term or seasonal employment, including in PWPs offered by the EOs.) At the same time, recipients are

offered very limited counseling and job brokerage services even though their participation in PWPs faces capacity or supply-side constraints. The demanding conditions are short of incentives that are built-in the benefit duration, while the enabling conditions are short of financial incentives for making the transition from social assistance to work.<sup>18</sup>

*Table 1: The Two Elements of Activation*

Demanding	Enabling
<p><b>1. Duration of benefit receipt</b></p> <ul style="list-style-type: none"> <li>• Reduction of benefit rate with time or decrease in schedule – not available in Kosovo</li> <li>• Limitation of the benefit receipt duration – not available in Kosovo</li> </ul> <p><b>2. Availability criteria and sanctioning clauses</b></p> <ul style="list-style-type: none"> <li>• More restrictive definition of suitable job offers – not available in Kosovo</li> <li>• Punitive sanctions for noncompliance – available but with enforcement challenges</li> <li>• Restrictive entry, reentry, and exit conditions – present, rigidity has been recently reduced</li> </ul> <p><b>3. Individual activity requirements</b></p> <ul style="list-style-type: none"> <li>• Integration contracts – IEP for a small fraction of the job seekers</li> <li>• Monitoring of individual job search effort – not present</li> <li>• Mandatory participation in ALMPs – required, but monitoring of compliance is problematic</li> </ul>	<p><b>1. ‘Classical’ ALMPs</b></p> <ul style="list-style-type: none"> <li>• Job-related training schemes – available, but limited in scope</li> <li>• Employment incentives – not available</li> <li>• Start-up programs – not offered</li> <li>• PWPs (direct job creation) – this is the main vehicle for activation of Assistenza Sociale claimants</li> </ul> <p><b>2. ‘Soft’ ALMPs</b></p> <ul style="list-style-type: none"> <li>• Job search assistance – available, but limited in scope</li> <li>• Counseling – available, but limited in scope</li> </ul> <p><b>3. Fiscal incentives</b></p> <ul style="list-style-type: none"> <li>• Earning disregard clauses – none existent</li> <li>• Wage supplements granted in case of taking up low-paying jobs (in-work benefits) – none existent</li> </ul>

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*Source:* Vidovic et al. 2011 based on Eichhorst W. and Konle-Seidl R., IZA Discussion Paper No. 3905, 2008 and adjusted to Assistenza Sociale program characteristics.

Note: ALMP = active labor market program. PWP = public works program.

**In the case of Kosovo, both the demanding and enabling sides of activation are mostly associated with the requirements to participate in PWPs.** PWPs however are not per se activation measures, they are a form of safety net with doubtful impact on participants’ future employability and job finding. PWP placements are sporadic, not always distributed in accordance with needs, and strongly dependent on availability of donors’ funded projects. The PES and EOs are also building their capacity to design, implement, enforce, monitor, and evaluate public work-related

<sup>18</sup> Annex 4 provides examples of financial incentives that influence behavior of social assistance beneficiaries and incentivize them to start working in selected OECD and EU countries

conditions. A major obstacle to PWP participation is the lack of flexibility to go in and out of social welfare while taking part in public works. Participants in PWPs remain on the rolls for *Asistenca Sociale* with a “frozen” status, which is supposed to legally guarantee easy reentry into the program after the public work is over. However, a weakness observed during implementation of the PWPs was related to conditions applied for “unfreezing” the benefit payment for social assistance beneficiaries once their engagement with the program ended. Initially, they were asked to completely renew their application process once their engagement was finished with the PWP. These rigid conditions—applied during “entry” and “exit” of social assistance programs—were believed to weaken the activation incentives of social assistance beneficiaries. For this reason, the MLSW relaxed these conditions through an internal decision to allow automatic reinsertion into *Asistenca Sociale* if the beneficiary could not maintain the job.

### 3.3 The New Reform Proposal

**Kosovo is pursuing first- and second-generation reforms to improve the design and delivery of its minimum income guarantee scheme.** Given that the existing scheme is well targeted to the poor, the reform proposal is not suggesting its overhaul. Rather, it suggests a combination of first- and second-generation measures that build on its strengths. The reform opts to: (a) increase the precision of the eligibility determination by reinforcing some exclusionary filters; (b) strengthen gatekeeping by reducing the opportunities for abuse in disability certification; and (c) maintain the main eligibility condition that predetermines the narrow targeting of *Asistenca Sociale* - presence of a child up to 5 years old in the beneficiary family. These measures are expected to render savings that would enable increases in coverage, generosity, and poverty impact for those who remain eligible. In parallel, the reform introduces activation of able-bodied recipients by restricting their access to benefits while linking them with the labor market. Changes to Law 2003/15 on *Asistenca Sociale* are being proposed to enhance participation of able-bodied recipients in PWPs and other measures that will reduce beneficiary numbers and increase savings in the budget allocations for the program. Families with more than one family member capable of working<sup>19</sup> are no longer eligible for *Asistenca Sociale* Category II benefits even if they continue to fulfill other requirements, including (as mentioned) the presence of at least one child under the age of 5.<sup>20</sup> In the earlier version of the law, if a family had more than one member capable of working, all family members had to be registered as unemployed at EOs (among other requirements) to be eligible for *Asistenca Sociale* Category II benefits.<sup>21</sup> This change is expected to reduce beneficiary numbers in Category II and increase savings in the budget allocations for the program. A summary of the identified reforms and

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<sup>19</sup> “Capable of work” is defined as a family member who does not belong to one of the following groups: (a) persons who are over 18 years of age and who have permanent and severe disabilities rendering them unable to work for remuneration; (b) persons aged 65 years or older; (c) full-time caretaking of a person(s) with permanent disability, *or* of a person(s) aged 65 or older needing full-time care, *or* of a child(ren) under the age of 5; (d) persons up to 14 years of age (Article 2.7 of Law 2003/15 on social assistance scheme in Kosovo).

<sup>20</sup> See articles 4.5, 4.7 and 4.8 of Law 04/L-096 on amending and supplementing Law 2003/15 on social assistance scheme in Kosovo.

<sup>21</sup> Article 4.1 of Law 2003/15; revised in 2012 by Article 4.5 of Law 04/L-096 (see previous footnote).

reforms undertaken in the beginning of 2013, along with comments on their relevance and implications for Assistenza Sociale's performance is presented in table 2.

*Table 2: Main Changes to Assistenza Sociale Design in 2013*

Reform areas identified in the White Paper and follow-up policy dialogue	Areas addressed with the 2013 amendments of Law 2003/15	Implications for activation agenda
1. Remove the criterion for having a child under 5 years of age, or an orphan under 15, as eligibility criteria for Category II Assistenza Sociale	This reform has been identified with the White Paper but was <i>not</i> addressed with the recent legal amendments because of its fiscal costs. A supplement by EUR5 per child aged 5-18, which should be conditional to school attendance, is proposed instead	This reform would be <i>key</i> for expanding the coverage of the poor with Assistenza Sociale. The scope of eligible for Assistenza Sociale will increase, including able-bodied who will be in need of activation. The alternative - increase of the benefit by EUR5 per child - affects only families that are already beneficiaries and does not change the size and composition of direct and indirect beneficiaries
2. Limit to one the number of able-bodied unemployed in Category II Assistenza Sociale eligible families	Till the end of 2012, Category II eligible families were allowed to have more than one able-bodied member; as of 2013, only families with one able-bodied unemployed remain eligible, if meeting the rest of the criteria	The change restricts further the access able to work poor to Category II Assistenza Sociale thus limiting the overall number of able-bodied within the pool of beneficiaries
3. Introduce vehicle ownership criterion as part of the asset test	Vehicle ownership criterion was introduced as exclusionary (Yes/NO) filter	Will exclude families with vehicles despite that vehicle ownership as per previous World Bank research (World Bank 2008, World Bank 2011b) is not correlated with poverty status; will reduce the overall number of able-bodied beneficiaries as well
4. Increase the number of members eligible for Assistenza	The 'cap' was set at 15 family members, instead of	Will improve benefit generosity for large families (which are at much

Sociale in one unit of assistance	7 previously	higher poverty risk) but only for those who are already receiving Asistenca Sociale with potential risk of disincentives for work
5. Prolong the re-certification period for Asistenca Sociale eligibility	The re-certification period used to be 6 months till end 2012. It was extended to 12 months for Asistenca Sociale Category I beneficiaries	Will reduce the cost of administration of Category I, could affect activation efforts indirectly by freeing up some of the administrative resources
6. Strengthen verification of disability status (for Category I Asistenca Sociale eligibility)	Enforced verification of medical documents	Will improve gatekeeping for Category I Asistenca Sociale; if so, the able-bodied unemployed who will be no longer eligible for Asistenca Sociale, will revert to the employment services
7. Condition receipt of Asistenca Sociale by able-bodied Category II beneficiaries to participation in PWP	Enforced, regarded as activation and income enhancing measure	Will increase the demand for PWPs by municipalities. Will not impact meaningfully the pool of Asistenca Sociale beneficiaries since PWPs are per se a safety net, and their impact on employability is doubtful. Will increase the overall cost of the safety net. Finally, when PWPs are involved, the public is more supportive of safety net spending compared to unconditional cash handouts

*Source:* Summarized by authors based on national legislation.

**For the first time Kosovo introduces a reform aimed at strengthening the employment-related conditions to receive benefits.** In terms of demanding (conditionalities), the reform is promoting stricter work availability criteria and stricter punitive sanctions in case of noncompliance. It is also introducing individual activity requirements, including IEPs, mandatory participation in ALMPs and PWPs, job search-related conditions, and closer monitoring of compliance. On the enabling side, the reform aims to expand the provision of ALMPs to Asistenca Sociale able-bodied beneficiaries and to include a higher share of them in PWPs. The reform impact is expected to be limited since the main effort is on linking Category II beneficiaries to PWPs which are a form of safety net rather than a vehicle for activation. Moreover, the reform is not envisaging incentives that



will “make work pay,” such as earning disregard clauses, higher income thresholds for exit from social assistance, or wage supplements granted for taking low-paying jobs (in-work benefits)<sup>22</sup>.

**These reforms will further narrow the targeting of Asistenca Sociale and restrict its coverage of the poor and vulnerable, although the expectations for savings might be overestimated.**

Indeed, savings will occur in the budget for Asistenca Sociale, but additional spending will be needed for employment support measures and for expanding the scope of PWPs. Moreover, given the high unemployment in Kosovo, ALMPs are needed for many more categories of job seekers who have better prospects for employment than do Asistenca Sociale claimants. The efficiency of spending on ALMPs will be undermined in a context of high unemployment, limited vacancies, and little job creation. The labor market and social welfare institutions do not seem prepared to effectively support hard-to-employ people in their reattachment to the labor market.

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<sup>22</sup> Annex 4 provides more details on conditions in social assistance program design aimed at encouraging job search behavior and transition from benefits to work

## 4. Institutional Readiness for Activation

This section analyzes the institutional capacity of the EOs to activate job seekers, particularly hard-to-employ persons, as well as the capacity of the CSWs to refer them effectively to employment services and to support them with social services. The analysis reveals that the institutional framework and business processes of the EOs are being aligned with the need of identification of ‘real’ job seekers, but still have gaps with respect to profiling of job seekers, quality assurance, and outsourcing of employment services. The EOs have very uneven capacity to deliver employment services to all parts of Kosovo; uneven is also the distribution of staff and caseloads. The coordination between EOs and CSWs is weak. Few ALMPs are available in general, and especially for the hard-to-employ Assistenza Sociale beneficiaries. Their activation is associated predominantly with PWPs, which are also scarce, underfinanced and not offered to all who can benefit from them. Moreover, they suffer from design drawbacks which could disincentivize participation in PWPs.

### 4.1. Institutional Framework of the Employment Services in Kosovo

**An institutional framework for employment services has been in place since 2001.** The PES in Kosovo was reestablished in 2001 as part of the MLSW. Under the direct supervision of the MLSW, specifically the Department for Labor and Employment, 7 regional PES centers, 23 municipal EOs, and 8 vocational training centers (VTCs) were established to support job seekers with registration, career counseling, placement in ALMPs, and provision of other services aimed at improving their employability. As part of the MLSW’s Employment Strategy 2010–2012 and the commitment to improve its services to job seekers, in 2010 the MLSW commissioned an external review of its services,<sup>23</sup> focusing on strategies and policies for service delivery by the EOs, organizational structure and functions, service organization, programs, and human and financial resources. The review highlighted inefficiencies in the organization of client services where counselors were specialized in specific functions and unemployed people (especially in large EOs) had to be served separately by counseling officers for counseling services, by training officers for training services, and by employment offices for placement services. This organization created unnecessarily numerous layers in service delivery in addition to confusion among job seekers when treatment at different layers was inconsistent. The review also highlighted inefficiencies regarding the paper-based records for those registered as unemployed. Procedures did not allow for regular updating of records. Nor did the records clearly distinguish between active and passive job seekers. This undermined the efforts to reduce the EOs’ caseloads and improve the efficiency of their placement services by matching the vacancies with the capabilities of real job seekers.

**The UNDP (2010) review triggered the development of an “integrated concept of employment services” aimed at replacing the obsolete employment service model and creating a new registry of the unemployed.** The new registry—a labor management information

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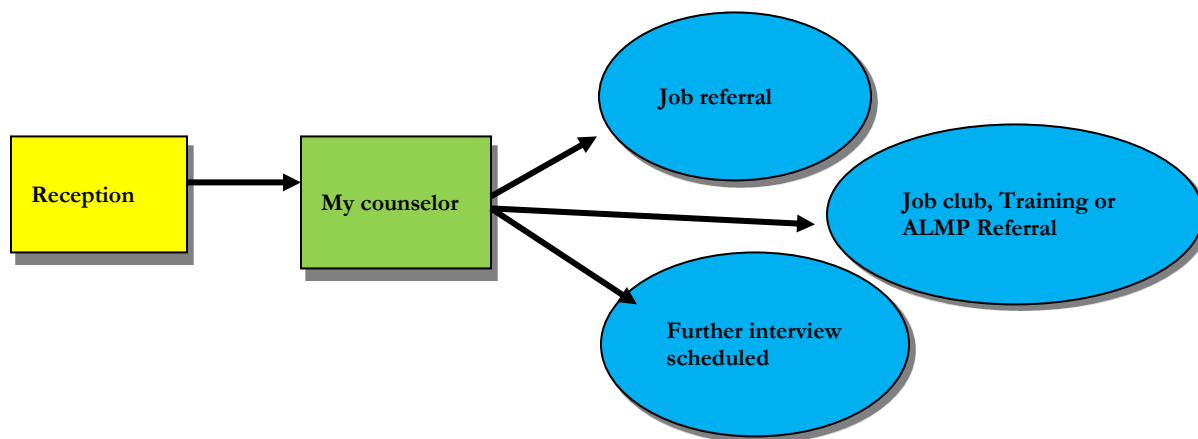
<sup>23</sup> The findings of this review are presented in UNDP (2010).

system database (known as SIMP)—can distinguish between the registered unemployed who have not changed or updated their status with the MLSW for six months (passive job seekers or people who may have found employment but have not reported this to the MLSW) and those who have (active job seekers). The distinction allows the MLSW to focus employment support on active job seekers. In addition, the new registry will drastically curtail the number of job seekers, thus enabling the EOs’ staffs to serve a much smaller target group: those who update their status regularly in a more focused and effective manner. Social assistance recipients are expected to benefit from this approach because they are among those who are required to keep their unemployment registration current.

**The new service delivery model—the “integrated concept of employment services”—was developed to address inefficiencies and improve service delivery to clients.** The EOs started changing their functions and instruments in line with the requirements of a *client-focused employment service*. The functions of the counselors have been reorganized, and a new service delivery model was developed that enables an unemployed person to interact with a single counselor (case manager), whether it is for counseling, training, or placement. The software and hardware systems are being upgraded to allow the unemployment registry to be updated, matching services to be offered and software systems to be integrated between EOs and CSWs. The objective of this reform is to improve service provision while at the same time increasing the accountability of the MLSW for the employment support of social assistance beneficiaries.

**The “integrated concept of employment services” envisages reforming the business processes** (see figure 20). Under this model, developed in 2012, the job seekers will initially be directed to the reception area, where their initial needs will be identified. The next step would be directing the job seeker to a counselor. After registering the job seeker into SIMP, the counselor is supposed to gather information and agree on the needs of the client and on his or her job, training, and career aspirations. Subsequently, offers of counseling have to be made and, where appropriate, training and other ALMP measures have to be used to match job seekers with registered vacancies.

*Figure 20: The New Service Delivery Model for Public Employment Services in Kosovo*



Source: MLSW 2012a.

Note: ALMP = active labor market program.

**The new service delivery model is just the starting point of a reform in business processes that is still to happen.** As will be discussed in further detail, unlike most European PESs, the new service delivery model in Kosovo does not foresee differentiation in approaches with respect to treatment of different types of clients as specified in section 2 - market ready, in need of intensified activation, in need of special support or hard-to-serve. Nor does it foresee procedures and instruments for how to profile the registered job seekers in a way that could segment different types of client groups for PES based on the nature of their labor market barriers. The counselors are not obligated to prepare IEPs for each job seeker, and IEPs – where existent – do not take into consideration individual barriers to employment that define labor market detachment.

**Moreover, not all EOs have been able to adopt the new process model of service delivery because of constraints in physical infrastructure and human capacity, and this can have a direct negative impact on PES readiness for activation of Assistenza Sociale beneficiaries.** Some EOs lack the appropriate physical infrastructure and human capacity to fully adapt to the new business processes as envisaged by the integrated concept. About 40 percent of the buildings are old, which means that they do not have the correct physical conditions to apply the new service delivery model.<sup>24</sup> However, the MLSW has implemented a policy to build or renovate at least two to three EO buildings each year to address this infrastructure constraint in the medium term. Furthermore, to address the human capacity constraint regarding operation of the new service delivery model, the donor community is organizing training for counselors. Being entirely donor-driven and fully financed by donors' projects, this training is therefore not sustainable in the medium term. Taking into account the staff turnover among employment counselors, the MLSW needs to consider additional and possibly lower-cost training for its counselors on a continuing basis (for example, by developing and applying peer training).

**Another challenge for activation is the overall management logic and performance management system of PES.** PES in Kosovo currently follows a traditionally administrative approach to the performance of tasks (management by regulation) rather than an output-driven management approach with agreed goals and realistic targets (management by objectives) that openly embraces social assistance beneficiaries. Although the MLSW collects information on key performance indicators (vacancies, placements, and so on) across EOs, the management logic is not based on target setting, lean management, performance measurement, and the financial incentive available to assess and award employees' performances.

**A final impediment to activation is the absence of a clear distinction between policy making and policy implementation.** In recognition of the need for such differentiation of functions, the MLSW has embarked upon the process of developing a PES law that would reorganize PES into an independent agency and separate the functions between policy making (MLSW) and implementation

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<sup>24</sup> In addition, in 2013 the MLSW has to build another six EOs for newly established municipalities.

(PES). Throughout this process, the MLSW is expected to review its PES organizational model and management logic as well as its financial system, which is highly centralized.

## **4.2 Treatment of the Registered Unemployed, Asistenca Sociale Beneficiaries Included**

**The EO business processes now envisage uniform treatment of all registered job seekers; client profiling does not exist.** As mentioned, unlike in other EU countries, formal profiling for registered job seekers does not exist in Kosovo to segment different types of client groups for PES based on degree of labor market barriers. Profiling is a powerful instrument for planning of service provision according to specific client characteristics—and an important prerequisite for offering more intensified and targeted services to those most in need. However, Kosovo provides no customized treatment to any client groups, including Asistenca Sociale recipients, in respect to placement in the labor market. In addition, PES management shows little awareness that job seekers should be differentiated and thus offered services accordingly. The absence of profiling is obstructive to the policy effort for making the provision of Asistenca Sociale Category II benefits conditional on job-search and work-availability requirements and subject to the mandatory provision of targeted employment services.

**Furthermore, in practice, Asistenca Sociale recipients are often not getting all the services designated to the “regular” job seekers.** In most cases, they are accepted in EOs through administrative functions related to obtaining the certificate or declaration of being unemployed (one of the eligibility criteria of Asistenca Sociale, which requires the fulfillment of certain sets of forms) rather than through client-oriented job placement services that are tailored toward disadvantaged job seekers. This is one of the most significant weaknesses in relation to the activation of social assistance beneficiaries. It is also an indication that EOs are actually burdened with a heavy administrative load because all members of a recipient family who are of working age have to be recertified as unemployed every three months. In other words, the frequent recertification of unemployment status by the EOs is not a vehicle for closer linking to employment services. Currently the MLSW is considering changing the treatment of Category II Asistenca Sociale beneficiaries by introducing conditions to issuance of certificates for unemployment. New administrative instruction is being elaborated, supported with reporting software that will make reissuing of unemployment registration conditional upon acceptance of counseling services and regular receipt of and compliance with feedback on the plans of action that the job seekers will undertake.

**Individual employment plans (IEPs) are prepared only for a small percentage of job seekers.** In 2012, only 0.5 percent of active job seekers were involved in the preparation and implementation of such plans.<sup>25</sup> EO staffs consider this requirement to be a burden on them rather than being a useful tool in providing targeted and intensified job placement services. However, it is important to

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<sup>25</sup> IEPs were developed per the requirements of UNDP-financed PES project, which was not specifically targeted to social assistance beneficiaries.

mention that the new management information system (MIS) is designed in a way that includes the most important elements of IEPs,<sup>26</sup> making the formal existence of IEPs somewhat unnecessary.

**EO staffs have no specific motivation and incentives to provide more intensive employment support to Assistenza Sociale Category II claimants.** When EOs were asked why able-bodied social assistance recipients are not offered placement services in general, they usually stated that the recipients are not interested in placements in those jobs. Only those offices that are more advanced in implementing the new service model, such as the EO in Ferizaj, claimed that they do offer some employment services before they issue the certificate of unemployment. Staff members are not specifically motivated to deal with difficult cases. There is no system that assesses EO employees' performance and rewards extraordinary efforts. Nor are there any financial incentives for placement of difficult-to-place clients. The wages of EO workers are similar across different labor offices, irrespective of differences in workload, because they are bound by centrally established rates.

### **4.3 Caseload of PES Staff**

**Recent MIS changes allow for a realistic assessment of EO caseloads.** In 2012, the MLSW digitized all unemployment records and introduced a change in the MIS software to enable automatic separation of active and passive job seekers.<sup>27</sup> This upgrade has significantly improved the registry of the unemployed relative to the previous MIS database. In the previous system, registered unemployment records remained in the system irrespective of subsequent developments (that is, the "registered unemployed" could have found work, stopped their employment search, returned to education or training, or even died). As a result of this change, the numbers of registered job seekers who are actively looking for work have started to decrease considerably since June 2012. The total number of registered unemployed people dropped from 328,000 (end of December 2011) to about 100,000 by the end of December 2012. Consequently, the EO caseload (job seekers per employment service staff member) also decreased during this period.

**The new MIS provides accurate data on active job seekers claiming Assistenza Sociale.** Out of the total number of active job seekers (about 100,000), around 40,000 are Assistenza Sociale Category II beneficiaries, representing 13,537 family recipients, according to MLSW MIS estimates. Thus, on average, around 40 percent of EOs' active clients are Assistenza Sociale recipients who are usually responsible every three months (four times per year) to visit EOs and be issued certification of unemployment (in total, 160,000 cases per year). EOs complain that they are burdened by a high administrative load because of the important share of the time that counselors allocate to these types of administrative tasks rather than to placement services.

**The total share of Assistenza Sociale recipients is expected to decrease once the recent changes in the Law on Assistenza Sociale (Law 2003/15) are fully enforced, and this may**

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<sup>26</sup> Based on the new software, each job seeker's visit has to be entered into the system along with services offered by this visit as well as plans of actions that the job seeker will undertake within a certain duration of time (usually three months).

<sup>27</sup> If a job seeker does not visit an EO at least once within six months, the MIS software automatically changes his or her status to being a passive job seeker.

**further lower the overall EO caseload.** According to the revised provisions of the law, families with more than one family member capable of working will no longer be eligible for Asistenca Sociale Category II benefits even if such families continue to fulfill other requirements, including having at least one child aged 5 or under.<sup>28</sup> As already mentioned in Section 2, in the previous version of the law, if a family had more than one member capable of working, all family members had to be registered as unemployed at EOs to be eligible for Asistenca Sociale Category II benefits (among other requirements). Taking into account that at the end of 2012, there were 13,537 direct beneficiaries of Category II benefits—with more than 40,000 members registered at EOs as unemployed but capable of working—this change is expected to lower the total number of family recipients of Category II Asistenca Sociale as well as the total number of registered active job seekers, given that the benefits are associated with the registration at the EOs.

**The caseloads are high and unevenly distributed across municipalities and EOs.** At the end of 2012, the average number of active job seekers per EO service unit employee was 573, above the average caseload in the EU and OECD (see table 3). The caseload of each employment counselor is even higher: 1,083 job seekers, on average (see annex 3 for details). Because of disparities among the local labor markets and the number of staff working in EOs, the caseload level at the municipal-level labor office varies considerably—as high as 3,038 and 2,000 job seekers per EO employee in Kacanik and Malisheva, respectively, or as low as 294 in Peje, 280 in Shtime, and 208 in Pristina. On the other hand, from the total number of Category II Asistenca Sociale (family) beneficiaries, there are 147 family units per employment counselor. Similarly, capacity is uneven within the EOs in dealing with social assistance beneficiaries.<sup>29</sup> These differences present a serious challenge in the proper implementation of labor market conditionality to Category II Asistenca Sociale receipt.

*Table 3: Caseload of Employment Offices in Kosovo, 2012*

Total number of (active) job seekers (as of Dec. 31, 2012)	98,601	Staff caseload (per EO service unit employee)
Total number of employees in MLSW employment division	201	490
Total number of EO employees	172	573
Total number of counselors	91	1,083

*Source:* Calculated from MLSW administrative data.

*Note:* EO = employment office. MLSW = Ministry of Labor and Social Welfare.

<sup>28</sup> See articles 4.5, 4.7 and 4.8 of Law 04/L-096 on amending and supplementing Law 2003/15 on social assistance scheme in Kosovo.

<sup>29</sup> One employment counselor manages 42 Asistenca Sociale Category II families in Gjilan, 63 in Viti, 66 in Pristina, and 76 in Gjakova. In other municipalities, the family caseload is much higher—485 in Kaçanik, 435 in Malishevo, 360 in Istog, and 348 in Glogovce (see annex 3 for caseloads in all municipalities).



**The available employment services are not sufficient to cover the needs of Asistenca Sociale Category II recipient units of assistance (families or households).** If all 2011 EO job placements had been for Category II families, there would have been 0.6 job placements per Category II family<sup>30</sup>. This would have been their maximum coverage with the existing budget envelope (if all placements are for Asistenca Sociale recipient families). The coverage with employment services would appear somewhat higher if training offered by the MLSW VTCs were also taken into account: in 2011, around 2,500 people were trained in VTCs, or 0.74 job placements and training courses per Asistenca Sociale Category II recipient family. The actual coverage of Asistenca Sociale beneficiary families with employment services and counselors differs significantly both at the regional and municipal level.<sup>31</sup> Correspondingly, the regional employment centers (RECs) with low counselor-to-beneficiary family ratios are more successful than those with high ratios in terms of their job placement rate per Category II recipient family.<sup>32</sup>

#### **4.4 Active Labor Market Programs**

**In recent years, the provision of ALMPs has expanded.** To generate additional employment in the short run, the MLSW is embarking on expansion of direct job creation measures. Different active labor market interventions are being implemented in Kosovo such as employment counseling, on-the-job training, vocational training, internships and apprenticeships, and PWPs<sup>33</sup>. The MLSW, through its EO locations in all municipalities, places an important emphasis on the implementation of these interventions in Kosovo. In 2010, the MLSW designed<sup>34</sup> and initiated a PWP with the specific objective of generating temporary jobs for the poor and long-term unemployed in labor intensive projects. Municipalities identified projects aimed to create, rehabilitate, and maintain municipal infrastructure and public spaces, and competed for financing. In parallel, the MLSW reviewed the primary and secondary legal framework for ALMPs to create an enabling environment for public works and other active labor market measures.<sup>35</sup>

**Insufficient financing is the biggest barrier to expansion of ALMPs.** Despite the high rate of unemployment and its structural nature, the level of public funds dedicated to the implementation of various ALMPs is very low, even though some increases have been experienced in recent years because of the boost of financing with the Sustainable Employment Development Policy Program

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<sup>30</sup> 2012 figures are not yet published.

<sup>31</sup> The regional employment center (REC) in Gjilan (which covers EOs in the municipalities of Gjilan, Viti, Kamenice, and newly established municipalities such as Partesh, Ranilug and Kllokot) stands best in dealing with Category II Asistenca Sociale recipients, with a ratio of 81 family recipients per employment counselor. This ratio is as high as 256 families per counselor in REC Mitrovica (which covers EOs in municipalities of Mitrovica, Skenderaj, and Vushtri); 243 in REC Peja (which covers EOs in municipalities of Peja, Istog, and Klina); and 227 in REC Ferizaj (which covers EOs in municipalities of Ferizaj, Hani I Elezit, Shtime, and Sterpce)

<sup>32</sup> As high as 1.1 placements per family in REC Gjilan and 0.9 in REC Prizren; and as low as 0.3 in REC Mitrovica and 0.4 in REC Peja and REC Pristina.

<sup>33</sup> PWPs are regarded as part of the ALMPs in Kosovo in this note.

<sup>34</sup> With technical support from the World Bank.

<sup>35</sup> Mostly through the 'EU Support to MLSW Project.'



(SEDPP).<sup>36</sup> In 2012, the public funds allocated to ALMPs (including the salaries of PES employees) as a share of the total budget expenditure was 0.47 percent, while the ratio of the budget for the MLSW's Department of Labor and Employment, compared to that of the budget for the Department of Social Welfare, was EUR1 to EUR4.14. A significant part of the ALMPs are implemented by outside agencies,<sup>37</sup> which is increasing the overall level of funding for ALMPs and leaving some of the costs "hidden" (see table 4). These projects "bypass" the MLSW and work directly with the EOs through project implementation units that make key decisions related to financial management, procurement, or payments outside the MLSW.

*Table 4: ALMP Budget and Development Partners Allocations, by Type, in Kosovo, 2011–12*

Organization	Budget (2011), €	Budget (2012), €
MLSW PES <sup>a</sup>	7,121,145	7,266,145
UNDP <sup>b</sup>	1,001,701	1,402,676
LuxDev	772,447	847,500
KOSVET 6 <sup>c</sup> (EU)	950,000	950,000
Beautiful Kosovo (EU)	1,517,000	2,620,000
<b>TOTAL</b>	<b>11,362,293</b>	<b>13,086,321</b>

*Source:* MLSW administrative data.

Note: ALMP = active labor market program. MLSW = Ministry of Labor and Social Welfare. PES = Public Employment Service. UNDP = United Nations Development Program. LuxDev = Luxembourg Agency for Development Cooperation. KOSVET = Kosovo Vocational Education and Training project EU = European Union. € = euro.

a. These figures include the operational costs of the employment division of MLSW (wages, goods and services, and utilities).

b. Source: UNDP, 2011

c. The figure for KOSVET 6 includes a small and medium enterprise component.

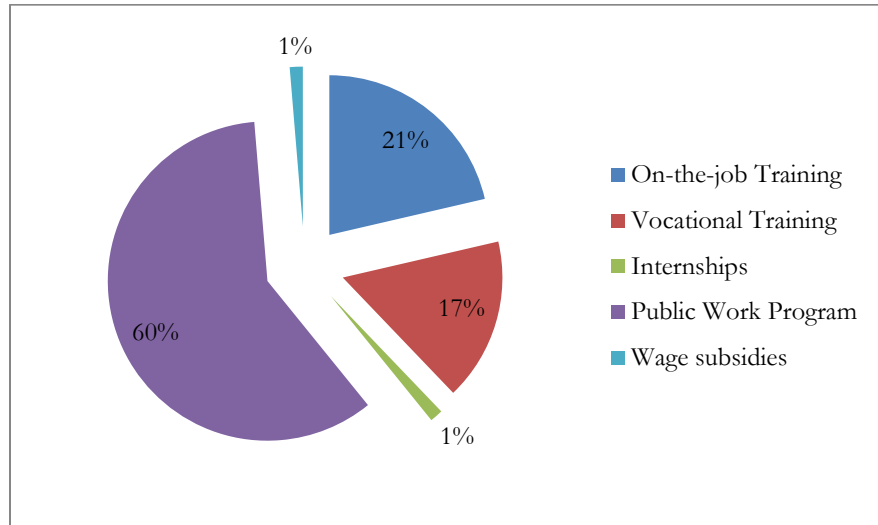
**The space for an increase in funding levels for the implementation of ALMPs either by public funds or donor funds is limited.** Planned 2012 expenditures for ALMPs, including operational costs, increased to almost USD13 million. Budgets from government funds are usually allocated based on the previous year's allocation. However, in 2010, with support from the SEDPP, an additional USD3.3 million was allocated to ALMPs, which was mainly used for the PWPs. Although public funds for PWPs are allocated based on proposals from the municipalities, public funds for training are allocated by the training division of MLSW while donor projects set a quota for each municipality. Although it is expected that the MLSW will maintain its current level of

<sup>36</sup> SEDPP provided budget support against prior policy actions, part of them related to the design and implementation of ALMPs and PWPs for able-bodied Assistenza Sociale claimants.

<sup>37</sup> These agents include the United Nations Development Program (UNDP), the Luxembourg Agency for Development Cooperation (LuxDev), and the European Union.

funding for ALMPs after SEDPP completion<sup>38</sup>, other important projects (funded by UNDP and LuxDev) were expected to end in the first quarter of 2013. The MLSW has been having an internal discussion as to whether its Department of Labor and Employment could use the savings from enforcing changes in the social assistance law. However, it is more likely that these savings will be used to increase benefit amounts and coverage than to boost ALMPs.

*Figure 21: Share of Public and Development Partners Funds Allocated to ALMPs, by Type, in Kosovo, 2011*



*Source:* Calculations from different MLSW and UNDP reports, and administrative data.

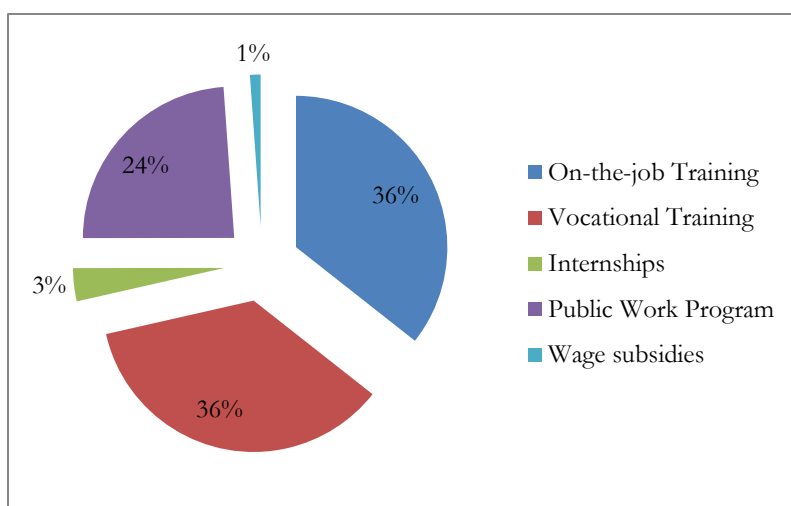
Note: ALMP = active labor market program.

**PWPs are expensive in terms of spending per participant, while their impact on employability is not clear.** The spending per person could be over 10 times higher than the monthly Asistenca Sociale. At the same time, the participation is for three months only and not always supplemented by training. As a result, the overall impact on employability (which has not been evaluated) remains dubious. The EOs and CSWs should work jointly on participant profiles, prudent selection of people who would benefit most from PWPs, and design of intervention “packages” with the potential to reattach beneficiaries to the labor market.

**In terms of the structure of ALMPs, a higher proportion of funds (both public and donor funds) is spent on training** (both on-the-job training and vocational training) and PWPs, while little is spent on start-ups and wage subsidies (figure 21). Similarly, large groups of beneficiaries are engaged in training and the PWPs and very few in wage subsidies and internships (figure 22, see box 3 for a detailed description of ALMPs).

<sup>38</sup> However, as of June 2013 budget financing for PWPs is yet to be identified.

Figure 22: Share of Beneficiaries in Kosovo ALMPs, by Type, 2011



Source: Calculations from different MLSW and UNDP reports, and administrative data.

Note: ALMP = active labor market program.

Box 3: Types of ALMPs in Kosovo

**On-the-job training** (OJT) is a combination of job search assistance and in-company training that is technically and financially supported by donors' projects.<sup>a</sup> In this scheme, unemployed persons are first counseled and assisted in looking for a job, followed by development of an IEP and training plan. Eventually the unemployed person is placed with an employer who agrees to train the person on the job over a three-month period. Annually, around 1,000 to 2,000 beneficiaries are trained through this scheme. The beneficiaries are not graduates from VTC programs because the intention is to widen the training opportunities to other registered job seekers. The scheme envisages giving incentives to job seekers (with EUR100 per month) and entrepreneurs (with EUR35 per month) using donor funds. Beneficiaries are also not Asistenca Sociale recipients, although by design the program is supposed to prioritize hard-to-serve clients. Asistenca Sociale beneficiaries are not covered, financiers and EOs explain, because of little interest on behalf of Asistenca Sociale recipients due to loss of benefits and low remuneration. Independent evaluation in 2012 of OJT and internship schemes financed directly by a UNDP-supported project suggests<sup>b</sup> that 38 percent of those who benefit from OJT schemes manage to find long-term employment afterward, as opposed to 19 percent of the control group; thus OJT has a positive net impact on employability of participants. Social assistance recipients, however, did not benefit from this opportunity to increase their employability. It would be important to increase their participation in schemes that have proven to increase employability, to understand better the key success factors, and to invest further in such schemes.

Table B3.1: Targeting for OTJ Training Schemes in Kosovo

Program donor	Minimum requirements	Preferences / target groups
UNDP	<ul style="list-style-type: none"> <li>Between 15 and 29 years of age</li> <li>Registered long-term unemployed (six months)</li> </ul>	<ul style="list-style-type: none"> <li>Households on social assistance</li> <li>Primary schooling only</li> <li>Women</li> </ul>

		<ul style="list-style-type: none"> <li>• No previous work experience</li> </ul>
EU	<ul style="list-style-type: none"> <li>• Between 17 and 35 years of age</li> <li>• Registered as unemployed</li> </ul>	<ul style="list-style-type: none"> <li>• “Long-term unemployed” (more than 12 months )</li> <li>• Registered disabled</li> <li>• Ethnic minority groups, (with all ethnic minority groups receiving equal opportunity)</li> <li>• Unemployed women living in isolated rural communities<sup>c</sup></li> <li>• Unemployed women who are widowed and are raising a family of one child or more</li> <li>• Unemployed candidates who have never had access to vocational training</li> </ul>
LuxDev	<ul style="list-style-type: none"> <li>• Young (18 – 39 years old) VET graduates</li> <li>• VT graduates who are not able to find employment (since 2012)</li> </ul>	n.a.

*Source:* UNDP 2012; EU KOSVET 6 2012.

*Note:* OTJ = on-the-job training. UNDP = United Nations Development Program. EU = European Union. LuxDev = Luxembourg Agency for Development Cooperation. VT = vocational training. n.a. = not applicable.

**MLSW Vocational Training Centers** offer vocational training through eight VTCs and six mobile training units. Altogether, 22 different types of training programs are offered. In 2011, a total of 3,053 people were enrolled, and 2,534 people completed the training with certificates. There is no information on how effective the vocational training (VT) has been in terms of improving the likelihood for finding employment. The VT was taken up mostly by job seekers with higher secondary education; in 2011, these made up 57 percent of all trainees, against 26.5 percent of participants with less than higher secondary education and 15 percent with tertiary education. Training in VTCs is considered applicable to hard-to-employ Assistenza Sociale recipients, but in reality their participation is very low.

**Internship programs** target recent university graduates. Interns are placed with an employer and work in an area relevant to their completed field of study for six months to gain practical experience. About 250 registered unemployed were placed in this program in 2011.

**Wage subsidies** are applied on a very small scale in cases of difficult-to-place clients. Two projects financed by international development partners have provided wage subsidies to companies willing to employ the long-term unemployed and returning migrants since 2005.

*Source:* Legal and administrative data, MLSW and EOs.

a. UNDP, LuxDev, and KOSVET 6.

b. Evaluation report is not public. Quoted results are from public presentations.

c. A person is considered as living in an isolated community if it takes the person 40 minutes or more to walk to the nearest bus route from her or his own home, or if the total time needed to travel from the person’s home to the nearest municipal or regional employment center with a combination of walking and public transport is normally greater than 50 minutes.

**Public work programs complement the ALMPs.** Since 2010, the MLSW has implemented the Kosovo Public Works Program (KPWP) and, since 2011, the Beautiful Kosovo Project. Both target groups at risk characterized by long-term detachment from the labor market. The KPWP provides the long-term unemployed, and particularly those receiving Assistenza Sociale, with three months of

employment in PWP (see box 4 for details). The Beautiful Kosovo Project does not explicitly target this category. Impact evaluations worldwide indicate that PWP, upon their completion, have only a limited impact on inclusion of participants into the labor market. In this context, the design and implementation of PWP as instrument for integrating Assistenza Sociale beneficiaries into the labor market merits further discussion. On the one hand, they are a form of safety net rather an instrument for increasing employability and improving the chances for finding a job. On the other hand, they are limited in scope and do not ensure equal access across the country for those who are willing or obliged to participate in them. PWP are limited mostly to infrastructure and maintenance work; missing are programs for assisting with caregiving within the communities which could encourage take up by women and at the same time help in reducing labor market participation barriers. Last but not least, the spending per person on the Kosovo PWP can be over ten times higher than the spending on benefits, as indicated in box 4.

#### *Box 4: The Kosovo Public Works Program*

The public works projects are proposed and designed by the municipalities, and evaluated by the MLSW as to whether they meet the program criteria. In 2012, the Kosovo Public Works Program (KPWP) provided employment to 2,679 registered unemployed persons. In 2011, the program started to specifically target unemployed persons who receive Assistenza Sociale. KPWP participants substitute their Assistenza Sociale cash benefit with remuneration from the program, and they can reenter social assistance after KPWP if unable to find other employment. Of the 2,679 persons employed in the KPWP through EOs in 2012, 1,089 (454 in 2011) were current Assistenza Sociale recipients. In addition, 379 (151 in 2011) were past recipients who had lost eligibility because their children are older than 5 years of age. KPWP funds two types of projects, which are designated Category A and B:

- *Category A projects* are more labor-intensive (the minimum labor intensity is 60 percent) and are generally much simpler technically; thus, they can provide more employment to unskilled workers, including social assistance recipients. It is also required that 80 percent of the workers be recruited through the MLSW EOs.
- *Category B projects* are more advanced technically, have a minimum labor intensity of 40 percent, and only 50 percent of the labor must be recruited through the MLSW EOs. In 2012, the MLSW introduced an element of training (OJT) for PWP participants, and a very small number of beneficiaries were trained in the pilot program. However, there have been no assessments as to whether this training component had a positive impact on the likelihood of employment for its participants.

The spending per person on the Kosovo PWP can be over 10 times higher than the spending on benefits. The spending on PWP in 2012 was about EUR5.9 million (EUR3.3 million from public funds and another EUR2.6 million from donor funds). For government-financed PWP in 2012, *the average cost per person-month of work* was EUR578 (for category A projects EUR373, and for category B projects EUR688). (The average cost is calculated by dividing the total value of projects to duration [number of months] by the number of workers engaged.)

*Source:* World Bank, 2013.

**There is virtually no diversification of providers of employment services.** There are no legal grounds and no subcontracting system to allow outsourcing of PES-provided employment services to nongovernment providers. There is only a framework for the possibility of this for certain training activities, but even this possibility has not been taken advantage of. The MLSW established a training fund in 2012 to outsource certain training courses to private providers that the VTCs do not offer.

**Matching of employment services to job seekers' needs is limited because of the limited services and lack of knowledge of job seekers' profiles.** Explicit matching takes place within the Kosovo Public Work Program, where EOs actively seek to employ social assistance beneficiaries who have reduced chances of finding jobs in the primary labor market on their own. Development partners undertake a form of matching by implementing projects to employ specific target groups (for example, unemployed youth).

#### **4.5 Capacity in the Welfare System**

**A dual welfare system exists in Kosovo, consisting of a centrally designed and financed minimum income guarantee scheme and partially decentralized social services.** In recent years, the legislative framework<sup>39</sup> has evolved toward decentralization of social welfare provision. The minimum income guarantee scheme *Asistenca Sociale* remains centrally designed and financed and delivered by the CSWs. Until January 2009 the CSWs were subordinated to the MLSW. Since February 1, 2009, under a memorandum of understanding (MOU),<sup>40</sup> the CSWs became part of the municipal administration. The main implication was that the MLSW staff who previously implemented *Asistenca Sociale* became part of the municipal administration, and subsequently they became more at risk of pressure to use the program for municipal-level political purposes. The MLSW lost important leverage in *Asistenca Sociale* administration on the ground even though it continued to finance fully the spending on benefits and staff salaries. The social and family services became the responsibility of the Municipal Departments for Health and Social Welfare, but not all services were decentralized; some became delegated responsibilities of the municipalities, and some remained centralized. The MLSW keeps supervisory function for all social services delivered by the municipalities and remains fully responsible for centralized social services.

**Despite the decentralization, social assistance and services remained financed almost entirely (up to 95 percent) by the state budget.** The municipalities receive a general grant from

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<sup>39</sup> The legal framework related to the cash social assistance system and social services in Kosovo includes the following acts and regulations: Law on Social Assistance Scheme Law 2003/15; Law on Social and Family Services Law 02/L-1714; Law for Families in Kosovo Law 2004/32; Law on Material Support of Families of Children with Permanent Disabilities Law 03/L-022; Standard Procedures for Victims of Trafficking; Administrative Instruction No. 08/2010 for Administrative Procedures by the repayment of Beneficiaries of Social Assistance Scheme gained without legal base; and Administrative Instructions NR 03/2009 on Material Support for Families of Children with Permanent Disability.

<sup>40</sup> The MOU was between the MLSW, Ministry of Local Government Administration (MLGA), Ministry of Economy and Finance (MEF), and the municipalities of Kosovo.



the state budget and two specific grants earmarked for financing of health and education. Social services are financed out of the general grant and, to a small extent, from municipal revenues. The Medium Term Expenditure Framework 2010–2012 covers the cost for the provision of social services, staff salaries, and goods. The size of the general and earmarked grants is determined by the number of population in the respective municipality.

**Each municipality operates its own CSW with separate units for cash transfers and for social work (services).** There are 40 CSWs in 38 municipalities in Kosovo. Each municipality is obliged to run at least one CSW; some have affiliates or extended offices of the CSWs. Separate units of the CSWs implement the guaranteed minimum income scheme and the social services. CSWs have Social Assistance Units which determine eligibility for Category I and Category II Assistenza Sociale, screen client applications, and process eligible applications for monthly payments. Their work is overseen by the Department for Social Welfare, Division for Social Assistance, in the MLSW. CSWs also have separate social work units are engaged with the provision of social services. The Municipal Departments for Health and Social Welfare implement primary health care and social welfare services. Based on the decentralization process, these directorates organize and monitor the delivery of social and family services within their territory through the activities of the CSWs.

#### **4.6 Staff Capacity and Resources**

**Capacity is uneven, with staff education and experience varying significantly across municipalities and CSWs.** Some CSWs are better staffed than others. There are no unified standards for staff composition and professional background, qualifications, and competences, mostly because of the absence of standardized business processes. Staff members with tertiary education are employed in most of the social worker positions in Pristina, while in other parts of the country, the staff predominantly has a secondary education level. Staff capacity is low, and the staff is not prepared for the challenges of case management and provision of targeted support for activation (beyond the formal requirements for mandatory unemployment registration). There is a need for staff capacity development. Training and retraining is sporadic and dependent on external projects implemented and financed by development partners. The last relatively large-scale training took place in 2006. Most obvious are the needs for information technology specialists to manage data with the newly introduced social welfare MIS and for qualified social workers who can manage family cases with multiple interventions. It is also important to consider recognizing the extra efforts while dealing with hard cases.

**Decentralization has not changed the nature of jobs.** There is no case management, and relations between the social assistance unit and social work (services) unit in the CSW are weak. In the social assistance units, staff time continues to be extensively spent on verification of eligibility, including field work. Estimates of staff time allocation by functions in selected CSWs indicate that close to 60 percent of the staff time is spent on cross-checking eligibility. This time allocation allows for strict monitoring and careful analyses of claims, and as a result the number of social assistance

beneficiaries has gone down. At the same time, scarce material resources make the verification process difficult, inaccurate, and time-consuming.

#### 4.7 Referral of Social Assistance Recipients to Employment Services

**Referrals are driven by legal requirements and not by case management efforts.** The Asistenca Sociale recipients are the responsibility of both the CSWs (the Social Assistance Units) and the municipal and regional EOs. One important difference is that CSWs treat the able-bodied recipients in the context of the family unit, whereas EOs treats them as individuals. One of the eligibility criteria for social assistance benefits is that the able-bodied social assistance recipients be registered in EOs as job seekers. The unemployed certificate issued by the EOs is, on the other hand, accepted by the CSW as evidence that the job seekers have maintained regular contact with EOs. Registered job seekers are obliged to visit the respective EO in person every three months and renew their certificate of unemployment. However, as explained above, one of the weaknesses of the current system is that unemployment certificates are issued easily without any particular service and with little feedback and verification of the job search activity of the client. A new administrative instruction is being prepared to clarify roles and responsibilities with respect to referral and outlines the sequence of steps (see box 5 for details). However, it does not introduce case management with shared responsibilities for activation between the EOs and the CSWs.

##### *Box 5: Next Steps in Defining the Referrals between EOs and CSWs in Kosovo*

The MLSW is drafting an administrative instruction<sup>41</sup> which will outline key steps in the process of referring able-bodied applicants for Asistenca Sociale to the EOs, and the mechanisms for reporting back and information exchange on their take up of training and employment services. To make coordination effective, we suggest that the Centers for Social Work try to assign case manager for every Category II family given that (a) these cases have higher potential to ‘graduate’ and leave social assistance due to the availability of work able member; and (b) the work able members are required to take part in ALMPs, and this conditionality needs to be monitored which can be a part of the case management process.

The instruction will specify rules for the interaction between the CSWs and EOs, with respect to important aspects of treatment of Asistenca Sociale able bodied beneficiaries with employment services, as well as with respect to monitoring of their compliance with the requirements for participation in activation measures:

- How to verify that recipients of Asistenca Sociale make efforts to look for jobs and monitor compliance with required job search efforts and cooperation with the EOs. Currently the draft instruction is not yet sufficiently clear on what kind of evidence should verify the job search effort. In many countries browsing job offers in the media or lists of vacancies in EOs does not count; only formal / written job applications and attendance of job interviews

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<sup>41</sup> Draft administrative instruction on regulation of the procedures, certification and active search of employment by unemployed who apply for Asistenca Sociale



count.

- How to ensure re-entry to Asistencia Sociale for those who complete participation in ALMPs and PWP, and become unemployed again, and how the CSWs will facilitate regaining access to social assistance. The re-entry of those who have taken up ALMPs and PWP should be easier in order not to discourage take up of activation measures and to 'reward' active behavior.
- An open issue is the treatment of the income received from activation measures, such as remuneration for participation in PWP, stipend, per diem and/or travel cost coverage in case of training. There is a room to consider partial or full disregarding of such incomes, otherwise, participation in ALMPs might entail stoppage of Asistencia Sociale in the next 6-month period or at least decrease in the amount received with the income from ALMPs.

**The EOs and CSWs are physically detached, with little possibilities for regular data exchange.** In most cases, EOs and CSWs are not located at the same place, and thus, their interaction is limited to the exchange of lists, which occurs only monthly. There is an MOU between the Departments of Labor and Social Assistance. Based on this MOU, the lists of social assistance beneficiaries have to be forwarded to EOs in the last week of every month for further consideration. On the other hand, EOs are responsible for notifying CSWs of those beneficiaries who are engaged in any type of employment. The EOs confirm that this exchange of lists is undertaken at the municipal level. However, when it comes to recruiting social assistance beneficiaries, EOs reported that they are taking their own registry system into account, rather than using the Asistencia Sociale list forwarded by the CSW.

**Steps are being undertaken for electronic data exchange as a vehicle for referrals.** To improve the interaction between these offices and facilitate the exchange of information from both sides, both departments (Labor and Employment and Social Welfare) are creating complex web-based database systems. These electronic tools can greatly help to reduce the difficulties in information flow and minimize possible benefit abuse. These database systems are planned not only to be linked to the exchange of information between the two departments at the central level, but also between CSWs and EOs at the local level at any time. Furthermore, it is foreseen that these systems will be linked to the tax administration office to cross-check whether their clients are registered for tax administration, thus avoiding mistaken issuance of the certificate for unemployment.

## 5. Summary of Analytical Findings and Outline of Future Reforms

**Activation policies and practices should rank high among the Government priorities in the Republic of Kosovo, despite the existing supply-side and demand-side challenges on the labor market.** This is driven by the fact that Kosovo has one of the highest unemployment and inactivity rates in Europe. In this context activation policies should target the inactive and unemployed, categories that are broader than the activable population that receives Assistenza Sociale.

**Activation policies are relevant for Assistenza Sociale beneficiaries as well.** Despite the small size of the Assistenza Sociale beneficiary population, their profile suggests that they are particularly likely to benefit from activation policies because they are disproportionately out of work or, if working, in low-quality jobs.

- **A significant part of those who receive public funds as income support are activable / able to work.** Given that social assistance is limited in scope, the number of such cases is not high, however concerns stem from the scarcity of public funds and the pressing demand to target them to those who are the most needy and unable to cope on their own, and from the existence of welfare dependence.
- **Assistenza Sociale beneficiaries face multiple and higher barriers (compared to other inactive and unemployed) to employability and participation in the labor market.** The most pronounced human capital barrier relates to their level of educational attainment: they are more likely than the general population to have no education or only basic education, especially in the case of women. Not related to human capital obstacles, such as caretaking duties due to presence of disabled members, the number of children and elderly within the family, unavailability of transportation, social exclusion among minority groups, prevent work-able Assistenza Sociale beneficiaries from realizing their labor market potential as well.
- **Assistenza Sociale beneficiaries are more likely to be unemployed, and to be looking for jobs.** An indication of their potential for activation is the finding of the profiling analysis, that both categories of Assistenza Sociale include beneficiaries who work, mostly informally, even when their official status is dependent.
- **The activable recipients of Assistenza Sociale are not a homogenous group,** which implies that different approaches and policy instruments are needed to mobilize their work ability.

**Effective activation requires a combination of demanding and enabling (supportive) elements of activation** to be established in the design of Assistenza Sociale, to motivate and capacitate them for making transition from social assistance to work. Specifically,

- **Activation will require curtailing ‘generic’ disincentives in the design of Asistenca Sociale** that stem from the means test and benefit formula, and create trade-offs between preserving the incentives to work and save and maintaining eligibility for benefits. The benefit formula creates no incentives for increasing income while receiving the benefit, because the actual benefit is calculated as the *difference* between the gross standard rate applicable to a household of particular size and the actual monthly income, meaning that additional income is fully taxed away. Similarly, Asistenca Sociale creates disincentives for asset acquisition in a social assistance recipient household.
- **Asistenca Sociale’s design has own program-specific disincentives** which need to be curtailed and eliminated. The benefit design element with most pronounced negative impact on labor market participation relates to the fact that work and Asistenca Sociale receipt mutually exclude one another, thus excluding families with low-wage-earning members where the family income is below the standard rate from eligibility for Asistenca Sociale, but one or more members are active. Disincentives stem also from the weak verification of disability status which allows relatively easy change of status - ‘leakage’ of able to work into the category of dependent due to acquiring a disability rate.

**The demanding conditions for activation prevail over the supportive conditions in current policies; there is a need for striking a balance.** The sanctions for noncompliance prevail over incentives despite the fact that the enforcing institutions have limited capacity to monitor compliance and to prevent error and fraud. *Activation policies should move beyond ensuring participation of Asistenca Sociale able bodied recipients in public work programs which are perceived mostly as a safety net for the poor able bodied which is conditioned to work.* On the one hand, the focus can be instead on promoting (and rewarding) positive behavioral changes towards job search, including with in-work benefits, using the mandatory unemployment registration for effective link to employment services, preparation of individualized IEPs that take into account the beneficiary family’s human capital and participation constraints to work, but also encourage productive use of available assets and do not sanction informal and low-paid work. On the other hand, the design of the PWP’s can be amended to include elements of motivational training and skills building geared at increasing employability and prospects for finding a job at the primary labor market. Finally, the design of PWP’s should be revisited from the perspective of cost efficiency, as well as from the perspective of using them as a mechanism for reducing labor market participation barriers (i.e. PWP’s in the area of community-based social care provision).

**The policymakers’ current interest in activation of Asistenca Sociale recipients can be used as an entry point for expanding the scope of activation** to broader groups of able bodied unemployed and inactive with measures which would be cost-effective and more broadly targeted. Immediate steps could involve:

1. ***Reconsidering certain elements of the design of Asistenca Sociale*** to allow expansion of coverage of the poor without locking them into welfare dependency. This could be done with gradual and partial withdrawal of earned incomes and different treatment of assets

which will allow their productive use as an element of the transition from social assistance to work.

2. **Targeting one broad group of activable with potential to benefit from activation measures in the long term - *young unemployed*.** They represent close to 32 percent of all unemployed in Kosovo, and close to 70 percent of them are actively searching for a job.
3. ***Strengthening the capacity of labor market and social welfare institutions***, and especially of the employment services. This will include full implementation of the new client-centered business model in the EOs with lower caseloads, more diverse mix of activation options, and with equal access to services across regions and municipalities. As a precondition for successful activation, the EOs should move towards applying client profiling tools which will help identify clients' employment barriers and match them with suitable ALMPs and other interventions. Last, but not least, the employment support system should be opened for non-state providers in the national and regional markets, especially with respect to innovative and cost-efficient employment services, and for services for difficult cases with multiple employment barriers.

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## Annex 1: Administrative data on Assistenza Sociale spending and beneficiary numbers

*Table A1.1: Beneficiaries and Spending on Assistenza Sociale - total and by categories, 2005-2012*

Period	Number of families in Category I	Number of families in Category II	Spending on Category I	Spending on Category II	Total yearly spending on Skema e Assistenza Sociale*
December 2005	21,306	21,016	€ 1,185,344	€ 1,379,288	<b>\$31,064,949</b>
December 2006	20,825	19,744	€ 1,177,395	€ 1,286,549	<b>\$30,358,044</b>
December 2007	19,205	17,965	€ 1,092,866	€ 1,176,841	<b>\$28,052,598</b>
December 2008	17,388	16,919	€ 993,829	€ 1,107,955	<b>\$26,176,036</b>
December 2009	19,022	16,679	€ 1,195,436	€ 1,177,427	<b>\$28,310,231</b>
December 2010	19,928	15,863	€ 1,244,133	€ 1,114,520	<b>\$28,636,861</b>
December 2011	19,393	15,477	€ 1,216,896	€ 1,089,923	<b>\$28,294,565</b>
December 2012	17,570	13,541	€ 1,505,542	€ 1,491,635	<b>\$27,395,778</b>

\* This column is based on administrative data and is not the sum of both categories.

Source: Ministry of Labour and Social Welfare

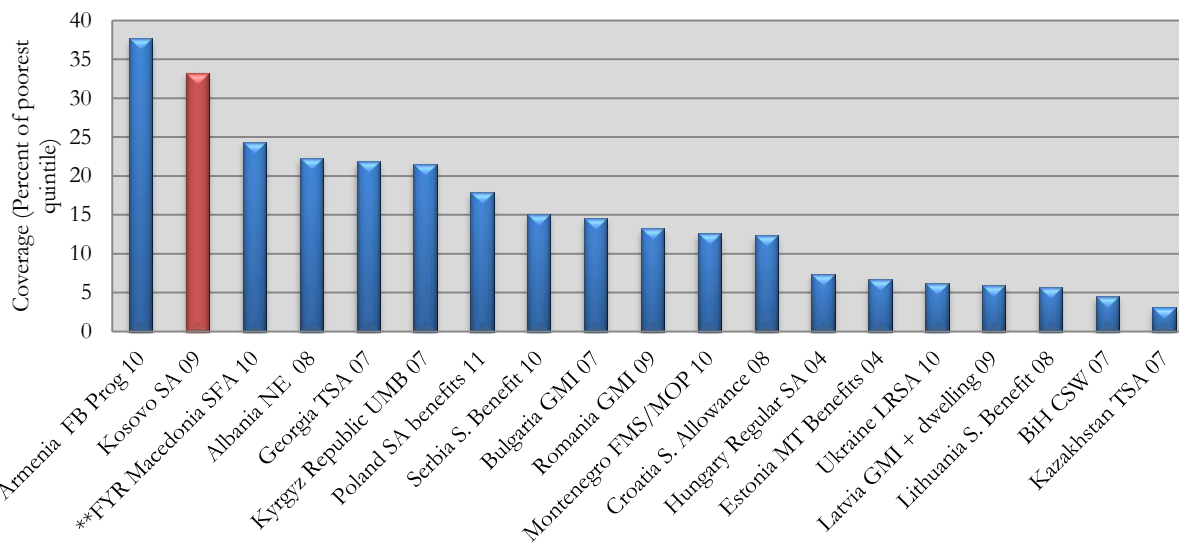
## Annex 2: Performance indicators for Last Resort Social Assistance programs

Indicators of performance of social assistance cash transfers include:

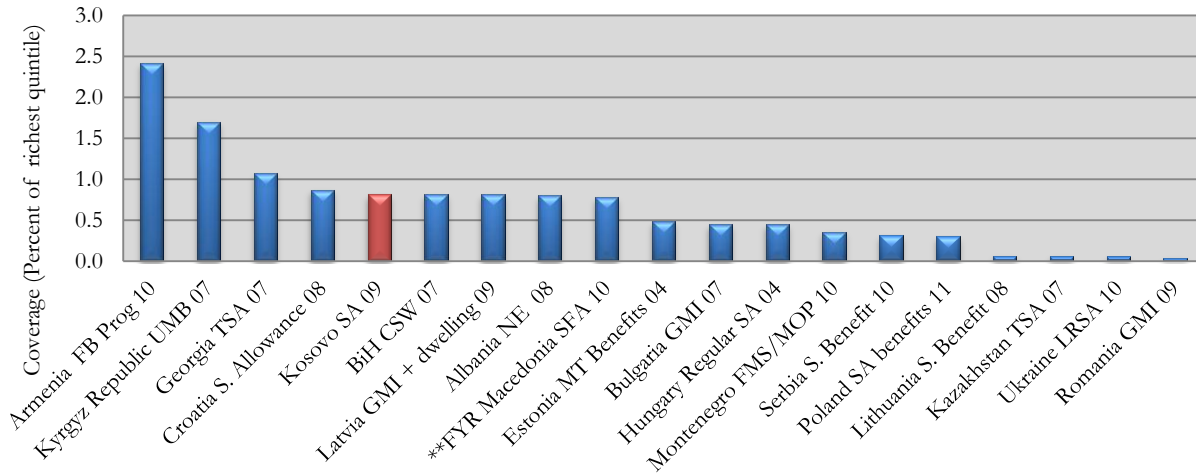
- a) **Coverage:** What share of the population and each quintile receives the transfers?
- b) **Targeting accuracy:** What share of social assistance transfers goes to each quintile? In other words, it indicates the transfer amount received by the group as a percent of total transfers received by the population.

### Coverage of Last Resort Social Assistance Programs

*Figure A2.1: Coverage of the Poorest Quintile*



*Figure A2.2: Coverage of the Richest Quintile*



### Targeting Accuracy of Last Resort Social Assistance Programs

Figure A2.3: Targeting Accuracy of the Poorest Quintile

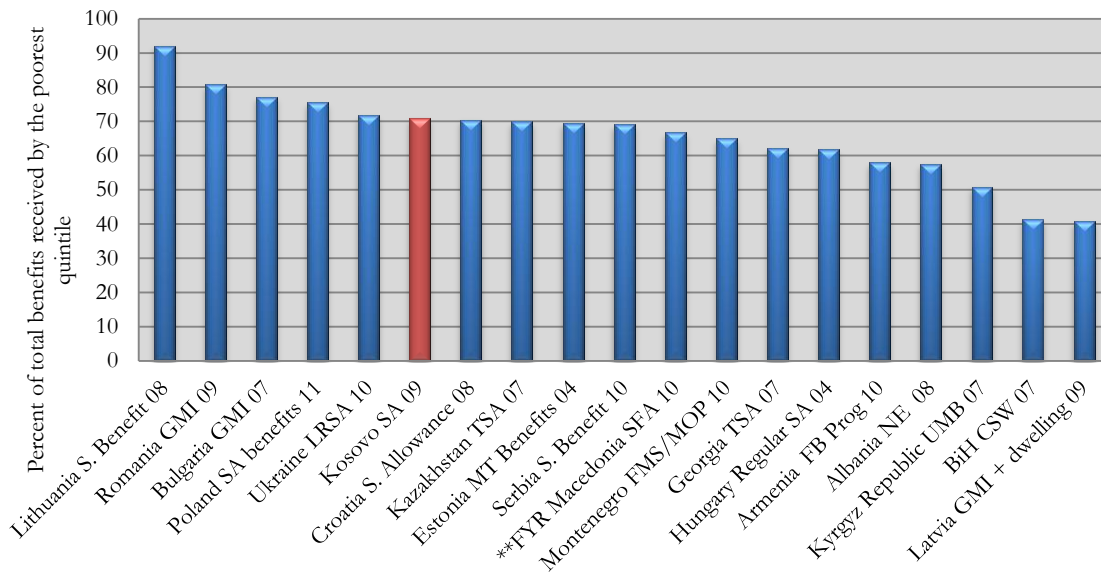
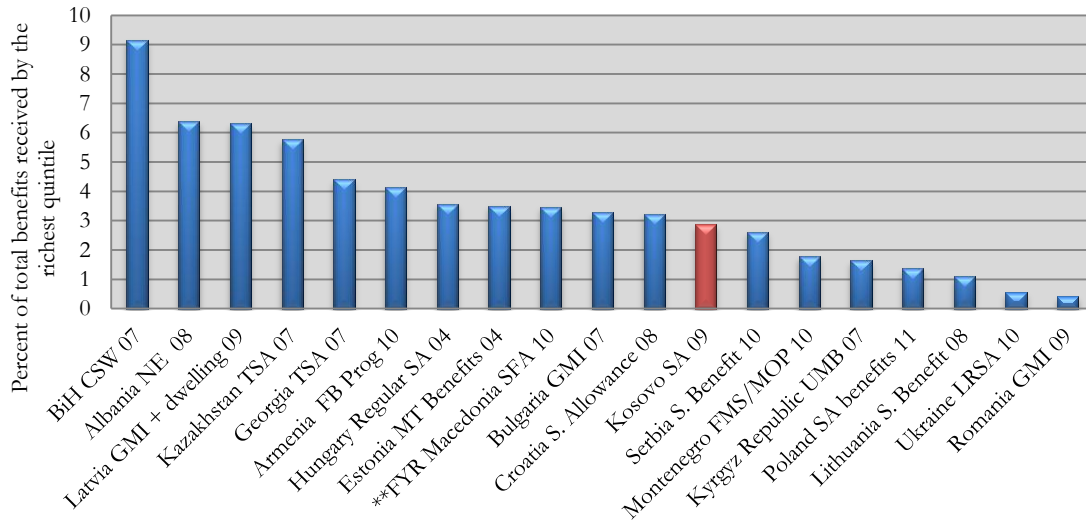


Figure A2.4: Targeting Accuracy of the Richest Quintile



\*\* Performance indicators were generated in the context of analytical work supporting the Macedonia DPL program.  
*Source:* Europe Central Asia Region Social Protection Database

Performance indicators are generated using a standardized methodology that includes the use of household surveys (HBS, LSMS, etc.) and harmonized consumption aggregates (developed by ECAPOV team). For the purpose of this analysis, individuals are ranked on the basis of per capita consumption before all social assistance cash transfers and then divided into five equally sized groups, representing 20 percent of the population (“quintiles”) to form the bottom, second, third, fourth, and top quintile. A standardized software (ADePT) developed by the World Bank's Development Economics Research Group is used.

## Annex 3: Caseloads by Municipalities and EOs

*Table A3.1: Caseloads by Municipalities and EOs*

Municipality	No. of SA Cat. II families (Dec. 12, 2012)	No. of family members	Registered job seekers (Dec. 12, 2012)	No. of EO employees	No. of Counselors	Job Placements (2011)	Ratio of registered job seekers to EO employees	Ratio of registered job seekers to no. of counselors	Ratio of SA Cat II families to EO employees	Ratio of SA Cat. II families to no. of counselors	Job placement per SA Cat. II family
Deçan	387	2,022	5,838	6	4	262	973	1,460	65	97	0.7
Dragash	223	959	2,387	2	1	90	1,194	2,387	112	223	0.4
Drenas/Gllogoc	695	3,453	2,353	4	2	216	588	1,177	174	348	0.3
Ferizaj	601	3,179	10,188	11	4	326	926	2,547	55	150	0.5
Fushë Kosovë	523	2,879	1,405	3	2	343	468	703	174	262	0.7
Gjakovë	611	3,207	4,216	13	8	540	324	527	47	76	0.9
Gjilan	380	1,842	13,057	15	9	497	870	1,451	25	42	1.3
Graçanicë	82	396	607	2	1	1	304	607	41	82	0.0
Hani i Elezit	157	798									
Istog	360	1,851	1,292	3	1	146	431	1,292	120	360	0.4
Junik	53	253									
Kaçanik	427	2,179	6,076	2	1	182	3,038	6,076	214	427	0.4
Kamenicë	273	1,239	4,318	4	2	263	1,080	2,159	68	137	1.0
Klinë	535	2,816	1,360	4	2	124	340	680	134	268	0.2
Klllokot	21	98	8								
Leposaviq	180	706	35	2	1		18	35	90	180	0.0
Lipjan	737	3,968	2,333	4	3	230	583	778	184	246	0.3
Malishevë	435	2,369	3,999	2	1	150	2,000	3,999	218	435	0.3
Mamush	9	40									

Municipality	No. of SA Cat. II families (Dec. 12, 2012)	No. of family members	Registered job seekers (Dec. 12, 2012)	No. of EO employees	No. of Counselors	Job Placements (2011)	Ratio of registered job seekers to EO employees	Ratio of registered job seekers to no. of counselors	Ratio of SA Cat II families to EO employees	Ratio of SA Cat. II families to no. of counselors	Job placement per SA Cat. II family
Mitrovica	1145	5,356	3,823	9	4	172	425	956	127	286	0.2
Novobrdë	162	711	410	1	1	124	410	410	162	162	0.8
Obiliç	395	1,887	1,024	3	2	128	341	512	132	198	0.3
Partesh	28	115									
Pejë	610	3,113	3,496	12	6	451	291	583	51	102	0.7
Podujevë	399	2,268	1,638	3	2	230	546	819	133	200	0.6
Prishtinë	728	3,487	4,178	20	11	459	209	380	36	66	0.6
Prizren	560	2,955	4,837	14	6	1,124	346	806	40	93	2.0
Rahovec	264	1,335	1,424	3	1	135	475	1,424	88	264	0.5
Ranillug	78	318									
Shtërpcë	200	835	2,022	2	1	166	1,011	2,022	100	200	0.8
Shtime	262	1,423	1,120	4	2	96	280	560	66	131	0.4
Skënderaj	486	2,659	5,642	5	2	217	1,128	2,821	97	243	0.4
Suharekë	322	1,784	1,811	4	3	276	453	604	81	107	0.9
Viti	252	1,290	4,731	6	4	288	789	1,183	42	63	1.1
Vushtrri	720	3,712	2,933	5	3	249	587	978	144	240	0.3
Zubin Potok	138	545	18	2	1		9	18	69	138	0.0
Zveçan	99	373	22	2	1		11	22	50	99	0.0
	<b>13,537</b>	<b>68,420</b>	<b>98,601</b>	<b>172</b>	<b>92</b>	<b>7,485</b>	<b>573</b>	<b>1,072</b>	<b>79</b>	<b>147</b>	<b>0.6</b>

Source: Administrative data

Note: EO = employment office. SA = social assistance. "Cat. IP" refers to Category II of Asistenca Sociale recipients, comprising families that include able-bodied members who do not work, are registered as unemployed, and are raising at least one child under 5 years of age or an orphan under 15 years of age.

## Annex 4: Behavioral Requirements and Benefit Sanctions in Selected EU and OECD Countries, and the Western Balkan Countries

*Table A4.1: Behavioral Requirements and Benefit Sanctions in Selected EU and OECD Countries, and the Western Balkan Countries*

Country	Registration as unemployed	Job search requirements	Job acceptance and exceptions	Work and / or social integration requirements	Implications of refusal / sanctions	Other behavioral conditions
<b>Albania</b>	Required	No	Required	Yes	Denial of benefit	n.a.
<b>Australia</b>	Required	Yes, proof every two weeks	na	Yes	From 'warning' to 100% benefit withdrawal	Behavioral requirements can be extended to other family members
<b>Austria</b>	Required	Yes	'Reasonable' work, exceptions related to age (men over 65; women over 60)	na	Denial of benefit	Cooperation with employment services
<b>Belgium</b>	Required	Demonstration of willingness to work, and evidence of job search	Obligation to accept 'suitable' job. Exceptions are possible for health reasons	Yes	Benefit (Integration income) can be denied to a person who is not willing to work	Participation in employment, social integration or individualized social integration project offered by the municipality
<b>Bosnia-i-Herzegovina</b>	Yes	No	No	Yes, focus made on social	n.a.	n.a.

				inclusion first, then labor activation		
<b>Bulgaria</b>	Required for at least 9 months before claiming social assistance	To have not rejected any jobs offered or qualification courses offered by the Employment Offices	Exceptions for able-bodied with care responsibilities, health conditions, full-time students and pregnant women	Work - required	Denial of benefit to the person who have refused job or training, first refusal – 1 month; second – 1 year	Could be identified and included in the Individual Employment Plan
<b>Canada</b>	Required	Yes	Yes	Yes	Up to 100% withdrawal	Regular confirmation of circumstances; verification periods vary by provinces
<b>Czech Republic</b>	Recipients, unless employed, must register with the Labor Office as jobseekers	No specific independent job search requirement but willingness to work is basic condition for being treated as a person in material need	Accept any job, even short-term or less paid. Exclusions due to age, health status, disability or family situation (care responsibilities)	Yes	Participation is obligatory and is subject to verification. Refusal to participate results in exclusion from social assistance receipt	To actively look for a job, accept any employment, participate in active employment programs, public works, public service
<b>Denmark</b>	Required	Required for both spouses	Appropriate job	Work - required	Payment is suspended if the beneficiary or his/her partner refuses without sufficient reason	Behavioral requirements are extended to other family members



					to participate in activation measure or repeatedly fails to report on job search	
<b>Estonia</b>	Required registration with the Estonian Unemployment Insurance Fund	Required	To be available for suitable work	Yes	Refusal to grant the benefit to those capable of work and aged between 18 and pensionable age, who are neither working nor studying and have repeatedly refused, without reason, training, or suitable work or have refused take up of social or employment services	Fulfillment of other conditions and activities can be agreed in an individual job searching plan
<b>Finland</b>	Required	Required	Required, suitable job	Work - required	100% benefit withdrawal for 60 to 90 days	Action plans mandatory for certain groups; regular confirmation of circumstances
<b>France</b>	Required	Obligation to look for work	Suitable job	Work – required SI - required	na	To take the necessary steps to generate one's own activity or to participate in integration activities
<b>FYR Macedonia</b>	Proof of no-work is	no, only training and	Required	Yes	Benefit suspension of 6-	Monthly confirmation of circumstances

	required	retraining			12 months claimant. Bigger for refusal to participate in public works than for not taking up active labor market measures	
<b>Germany</b>	Required	Required for beneficiaries capable of working and persons living with them in a domestic unit	Take up of reasonable job Exemption for people with disability and those taking care for children under 3 years	Yes	From 10% to 100% withdrawal for 1.5 to 3 months	Specific conditions for (a) the basic security benefit - to take part in all work-oriented inclusion measures; to enter in integration agreement with the job center; (b) for occupational integration benefits; (c) for the starting allowance and loans for self-employed beneficiaries. Take up of services provided by the local authorities for the care of minor or disabled children and for home care of family members; debt counseling, psychological support and addiction counseling. Update of action plan every 6 months.
<b>Hungary</b>	Required for benefit for persons in active age / employment substituting benefit	Required	Suitable job	Work - required	The entitlement to the benefit is terminated if the person is deleted from the registry of job seekers due to his/her own fault, if (s)he refuses a proper job, works, cannot prove that in the previous year (s)he pursued a gainful activity, or took part in training or labor	To cooperate with the public employment services; to participate in training programs, guidance, programs which help to prepare for work, etc. Proof of independent job search every 3 months

					market program for at least 30 days	
<b>Ireland</b>	Required	Jobseeker's Allowance recipients must be available for, capable of and genuinely seeking work	Required	Yes	100% benefit withdrawal for weeks	All persons unemployed for 3 months must participate in the National Employment Action Plan aimed at assisting them to enter or re-enter the labor market. Confirmation of circumstances – every 4 weeks
<b>Japan</b>	Not required	Required	na	Work – no SI - no	From warning to 100% withdrawal	Confirmation of circumstances every 4 weeks
<b>Kosovo</b>	Required	No	Required	Yes, participation in employment counseling, public works and other employment programs.	n.a.	Re-registration with unemployment office every 3 months. Re-application to benefit every 6 months.
<b>Latvia</b>	Required	Yes	Suitable job	Work – required SI - required	Total amount of benefit is reduced by the part of the person who has refused	Beneficiaries are obliged to co-operate with social workers in order to overcome the situation through provision of information, personal attendance, participation in measures promoting employment, acceptance of medical examination, participation in medical and social rehabilitation
<b>Lithuania</b>	Required registration with the local office of Labor	Required	Required		Refusal of job offer, training, public duties or works supported	

	Exchange or another EU MS employment service				by the Employment Fund may cause suspension of, or refusal to grant, social benefit	
<b>Montenegro</b>	Required	Required to access to services provided by Employment Agency	Not required by law	'Soft' requirements to participate in activation-related activities, to take a job or training offer while still in unemployment.	From denial to participate in activation programs to denial of benefit.	Monthly confirmation of circumstances. There are no legal guarantees for re-entry into social assistance if the activation does not render self-sufficiency and independence.
<b>Netherlands</b>	Required registration with the Institute for Employee Benefit Schemes	Required. The partners of unemployed should also look for work	Required acceptance of suitable employment	Yes	Cut or reduction of benefit in case of non-cooperation. Medical and social factors are taken into account, and childcare obligations	The parent is however obliged to attend training courses. If the children are aged 5 or older, cases are examined individually to determine the exemption from this obligation. If all attempts are unsuccessful, the social services will help to find work or training
<b>Poland</b>	Required	Required	Obligated to undertake offered work	Work – required SI - required	Refusal to grant or withdrawal of social assistance benefit; reduction of integration allowance	Cooperation with social services; regular confirmation of circumstances; in certain cases proof of independent job search; individual plan

<b>Portugal</b>	Registration with job center is required	Required	Required, any offered job	Work – required SI – required, with exceptions	Cancellation of registration with the job center	To obtain the benefit, the claimant must accept the obligations stemming from the integration contract. The obligations contained in the integration contract include: accept proposed jobs and vocational trainings; attend courses; participate in occupational programs or other temporary programs stimulating labor market integration or meeting social, community or environmental needs; undertake professional counseling or training actions; take steps regarding prevention, treatment or rehabilitation of drug addiction and incentives to take up self-employment
<b>Romania</b>	Required	No	Acceptance of community work. Exemptions for non-prime age recipients, attending vocational training or professional or other activity	Work – required One family member is obliged to work in the interest of the local authority	Failure to comply results in suspension of the Social Aid	
<b>Serbia</b>	Required	Required	Yes, suitable job.	Yes	Sanctions exist for recipients who refuse a job offer or to do not participate in activation measures, but they do not apply to work-unable family members. Sanctions are	Assistance is granted for 9 out of 12 months a year. Eligibility must be recertified every 12 months.

					rarely applied.	
<b>Slovakia</b>	Registration with the Office of Labor, Social Affairs and Family is mandatory for activation allowance	Required for activation allowance	Suitable work	Taking suitable work, training or community work is optional for the beneficiary but obligatory for getting the activation allowance	The person receives only the basic benefit in material need	The take up of activation allowance is conditional on participation in training, municipal works or other suitable work
<b>Slovenia</b>	Required	Required	Required acceptance of any job after receiving Social Assistance for a certain time, i.e. 9 times in the last 12 months		Refusal to grant the benefit or benefit withdrawal in case of voluntary termination of employment, refusal of job offer or refusal/ abandonment of ALMPs	
<b>Spain</b>	Required	Required	Yes, suitable job	Yes	100% withdrawal from 4 weeks to indefinite	Confirmation of circumstances every 3 months and intensive interviews every 3 months
<b>Sweden</b>	Required	Required	Required	Yes	Sanctions exist, they vary by municipality	Social assistance is conditional to participation in ALMPs; also on intensive interviews, regular confirmation of circumstances, individual action plans
<b>United Kingdom</b>	Required	Required	Required – to be available for	Yes	Termination of benefit from 2 weeks to 26	For Jobseekers' Allowance - must sign a Jobseekers' agreement detailing the type of work, hours and activities to be undertaken by the jobseeker in their

			'all work'		weeks	search for work; initial intensive interview with quarterly follow ups, confirmation of circumstances every 2 weeks, proof of independent job search every 2 weeks. Requirements can be extended to other family members after recognizing caring responsibility
<b>United States</b>	Required (for Food stamps)	Required (for Food stamps)	Required (for Food stamps)	Required (for Food stamps)	100% withdrawal for minimum of 1 month	Confirmation of circumstances rules vary by state, proof of independent job search can be required, requirements are extended to other family members as well

*Source:* Compiled by authors from European Commission (2012) and national legislation.