

# The Cost of Patriarchy

**Excluding Women from the  
Workforce is the Main Bottleneck to  
Development**



Democracy for Development  
Demokraci për zhvillim  
Demokratija za razvoj

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Workforce is the Main Bottleneck to  
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Prishtina, February 2015

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## Abbreviations

FLFP	Female Labour Force Participation
GDP	Gross Domestic Product
KAS	Kosovo Agency of Statistics
LFP	Labour Force Participation
LFS	Labour Force Survey
SOE	Socially-Owned Enterprises

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## Preface

Only one in ten women in Kosovo are employed, and another one in ten would like to get a job. The other eight are neither employed nor looking to get a job – discouraged to do so because they are already busy taking care of children and the elderly or for a host of their reasons. The lack of public transport makes it difficult for rural women to reach a workplace, the lack of required skills makes them virtually unemployable, while **Kosovo's** patriarchal culture closes numerous professions as unsuitable to women. Remittances may also reduce the readiness to take up low-paid jobs. Except 80% of inactive women, around 40% of men are also inactive, totalling **about 60% of Kosovo's adults** fit for labour. With such a high proportion of the population who do not contribute to the formal economic activity, it is not surprising that Kosovo finds it difficult to keep up the pace with its neighbours.

We are strongly convinced that the gender disparity is not only an issue of inequality, but also a key factor keeping Kosovo under-educated and under-developed. The gender gap in labour market outcomes is much higher in Kosovo than in the countries in the region. These differences suggest that there are pronounced gender-specific factors in this **context that play a key role in women's involvement in economic activity**. By corollary, the disproportionate level of unemployment among women cannot be resolved by seeking a general increase of employment. A major impact **on Kosovo's development can only** be made if policies specifically target **women's employment**.

Female entrepreneurs are probably the most courageous and intelligent category of the country. For most women who succeed in business, they had to cross more hurdles than merely finding a way to turn a profit. They had to overcome prejudice and doubts in their family, among friends, and to win the trust of the business clients.

Women are effectively subsidizing the economy with an average of 2-5 hours of unpaid work per day. But the arguments of fairness have failed to mobilize public opinion in the past. We hope that this paper persuades readers that **women's involvement is good for women and men alike**, bringing the much needed development.

This paper asks the extent to which **Kosovo's growth rate** would increase if more women were seeking work. Due to data limitations, the authors found it methodologically impossible to come up with an estimation of how much GDP growth rates would increase **with women's greater involvement** in the labour force. But the paper presents ample evidence that the positive effects for the economy would be significant. If half of the women who are inactive, i.e., around 200,000, would enter the job market, with the theoretical assumption that half of them get employed, a mere back-of-the-envelope calculation yields a level of GDP that is 30% higher than the actual 2013 figure. This assumes that the productivity of the women entering employment would be the same as the average of the currently employed persons in Kosovo. Such a simplistic view makes two unrealistic assumptions – the overcoming of numerous structural problems and the creation of 100,000 new jobs – nevertheless it does provide a rough indication of how the involvement of more women in productive economic activity **would affect the country's level of income and living standard**.

26 February 2015

Leon Malazogu and Andreas Poltermann

## Summary, Highlights & Recommendations

**Women's exclusion from economic activity has been a key bottleneck** for economic growth. The broader inclusion of women in the active labour force would not only benefit gender equality but would also be a massive boost for development. Including most of these women in the active labour force is a key national interest in the long-run although undesirable to the authorities since it would increase the rate of unemployment in the short-run.

The overall rate of participation in the labour force is significantly lower compared to other countries. More relevant for the topic of this paper, the gender gap is almost 40%, just over a third of that of men. In terms of the proportion to men, Kosovo ranks worse than the United Arab Emirates and Turkey.

Female participation is affected by a range of individual and household characteristics: age, education, marital status, being head of the household, ethnicity, area of residence, size of household and having other members of household who are employed. However, there are also other factors external to the individual/household that affect female LFP, such as presence and type of employment opportunities, the expected wage, the presence of affordable childcare services, and, particularly in the private sector, discrimination in the labour market (which is in turn at least partially related to childbearing and maternity leave). The main findings derived from this report can be summarised as follows:

- Evidence from other countries suggests that increased female labour force participation contributes to economic development;
- The vast majority of inactive women in Kosovo possess less than secondary education. Employed women tend to be employed mainly in the public sector, seeking for a more secure and long term employment;



- Female LFP increases with the level of educational attainment (the more educated a woman is, the more likely she is to participate in the labour market);
- Women who are married, widowed, and divorced are less likely to participate in the labour force when compared to the singles or to women who are head of their household;
- Wider urban/rural, regional/municipal characteristics **affect women's decision to participate in the labour market**, driven by a combination of availability of employment opportunities and infrastructure (including transportation and childcare);
- Women who live in larger households have better access to employment opportunities;
- Cultural factors appear to play a key role in explaining low levels of labour force participation with visible professional segregation, low mobility, assigned gender roles, which keeps Kosovo well behind all of its neighbouring countries.
- Compared to men, women are more likely to be employees as opposed to being self-employed and they are more likely to be employed in the public sector.

### *Policy recommendations*

**Women's labour force participation in Kosovo is explained** by a variety of demographic and socio-economic characteristics of women and their families which this paper intends to ameliorate through a set of recommendations.

- **Reduce the resistance of employers to hire women** by reducing the maternity leave for women and introducing paternity leave;
- **Vocational training** (focus on high-value added such as entrepreneurship and start-up grants) tailored to women;

- **Target more investment in the education of women**, to make them more employable and increase their earning power, which in turn is likely to lead to more equitable gender roles in the family and in society.
- **Increasing childcare**, including the quality and affordability;
- **Improve public transport** (availability, safety, affordability and hours of operation), expected to increase the employability and the range of distance for job availability;
- **Influence social norms to open up more jobs to women**, both in professional roles as well as in low skilled jobs which are more abundant, but which are almost exclusively staffed by men, such as restaurant service or taxi driving.

## Introduction

The Labour Force Survey data from 2013 and 2012 show that 79 and 82 percent (respectively) of working age women in Kosovo are inactive, i.e. they are neither working nor looking for a job. Despite the high and persistent rate of female inactivity rate, the issue has not been so far investigated and this paper aims to fill this gap by addressing the two following research questions:

- **What determines women's decisions to participate in the labour market?**
- What would be the effects of an increase in labour force participation (LFP) among women in Kosovo?

The first section of this paper explains the methodology, followed by a literature review on the economic effects of female labour force participation on growth. The subsequent section sets the scene for this investigation by providing contextual information on the situation of Kosovar women in the labour market and how this compares to other countries in the region and beyond. Further, the paper explores the causes of the low levels of labour force participation (LFP) among women in Kosovo based on analyses of qualitative and quantitative data, concluded by a section which discusses the potential effects of an increase in **the level of women's LFP on the economy**.

## Methodology

The paper reviews the relevant literature, analyses data from the Labour Force Survey (LFS), presents findings from a focus group discussion, and discusses how its early findings were received by experts and general audiences. The paper elaborates on the potential impact of increased labour force participation on economic growth through an extensive review of previous research. The review has focused on recent empirical studies, with major focus on transition economies. A focus group was organized to discuss the likely impact of increased female labour force participation on economic growth in the context of Kosovo.

Expert opinion was also sought given the lack of previous studies on this topic for Kosovo, as well as the lack of complete time-series data (GDP data are available since 2000, whereas LFS data are missing for 2010 and 2011). Expert consultations concentrated on policy guidelines that could enhance female labour force participation.

The Labour Force Survey 2012 sample is based on the Kosovo national census of 2011. The latest available Kosovo LFS data was used to draw a comparative picture on labour market indicators between Kosovo and other countries, as well as to analyse the characteristics of inactive women and the reasons of inactivity. The examination of determinants of female labour force participation for Kosovo was undertaken by utilising the 2012 LFS database and focusing on the working age population as defined in the LFS (15-64). For the readers who are not familiar with key concepts of labour economics, please read Appendix A where we discuss key definitions regarding the LFS.

To obtain a distinct picture on factors that drive Kosovo women out of the labour force, a focus group discussion was organised. The focus group consisted of eight women representing a diverse group: i.e., married, not married,

mothers, women from rural and urban areas, women of different ages and educational background. Participants for the focus group were identified by applying a snowball methodology within each target group. The main questions were prepared based on the previous research and the discussion was open to any other topic found relevant by participants.

An informal salon was organized to test the major findings once the first draft of the report was presented. Participants in the salon were economists, activists, researchers, and gender issue experts from governmental institutions, think tanks and civil society organizations. Comments and suggestions received during the salon were carefully addressed and the report was revised accordingly.

## Literature Review

Women's **economic** empowerment, including their higher labour force participation, is recognized as crucial for economic growth.<sup>1</sup> The table below provides an outline of evidence on relationship between female labour force participation and economic growth.

Gender inequality is clearly a systemic issue and needs to be tackled as a core obstacle to development and inclusive growth. Another study by the World Bank<sup>2</sup> argues that gender equality, which includes the accumulation of education, health, and assets, and the use of those endowments to take up economic opportunities and generate incomes can enhance economic efficiency and outcomes in three main ways. First, removing barriers that prevent women from having the same access as men to education, economic opportunities, and productive inputs can generate broad productivity gains. Second, improving **women's status feeds many other development outcomes**, including those for their children.

<b>Author (year)</b>	<b>Data source</b>	<b>Countries</b>	<b>Dependent variable</b>	<b>Independent variable</b>	<b>Impact size</b>
OXFAM, 2014	1890-2005	USA, Eurozone, Japan	Contribution to GDP	Unpaid work by women	An additional 20–60 percent of GDP would be added if the hidden contribution of unpaid work was recognized and valued
Aguirre, 2012	2010 and 2012 data from the Economist Intelligence Unit reports on women's economic opportunity and 2010 and 2012 data from the World Economic Forum "Global Gender Gap Reports" (data from latest available year).	128 countries	Unpaid work by women	Increased employment level of women	If women's paid employment rates were the same as men's, the USA's GDP would increase by 9 percent, the Eurozone's by 13 percent, and Japan's by 16 percent. In 15 major developing economies, per capita income would rise by 14 percent by 2020 and 20 percent by 2030.
Cuberes and Teignier, 2012	ILO, 2002-2007, cross section data	88 countries for the latest available year, and it includes both developed and developing countries.	Income per capita	Exclusion of women from labour force	If all women are excluded from the labour force, income per capita falls by almost 40 percent
Cuberes and Teignier, 2012			Total income	Exclusion of women from labour force	A total income of 27 percent will be lost in Middle East and North Africa, a 23 percent loss in South Asia, and a loss of approximately 15 percent in the rest of the world.

## Excluding Women From the Workforce is the Main Bottleneck to Development

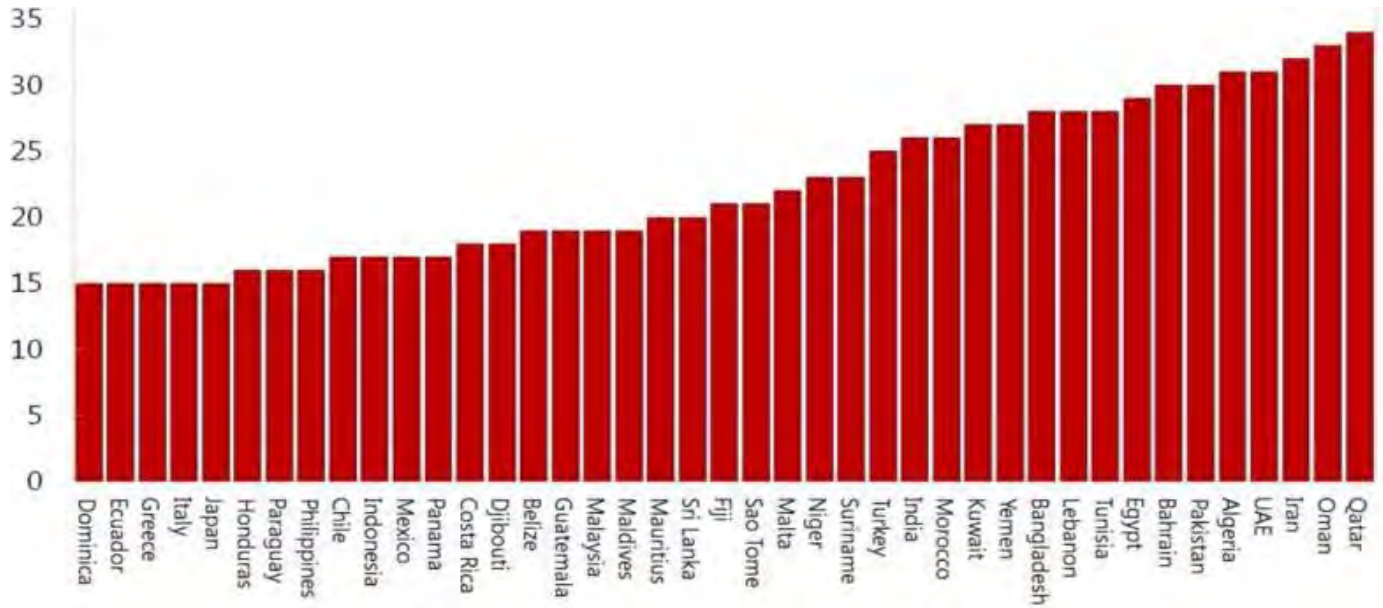
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Author (year)	Data source	Countries	Dependent variable	Independent variable	Impact size
Esteve-Volart, 2004	1961-1991	16 Indian states	Per capita total output	Increased female to male ratio of total workers	10 percent in the female-to-male ratio of total workers would increase per capita total output by 8 percent
Lawson, 2008	1997-2006	BRICs countries	GDP growth	Decrease in gender gap in employment	A decrease in gender gap in employment will increase GDP growth by 0.8%
Lawson, 2008	1997-2006	BRICs countries	Income per capita	Decrease in gender gap in employment	A decrease in gender gap in employment will increase income per capita by 10%
Lawson, 2008	1997-2006	BRICs countries	GDP	Female employment rate	If the female employment rate in the developed world rose to match that of males, overall GDP could be increased by over 12 percent on average
Lawson, 2008	1997-2006	BRICs countries	GDP growth	Gender gap: labour force participation	If gender gap narrows by half over 10 years and again by half for another ten years incremental gains in GDP growth rates could be 1.5% in Turkey and Egypt, 1% in India, Iran, Mexico, Nigeria and Pakistan
Lawson, 2008	1997-2006	BRICs countries	Income per capita	Gender gap: labour force participation	Would increase by 10% and 13% compared to the base case in India; 5% in Brazil; 20% higher in Egypt and Turkey

A comparative graph (see next page) was recently published by International Monetary Fund.

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**GDP Losses due to Economic Gender Gaps in Selected Countries** (Percent of GDP)<sup>3</sup>





Third, all these will most likely lead to more representative, and more inclusive, institutions and policy choices and thus to a better development path for a country.

Using data from sixteen high-income countries over the period 1890 to 2005, one study empirically examined the impact of economic growth on Female Labour Force Participation (FLFP).<sup>4</sup> Findings obtained show a statistically **significant U-shaped** relationship between female labour force participation and GDP per capita. This means that in the early stages of economic development, growth initially lowers female participation in the (formal) labour market, and only subsequently is associated with higher female employment. According to Boserup,<sup>5</sup> this is due to men having better access to education and new technologies which displaces women from the labour force during the early stage of economic development. As development continues, women gain access to education and technologies and their participation in the labour force participation rate increases. The evidence on U-shaped relationship is also supported by a research study<sup>6</sup> employing data from ILO from 134 countries from 1950, 1960, 1970, and 1980.

A recent study<sup>7</sup> reports that women are effectively subsidizing the economy with an average of 2-5 hours of additional unpaid work per day than men and the monetary value of unpaid care work is estimated as ranging from 10% to over 50% of GDP. The study concludes that an additional 20–60% of GDP would be added if the hidden contribution of unpaid work was recognized and valued. Moreover if **women's paid employment rates were the same as men's, the United States' GDP would increase by 9%, the Eurozone's by 13%, and Japan's by 16%. The impact in developing countries was estimated at 14% by 2020 and 20% by 2030.** A similar study by Aguirre et al. (2012) estimates that raising female employment to male levels could have a direct

impact on GDP of 5% in the United States, 9% in Japan, 12% in the United Arab Emirates, and 34% in Egypt. Moreover, the study points that the impact is likely to be underestimated since women are more likely than men to invest a large proportion of income in the education of their children, which in turn in the long run further fosters economic growth. Single country research further support the findings. Another finding is that the costs of gender discrimination are substantial and therefore it should present a central concern in any macroeconomic policy aimed at increasing output per capita in the long-run.<sup>8</sup> Cavalcanti and Tavares find that a 50% increase in the gender wage gap leads to a decrease in income per capita of a quarter of the original output. The interpretation for this relationship is explained with two main reasons: a direct decrease in FLFP and an indirect effect through an increase in fertility.

Using panel data from sixteen Indian states over period 1961-1991, there is evidence that an increase of 10% in the female-to-male ratio of total workers would increase per capita total output by 8%.<sup>9</sup> Using a long-term growth model developed for the other BRICs, Lawson considers the economic impact of higher FLFP over the next two decades.<sup>10</sup> Beginning with the current gender gap in labour-force participation rates, she assumes that the gender gap in each country narrows by half over the next decade (2008-2017) and then by half again over 2018-2027, while holding **men's participation rates constant. Over this 20-year period**, against the baseline forecast of unchanged gender inequality, the incremental gains in average annual GDP growth rates could be roughly 1.5% in Turkey and Egypt, and in the range of 1% in India, Iran, Mexico, Nigeria and Pakistan. Even China, where gender inequality is low, could see a 0.3% incremental increase in annual GDP growth. The effects would also be seen in higher income per capita. In India income per capita could be 10% higher than under the

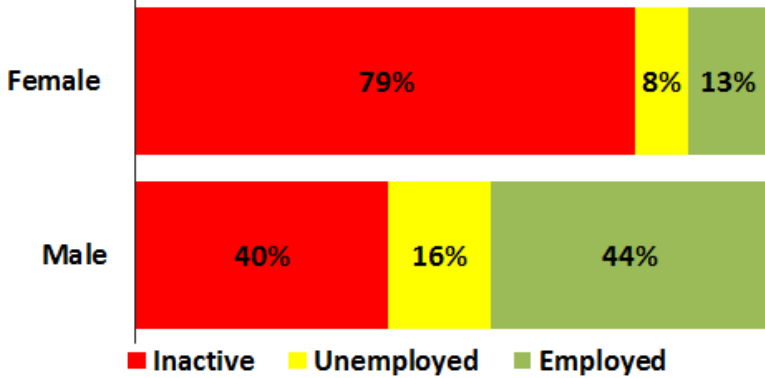
baseline scenario by 2020, and 13% higher than the base case in 2030. In Brazil the improvement could be about 5% by 2020.

To summarise, existing evidence supports the hypothesis that improved gender balance and, in the context of this research, increased female labour force participation does contribute to higher economic growth. The magnitude of the impact is diverse and this is expected given different baseline situations in each country and different institutional and social settings present.

## **Kosovar Women in the Labour Market**

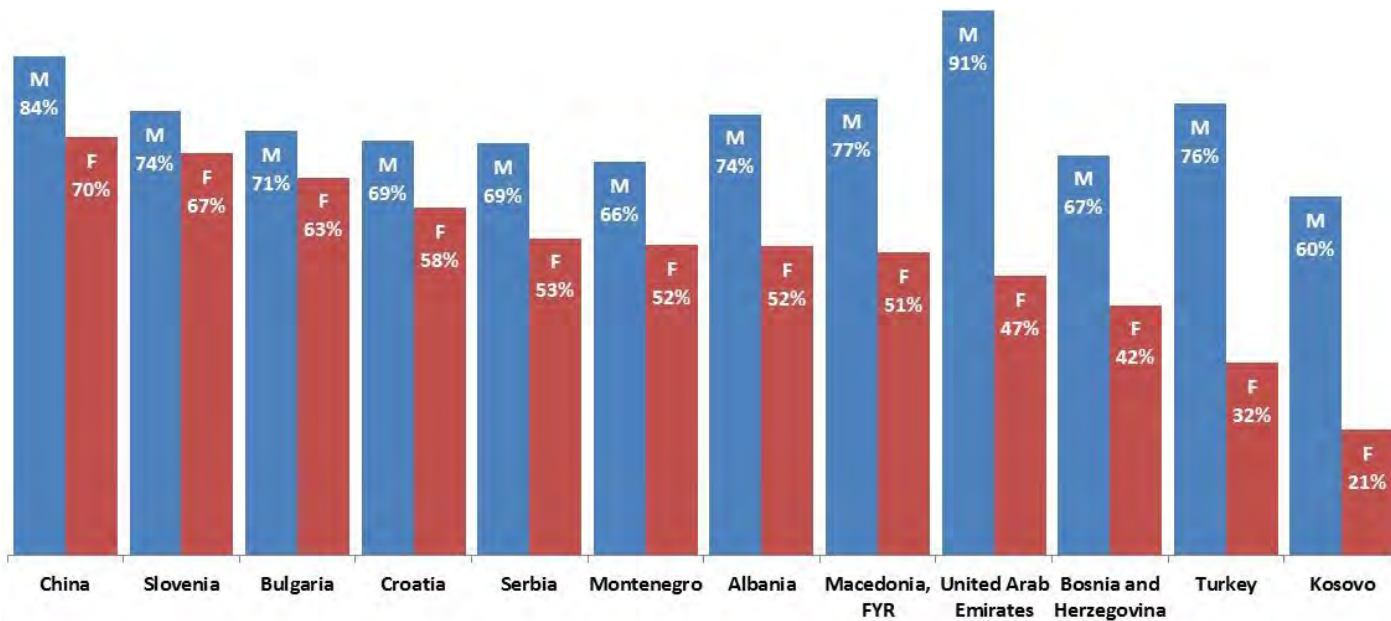
According to the latest Labour Force Survey (LFS) data, in 2013, only one in five working age women in Kosovo participated in the labour market (i.e. either are employed or actively looking for work), whereas the rest are inactive (i.e. not employed and not actively looking for work). This puts the rate of activity of women in Kosovo at roughly one third of that of working age men, which in 2013 stood at 60%. Women who are in the labour market are more likely to be perennially looking for a job. By corollary, the gender gap is very high – only 13% of working age women are employed, compared to 44% of working age men (compared in the graph below).

**Structure of the working age population by gender, LFS 2013.** Source: KAS 2014<sup>11</sup>



The evidence above reveals significant gender gaps in all the key labour market indicators in Kosovo, as a result of which women account for a large share of the unutilised labour. The graph below presents the rates of inactivity among men and women compared to several other countries.

**LFP rates and gender gaps in Kosovo and other countries.** Source: LFS, 2013 (KAS, 2014) and WDI (2014)<sup>12</sup>



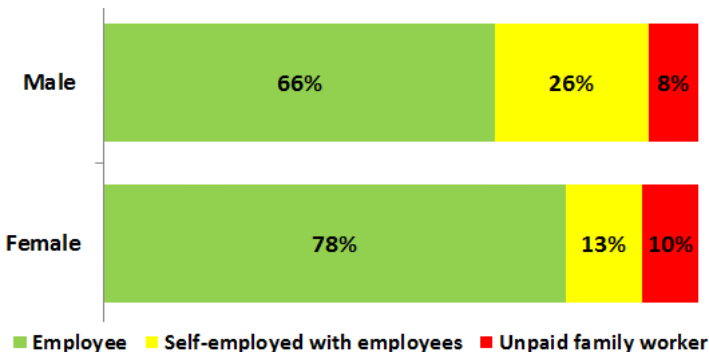
## *Catch Up With Poor Countries First*

The labour market situation of women in Kosovo and the gender differences presented above appear even more striking when compared to other countries. The gender gap is almost 40%, just over a third of that of men. In terms of the proportion to men, Kosovo ranks worse than the United Arab Emirates and Turkey (although the difference in percentage is somewhat higher there with 45% and 44% gap, respectively). The worst performers in Europe –Macedonia, Bosnia and Herzegovina, and Albania (with differences of 27, 25 and 22 percentage points, respectively) – fair well better than Kosovo.

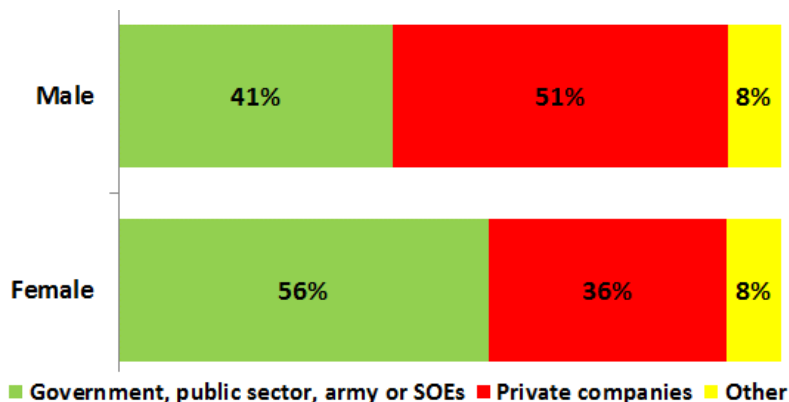
## *Professional Segregation*

Apart from differences in employment levels/rates, gender differences also persist with regard to the characteristics of employment. Compared to men, women are more likely to be employees as opposed to being self-employed and they are more likely to be employed in the public sector. The figure below presents the shares of employment by type of employment for both men and women.

### **Share of employment according to type of employment, by gender**



## Share of employment according to type of employer, by gender



Source: LFS 2012 (KAS 2013)<sup>13</sup>

There are also differences in terms of sector of employment. The jobs occupied by women are more concentrated, with education, human health and social work activities, and **trade, accounting for a total of 50% of this group's total employment (21%, 17% and 13%, respectively). Men's employment, on the other hand, is more dispersed across sectors. Apart from trade and education, which are major sectors for women's and men's employment (with 13% and 7%, respectively), manufacturing and construction sectors are major employers of Kosovar men (with 16% and 12%, respectively). Mere observation or reading of job searches reveals that waiters and drivers are almost always men, while taking care of the elderly or children, or cleaning services, are reserved for women.**

In conclusion, significant gender differences exist in terms of both the size and characteristics of employment between men and women. The next section reviews the causes behind such disparities.

## What Keeps Women At Home?

The sections above have illustrated the low participation of women in the labour market, compared to the region and beyond, as well as compared to men. Whilst the lower level of the female LFP rate in Kosovo can be at least partially attributed to the overall labour market situation, limited employment opportunities cannot alone explain the massive gender gap that has come to our attention. This section turns to investigating the reasons of inactivity among women. The rest of this section presents an analysis of qualitative and quantitative data from: (1) self-reported reasons for inactivity in the LFS 2012, (2) a focus group discussion with economically inactive women conducted for the purpose of this report, (3) a look at the characteristics of active vs. inactive women in Kosovo, and (4) a regression analysis of determinants of female LFP based on quantitative data from the LFS 2012.

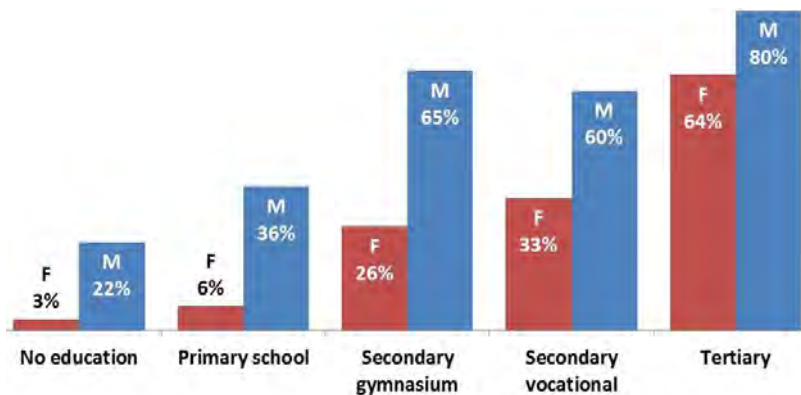
### *Differences between Active and Inactive Women*

There are some clear characteristics which point to indicative reasons behind inactivity. Education plays a greater role in labour force participation for women than for men, i.e., there are marked differences in participation rates between women of different levels of educational attainment. Women who have completed tertiary education are almost twice as likely to participate in the labour market compared to those with secondary education as their highest level of education, whereas those who have completed secondary education are around five times more likely to participate in the labour market compared to those with primary education. This result is consistent with theoretical expectations: educated women enjoy more and better employment opportunities, and thus have a greater incentive to seek work.<sup>14</sup> Interestingly, secondary vocational



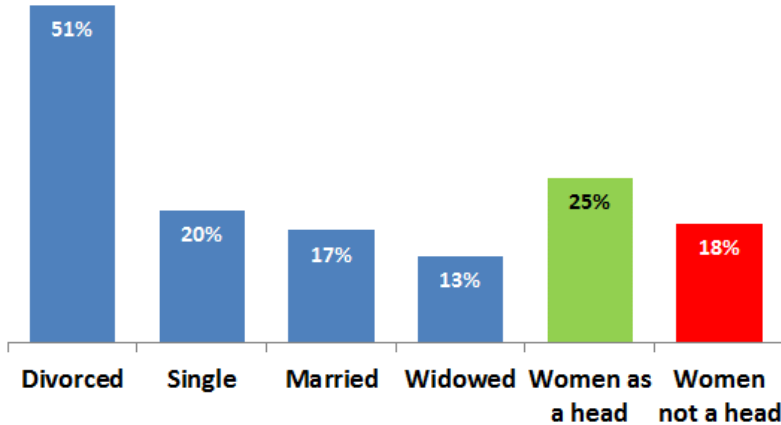
training graduates are more likely to participate in the labour market than secondary educational graduates, reflecting perhaps (relatively) more employment opportunities for this group.

**Economic activity according to educational attainment, by gender** (Source: Calculations based on LFS 2012).



Divorced women are far more likely to participate in the labour market compared to other women (figure below). One potential explanation is that self-relying women have higher living costs, particularly if they have children.<sup>15</sup> Another factor may be lower pressure coming from the extended family discouraging work. **The “necessity factor”** appears to also be confirmed by the higher likelihood of women who are head of households to be economically active, though this result needs to be taken with caution as the share of women who are heads of households in the sample is very small to be able to reach conclusive results.

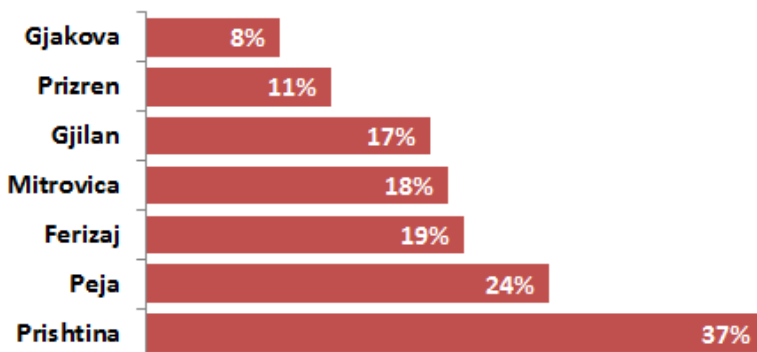
**Economic activity according to marital status and the “household head” effect.** Source: Calculations based on LFS 2012.



Marked differences exist in the labour force participation rate according to area of residence. Women living in urban areas are twice as likely to be economically active compared to those living in rural areas (26% and 13% respectively). There are also marked regional differences: Prishtina has by far the highest rate of participation (37%), whilst Prizren and Gjakova have the lowest rates<sup>16</sup> (figure below). Whilst the rural-urban difference is most likely explained by a combination of factors – e.g. better infrastructure (including transport infrastructure and childcare institutions) and cultural factors – it is unlikely that the same factors affect the vast regional differences. The latter are more likely explained by different employment opportunities existing in different areas.<sup>17</sup>

## Labour force participation according to region.

Source: Calculations based on LFS 2012



By corollary of the cultural factors, there seems to be a correlation with ethnic differences, given the small difference between Albanian and non-Albanian women<sup>18</sup> (18% and 21%, respectively) in terms of LFP.

From a policy perspective it is important to investigate whether social assistance affects labour force participation by reducing **the individual's incentive to seek** work. The difference seems small in absolute terms, with beneficiaries of social assistance being somewhat more likely to participate in the labour market compared to those that do not benefit from social assistance (14% and 18%, respectively). This issue is further analysed in the rest of this section.

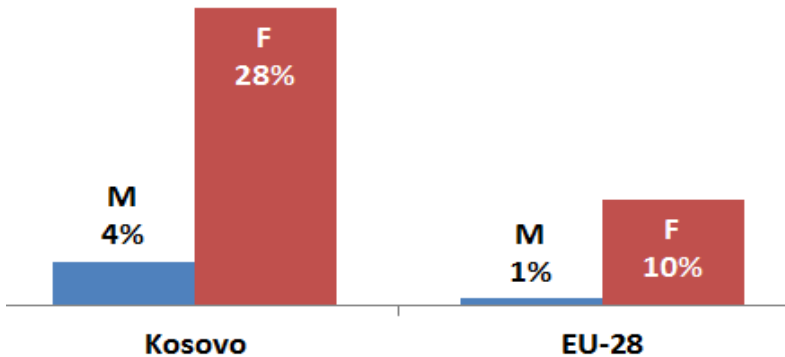
The analysis of descriptive data from the LFS presented here reveals that inactive and active women differ, most notably with regard to education, marital status, and area of residence. These results motivate a more rigorous analysis of LFP determinants.

### *Self-reported reasons for inactivity*

According to LFS 2012 data, there are marked differences in

the self-reported reasons for inactivity between women and men in Kosovo. The most striking difference in this respect is the difference between the share of women and men who report caretaking responsibilities or other personal/family responsibilities as a reason for inactivity (figure below). Data reveal that only 0.1% of inactive men report this to be due to having to look after children of incapacitated adults, and another 4% due to other personal or family responsibilities. The respective shares are many times higher in the case of women, at 9.5% and 18.7%, respectively implying that women are much more engaged in caretaking and other family responsibilities.

**Gender differences in inactivity due to personal or family responsibilities in Kosovo and EU.** Source: LFS 2012 (KAS 2013)<sup>19</sup>



The figure above indicates that the EU is also not immune to marked gender differences in the share of inactive individuals that report to be inactive due to personal or family responsibilities (about 10% of women aged 25-54 compared to only 0.6% of men).<sup>20</sup> However, in the case of the EU, this share is much lower compared to Kosovo – also understandable given the lower inactivity rate overall. Moreover, there are marked differences between individual European countries. The share of women aged 25-54 that

are inactive due to personal or family responsibilities is negligible (less than 5%) in countries such as Norway, Denmark and Sweden, whereas, it is considerable in countries such as Turkey, Malta, Macedonia (around 50%, 30% and 25%, respectively)<sup>21</sup>, although Kosovo lags seriously behind even those at the bottom of the pack in Europe. The gender differences in the Kosovar labour market explained above appear to provide strong evidence that social norms, and particularly stereotypical gender roles, are a major factor preventing Kosovar women from joining the labour market. Evidence on the effect of social norms is found also from the focus group discussion, presented next.

The focus group discussion with inactive women explored primarily the effect of social norms and other factors that are more qualitative in nature. All focus group participants stated they would be willing to work, but none of them were actively searching for a job which confirms the high rate of inactivity rate obtained from LFS. Most of the participants had never searched for a job. Explanations for the inactivity were diverse and included family responsibilities, health-related reasons, lack of information on vacancies, discouragement after failed attempts at finding employment, lack of jobs in the nearby area, age, etc. Most of women were not registered at Public Employment Offices and were not even aware of services that these offices provide.

Participants felt that women living in rural areas are more likely to face barriers to seeking employment especially if living in households with extended family members (i.e., households containing more than one nuclear family). The larger the household size, the higher the burden on women and hence, the lower the likelihood for them to be employed (this issue is explored further in the next section).

Discrimination was mentioned as one concern for employment of women in the private sector. Two participants (out of eight in total) who applied for jobs many times noted that the private sector is reluctant to employ women due to maternity leave and lack of flexibility. Availability and affordability of childcare were also cited as important factors in the decision of women to participate in the labour market, especially if no kindergartens were available near their place of residence. However, even in the cases where kindergartens were available, they were deemed unaffordable by the women who were not highly educated and had low earning potential.

With regard to the type of job they would do, more educated women said they would like to have professional jobs in their area of expertise, whereas women who had completed primary school tended to cite cleaning and childcare. The minimum acceptable wage for most women in the focus group was 150 euros net, after taking off the transport costs. From the discussions it became evident that the higher the living standards of the household, the higher the reservation wage, i.e., the minimum wage for which a person would be willing to work. For rural women, engaging in subsistence farming does not present a barrier for them to become employed since farming is not a full time activity and can be done in combination with another job.

Although none of the participants in this focus group were receiving social assistance, they stated that the receipt of social assistance would not have been a factor affecting their decision to participate in the labour market because social assistance payments are very low (discussed in the next subsection).

### *Participation Profile: Regression analysis*

Having provided descriptive statistics and qualitative evidence on the reasons for inactivity in the first part of this

section, a more rigorous quantitative analysis of determinants of female LFP in Kosovo based on LFS data is presented below. This table has been simplified for the general interests, while Appendix B provides more information on the Probit model and the exact measurements of impact.

### **Determinants of female labour force participation**

Explanatory variables	Impact
Age	Positive
Age square	Negative
Married	Negative
Widow/divorced	Negative
Non-Albanian	Positive
Household head	Positive
No education	Negative
Primary education	Negative
Secondary education	Negative
Rural area	Negative
Gjakova	Negative
Gjilan	Negative
Mitrovica	Not significant
Peja	Positive
Prizren	Negative
Ferizaj	Not significant
Social assistance	Not significant
Number of children under age of 5	Not significant
Number of employed household members	Positive
Household size	Negative
Number elderly (65+)	Negative
Childcare facilities	Positive

The results of the analysis above suggest that more educated women are more likely to participate in the labour market. Women with only primary education are less likely to participate in the labour force (by 34%) compared to women with tertiary education. This finding is expected, as more educated women have higher earning power and hence staying at home for these women is a greater opportunity cost.<sup>22</sup>

The participation of women in the labour market is found to increase until the age of 40, after which it begins to decrease. Evidence from other countries also suggests that there is a peak age, which is explained by the tendency of women to temporarily leave the labour market during the time they have children.<sup>23</sup> In the case of Kosovo, this particular peak age can be also partly driven by the fewer employment opportunities for women of this age: as women reach a certain age – especially if they have not had any work experience – it becomes even more difficult for them to find a job, and therefore get discouraged and stop seeking work. Descriptive statistics from the LFS suggest that LFP falls from 21.9% for women aged 40-44 to only 10.4% for women aged 55-59.

In comparison to single women, married women and widows are less likely to be actively engaged in the labour market, by 10% and 5.5%, respectively. This finding is likely explained by the greater burden borne by the two latter groups in terms of childcare and housekeeping. Women who are household heads are found to be more likely to be part of the labour force by 6.3% than those who are not. This difference is likely explained by a greater financial burden that women household heads have to bear, and therefore a stronger incentive to search work.

Women from larger households are less likely to participate in the labour market. Having an additional household member reduces the probability of a woman to be



economically active by 1.2% - likely explained by the additional burden at home for youngsters and the higher income that a larger family can generate.<sup>24</sup>

Consistent with the findings from the focus group discussion, availability and cost of childcare are found to affect the decision of a woman to enter the labour market. Women who live in municipalities that have more public<sup>25</sup> childcare institutions are more likely to participate in the labour market.<sup>26</sup>

Regional and urban/rural differences which were reported in the descriptive statistics are confirmed by the regression results. Women from Gjakova, Gjilan and Prizren are found to be significantly less likely to be economically active by 7%, 3.4% and 3.4% respectively, compared to women from Prishtina, which are in turn surpassed by Peja (9.5%). These regional differences are likely to reflect primarily different labour market conditions, i.e. level and quality of employment opportunities available.

Results suggest that women living in rural areas are less likely to participate in the labour market compared to women living in urban areas. The difference of 12.3% can be explained by a combination of differences in (transport) infrastructure, employment opportunities and cultural factors. Further evidence consistent with cultural factors driving female LFP comes from the ethnic comparison whereby non-Albanian (i.e. Serb, Turkish, Roma, Egyptian, Gorani and Ashkali, etc.) women are more likely to participate in the labour market than Albanian women (by about 5.6%).

Women with more relatives in employment are found to be more likely to be active in the labour market. Having an additional household member employed increases the probability of a woman being economically active by around 6%. Given the small size of the country and the clientelistic

(and nepotistic) nature of recruitment practices, women with more employed household members may have more accurate and extensive information about present and forthcoming employment opportunities.

The results do not suggest that the receipt of social assistance reduces the incentive of an individual to seek work. This result is perhaps expected given that eligibility criteria for the scheme are strict and the level of assistance received is low and it is not uncommon for beneficiaries to work informally and remain in this scheme.

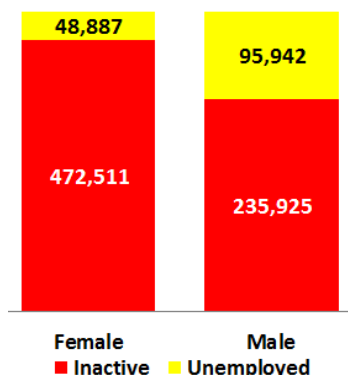
The analysis in this section suggests that female participation is affected by a range of individual and household characteristics: age, education, marital status, being head of the household, ethnicity, area of residence, size of household and having other members of household who are employed. However, there are also other factors external to the individual/household that affect female LFP, such as presence and type of employment opportunities, the expected wage, the presence of affordable childcare services, and, particularly in the private sector, discrimination in the labour market (which is in turn at least partially related to childbearing and maternity leave).

## **Likely Effect on Economic Growth?**

The literature review has showed that increasing female LFP has been associated with higher economic growth in other countries, and the statistics presented have shown that there is a vast amount of unutilised female labour in Kosovo. The figure below presents the structure of the Kosovan unutilised (i.e. inactive or unemployed) labour according to gender and labour market status. Women account for 61% (521,398 out of 853,265) of unused available working age individuals (inactive and unemployed). The pool of inactive women is twice as large as that of inactive men, about a third larger than the current pool of employed individuals

(338,364 in 2013), and over three times larger than the current active, but unemployed, individuals.

**Pool of unutilised labour by gender, 2013.** Source: LFS 2013 (KAS, 2014)<sup>27</sup>

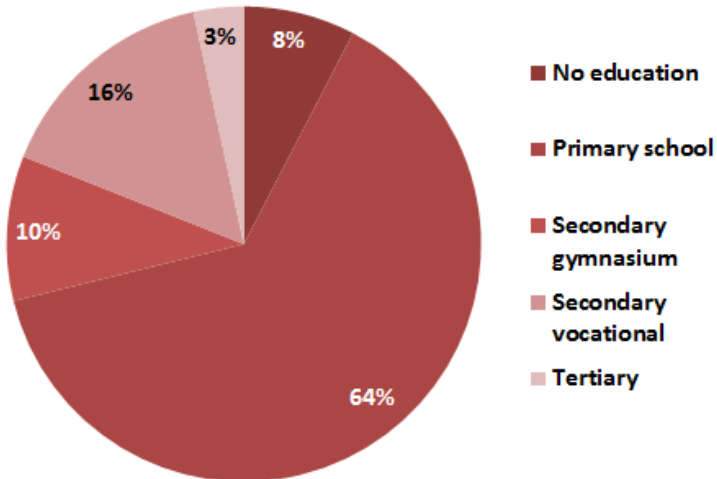


Reaching a female LFP rate which is equal to the average of **European transition economies'** rate<sup>28</sup> (48.8%) would translate into an extra 166,130 women in the Kosovar labour market, i.e. 50% of currently employed persons. The benefits of activating (part of) this pool of unused labour potential would be multiple:

- Employing this unused labour in economic activities **would contribute to the country's GDP, without** necessarily increasing the level of productivity, as the experience of other countries suggests.
- Even the activation of a part of the inactive pool of women – without them necessarily being employed immediately – could be beneficial in that it would exert pressure on the labour market and decrease the market wage. This in turn could increase the willingness of firms/households to hire more workers, and would **increase the country's (wage) competitiveness** in the region (which would further contribute to increases in employment).
- There may be multiplication effects in the activation of women. Namely, if more (relatively lower qualified) women were to be employed in areas such as household services or childcare, this would enable other (relatively higher qualified) women to work outside their home, thereby increasing the efficiency of labour allocation across the economy.

In addition to the reasons behind **women's** labour market inactivity, which were analysed extensively earlier in the paper, increasing LFP requires knowledge of inactive women's level of skills. A look at the structure of inactive women in Kosovo reveals that nearly two-thirds of these women have completed only primary education, whereas another quarter have completed secondary education (figure below). This structure suggests that many of the inactive women may lack the required level and/or type of skills which would enable them to find employment, and therefore they could benefit from (further) market-relevant education or vocational training.

**Educational attainment of inactive women.** Source: Calculations based on LFS 2012



Any attempt at increasing the activation/employment of women in the short term should take into account the number of jobs that are likely to be created by any policy intervention, as well as the gender structure of the individuals that would likely be employed. Namely, relatively labour-intensive sectors and those that tend to

employ more women – e.g. agriculture, food processing and textile industries – can be targeted if the employment of women, specifically, is sought.

The statistics presented earlier in the paper have showed that, compared to men, women in Kosovo are more concentrated in the public sector. Given that a significant growth of jobs in the future can be expected from the private sector, it is of particular importance to encourage the involvement of women in the private sector. This can be done through several policy measures (introducing paternity leave) and offering entrepreneurship training programs (and start-up grants) tailored to women.

Another aspect of the female LFP problem to bear in mind is **that women's readiness to participate in the labour market** seems to be lower than that of men due to the former being (virtually exclusively) responsible for childcare and household work.<sup>29</sup> Improving access to affordable and high-quality childcare is a necessary in order to eradicate gender differences in LFP although insufficient as a lone policy measure. This can only be achieved through the combination of these short-term policy interventions with a longer-term change in cultural norms.

## Appendix A: Key LFS Definitions

1. **Working age population**: comprises of people aged 15-64.

2. **The labour force** comprises those who are employed and those who are unemployed, according to the strict definitions given below. Inactive persons are not considered part of the labour force.

2.1 **Employed**: People aged 15-64 years who during the reference week performed some work for wage or salary, or profit or family gain, in cash or in kind or were temporarily absent from their jobs.

2.2 **Unemployed**: People aged 15-64 years who during the reference week were: without work, that is, were not in paid employment or self-employment; and currently available for work, that is, were available for paid employment or self-employment within two weeks; and seeking work, that is, had taken specific steps in the previous four weeks to seek paid employment or self-employment.

3. **Inactive**: People aged 15-64 who were neither employed nor unemployed during the reference period. It is the **proportion of a country's working-age population** that is neither employed nor unemployed. When added together, the inactivity rate and the labour force participation rate sum to 100 per cent.

3.1 **Discouraged workers** are people without work who are currently available for work but who have given up looking for work because they believe that they cannot find work. They are included within the inactive category.

4. The employment-to-population ratio, also known as the **employment rate**, is the **proportion of a country's working-age population** that is employed.

5. **The unemployment rate** is the proportion of the labour force that is not employed. It is the labour force that serves as the base for this indicator, not the working-age population.

## Appendix B: The Probit Model & Results

Drawing upon previous literature and specific insights on the Kosovar labour market obtained from the LFS and the focus group with inactive women, a Probit model was specified to analyse the conditional probabilities of a woman participating in the labour market, controlling for a variety of individual, household and residence-level characteristics. This analysis of LFP utilises LFS 2012 data. The sub-sample of interest for this study consists of working age women aged 15-64. This sub-sample consists of 18,472 women.

The dependent variable in this analysis is a categorical variable indicating labour force participation (i.e. that a woman is either working, or actively seeking for work). The results presented refer to the average effects of each variable, whilst controlling for the effect of all the other factors that are included in the model. For instance, the effect of being married refers to the effect of marriage on the LFP of women with otherwise the same characteristics (same age, education, ethnicity, area of residence, etc.). The table below provides variable definitions used for the purpose of this analysis.

### Variable definitions

<b>Dependent variable</b>
LFP indicator (DV =1 if employed or unemployed and looking for work=active, 0 otherwise=inactive)
<b>Explanatory variables</b>
Household size
Age (in years)
Age square
Education (4 dummies and higher education as a reference category)
Marital status (DV, single=1; married, widowed=0)

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Ethnicity (DV, non-Albanian=0, 1 otherwise)
Number of HH members in employment
Number of children under 5 years
Number of children under 18 years
Number of elderly members in the HH
Rural/urban –(rural=1, 0 urban)
Regional dummies (Reference category = Prishtina)
Social assistance (=1 if a women leaves in a household that receives social assistance; 0 otherwise)
Head (1 if women is a household head; 0 otherwise)
Number of public childcare facilities per 1000 children under age 5

*Probit results*

Explanatory variables	dy/dx		z	P> z	Impact in pp.
Age	0.036	***	20.82	0.000	3.6
Age square	-0.0005	***	-20.37	0.000	0.0
Married (DV)	-0.100	***	-9.43	0.000	-10.0
Widow/divorced (DV)	-0.055	***	-3.49	0.000	-5.5
Non-Albanian (DV)	0.056	***	4.01	0.000	5.6



Excluding Women From the Workforce is the Main Bottleneck to Development

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Household head (DV)	0.063	*	1.75	0.081	6.3
No education (DV)	-0.125	***	-28.53	0.000	-12.5
Primary education (DV)	-0.338	***	-24.88	0.000	-33.8
Secondary education (DV)	-0.123	***	-16.87	0.000	-12.3
Rural area (DV)	-0.011	*	-1.66	0.096	-1.1
Gjakova (DV)	-0.070	***	-10.5	0.000	-7.0
Gjilan (DV)	-0.034	***	-3.82	0.000	-3.4
Mitrovica (DV)	0.011		0.92	0.356	1.1
Peja (DV)	0.095	***	6.76	0.000	9.5
Prizren (DV)	-0.034	***	-3.71	0.000	-3.4
Ferizaj (DV)	0.003		0.23	0.822	0.3
Social assistance (DV)	0.007		0.25	0.806	0.7
Number of children under age of 5	-0.006		-1.39	0.166	-0.6

Number of employed household members	0.061	***	22.46	0.000	6.1
Household size	-0.012	***	-10.02	0.000	-1.2
Number elderly (65+)	-0.002		-1.01	0.310	-0.2
Childcare facilities	0.012	*	1.63	0.103	1.2
* dy/dx is for discrete change of dummy variable from 0 to 1					
DV: Dummy variables					

## Endnotes

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1 Oxfam. (2014). The G20 and Gender Inequality: How the G20 **can advance women's rights in employment, social protection, and fiscal policies.** Briefing Paper.

<http://www.oxfam.org/en/research/g20-and-gender-equality>.

2 See World Bank. (2012). Gender Equality and Development. World Development Companion Report.

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3 Losses are estimated for a particular year for each country and can thus be interpreted as a one-off increase in GDP if gender gaps were to be removed. The graph was developed by the IMF using source estimates by Cuberes and Teignier (2014). Talley, Ian. 23 **February 2015. 'Insidious Conspiracy' Against Women Costs Economies Up to 30% of GDP, Says IMF Chief.** The Wall Street Journal. <http://goo.gl/4kY4Fd>.

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11 Kosovo Agency of Statistics. Results of the Labour Force Survey 2013. July 2014. Available at: [https://ask.rks-gov.net/ENG/publikimet/doc\\_details/1174-results-of-the-kosovo-2013-labour-force-survey](https://ask.rks-gov.net/ENG/publikimet/doc_details/1174-results-of-the-kosovo-2013-labour-force-survey) (last accessed 6 October 2014).

12 World Development Indicators database. Available at: <http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators#> (last accessed 6 October 2014).

13 Kosovo Agency of Statistics. Results of the Labour Force Survey 2012. September 2013. Available at: [https://ask.rks-gov.net/ENG/publikimet/doc\\_download/1108-results-of-the-kosovo-2012-labour-force-survey](https://ask.rks-gov.net/ENG/publikimet/doc_download/1108-results-of-the-kosovo-2012-labour-force-survey) (last accessed 6 October 2014). Note that these figures present shares in the total employment by gender, whilst, as explained in the previous subsection, major differences in terms of levels/rates of employment exist.

14 However, note that this is likely also the result of underlying differences in characteristics among the two groups: i.e. women who intend to work are more likely to attain higher levels of education, regardless of what drives their intentions, e.g. they may be brighter and/or more ambitious, or they may have come from backgrounds where women working outside the home is more acceptable/desirable.

15 Other groups, on the other hand, are more likely to be supported: single women by their families, married women by **their husbands, and widowed their husband’s families.**

16 The regional figures can only be considered indicative as the LFS is not representative at municipal/regional level.

17 E.g. Gjakova which now has the lowest female LFP rate was a

relatively industrialised town, with relatively high employment rates for both men and women during the socialist period.

18 Non-Albanian here includes all Kosovar minorities, i.e. Serb, Turkish, Roma, Egyptian, Gorani and Ashkali, etc.

19 Kosovo Agency of Statistics. Results of the Labour Force Survey 2012. September 2013. Available at: [https://ask.rks-gov.net/ENG/publikimet/doc\\_download/1108-results-of-the-kosovo-2012-labour-force-survey](https://ask.rks-gov.net/ENG/publikimet/doc_download/1108-results-of-the-kosovo-2012-labour-force-survey) (last accessed 6 October 2014).

20 Eurostat. People outside the labour market. July 2014. [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/People\\_outside\\_the\\_labour\\_market](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/People_outside_the_labour_market) (last accessed 6 October 2014).

21 Note that, among the inactive women, the share of women that are inactive due to personal or family responsibilities in Kosovo is similar to Malta and Macedonia. Nonetheless, Kosovo has a higher inactivity rate than these countries, overall.

22 See, for instance, Pagani and Marenzi (2008). The Labor Market Participation of Sandwich Generation Italian Women. *Journal of Family and Economic Issues*, vol. 29, no. 3, pp. 427-444.

23 See, for instance, Narayana and Shongwe (2010). Determinants of Female Labor Force Participation in the Agricultural Sector of Swaziland. *The IUP Journal of Agricultural Economics*, vol. 4, no. 1&2, pp. 83-108.

24 The potential effect of the number of elderly individuals in the household was also investigated, under the assumption that their presence may represent an additional caretaking responsibility for women. However, the effect of this variable was not found to be significant.

25 The reason for controlling for public institutions only is that they are more affordable and less demand-driven (and hence there is more likely to be reverse causation in the relationship). The variable is measured as the number of public childcare institutions

per 1,000 children aged 0-4 in a municipality.

26 The effect of the number of children under age of 5 in the household was also investigated, expecting a negative effect of this variable. See, for instance, Euwals, Knoef and van Vuuren (2011). The Trend in Female Labour Force Participation: What Can Be Expected for the Future? *Empirical Economics*, vol. 40, no. 3, pp. 729-753. However, this variable was not found to have an influence on female LFP. This can be due to the way this variable is measured, indicating the number of children less than 5 years in the household, as it was not possible to identify the number of children for each working age woman.

27 Kosovo Agency of Statistics. Results of the Labour Force Survey 2013. July 2014. Available at: [https://ask.rks-gov.net/ENG/publikimet/doc\\_details/1174-results-of-the-kosovo-2013-labour-force-survey](https://ask.rks-gov.net/ENG/publikimet/doc_details/1174-results-of-the-kosovo-2013-labour-force-survey) (last accessed 6 October 2014).

**28 Authors' calculations based on data from World Development Indicators database.** Available at: <http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators#> (last accessed 6 October 2014).

29 The share of those among the economically inactive who are discouraged from seeking work, which could be another proxy for readiness to work, is similar across genders.

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1.Gashi, Ardiana 2. Rizvanolli, Artane

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Democracy for Development (D4D) is a think-tank organization established in 2010 with the vision that democracy is a precondition for development. The founding members of D4D believe that democracy is both a means and ends for development and they have tasked themselves with a mission to research and reach out to a wider community of stakeholders to make this link apparent.

D4D's mission is to influence the development of public policy to accelerate the socio-economic development of Kosovo, improve governance, and strengthen democratic culture in the country.

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