## Cost of Youth Emigration

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## Foreword

This research study into the "Cost of Youth Emigration" is the first of its kind to provide evidence about Kosovo emigration and to answer one simple question: How much does youth emigration cost Kosovo? This is a very simple question but it touches upon a very complex issue. Although there has been research into the various reasons for emigration, which is a complex global phenomenon that has existed since the beginning of humanity, there has been very little or no data or other evidence about the actual cost of emigration. This research study presents an assessment of the costs and the financia impact on Kosovo and the losses generated by the alarmingly high number of people who leave Kosovo every year. The research quantifies the effects and implications of emigration on the overall Kosovo economy and the losses in gross domestic product
(GDP), while taking a closer look at how remittances are spent. The intention is to present this evidence to various stakeholders, the wider public, the media and state and non-state actors. We hope that the evidence will be used by a broad alliance of stakeholders in Kosovo which could then present policy solutions on how to tackle and decrease the cost of youth emigration and its negative effects. We also hope that the study will initiate a wider discussion on the topic of youth emigration. The study was conducted by the Democracy Plus ( $\mathrm{D}+$ ) an independent nonprofit and nonpartisan organisations from Kosovo which was supported by the Westminster Foundation for Democracy (WFD). The Institute for Innovation and Development a think tank provided support with training on the research methodology and data collection to $D+$. The Foundation is grateful to

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## Introduction

People have been migrating since the beginning of civilization. Voluntarily or by force, individually or in groups, spontaneously or systematically, people have been changing their place of residence. Searching for food and water, fleeing away from natural disasters and wars, looking for better living conditions or an environment with a higher degree of human freedom, people have been migrating to different cities, countries or continents creating today's situation in which over three per cent of the world's population, or more than a quarter of a billion people, live outside their countries of origin.

The emergence and establishment of capitalism as well as the industrial revolution gave new dimensions to the mobility of people. During the $19^{\text {th }}$ and $20^{\text {th }}$ centuries, armed conflicts were a significant factor in persecution and changes of residence. Today, climate change and living conditions play the most important role. According to a 2018 World Bank report¹, more than 143 million people could become "climate migrants" due to floods, droughts and water shortages. It is clear that, regardless of the causes, migration will follow the human race as long as there are people and as long as there is a place to go. Although the scenes of people leaving their homes due to conflicts or devastating earthquakes leave a strong impression, create bitterness and make us associate population migrations with violent causes, the facts today show that the reasons for changing the territory of residence are somewhat more humane.

The acceleration of the process of globalisation after the Second World War further connected different regions of the global system and redefined their interactivity thanks to the development of new technologies. With the development of transport, the world has become a smaller place, and with the free movement of goods and capital, the labour force encounters lower barriers to movement, while in some cases it receives very clear positive incentives through attractive programmes in many countries to attract quality labour.

Unlike some Eastern European countries, whose populations began to migrate in significant numbers only when they became members of the European Union, the population of the former Yugoslavia half a century ago embarked on mass migration flows to the West with the support of countries on both sides. Thus, one country made up for the shortage of labour in the primary sector, while the other was

World Bank (2018). Groundswell: Preparing for Internal Climate Migration, World Bank (2018). https:// www.worldbank. org/en/news/ feature/2018/03/19 meet-the-human-faces-of-climatemigration.
satisfied with foreign currency remittances from migrant workers, for which it did not have the capacity in its own underdeveloped economy.

Today's migrations are affected by a wide range of "push" and "pull" factors Rarely do these factors seem to be as complexly intertwined elsewhere as in the Balkan region. Wars, transition, political instability, ethnic and religious divisions, corruption, working conditions and employment opportunities, school and health systems lagging behind developed countries, and endangered sexual freedoms are just some of the factors that influence people's decisions to pack their luggage. The profile of today's migrant from this area has changed significantly in the last 50 years. Only half a century ago, going abroad provided better opportunities for a low-skilled workforce that remained firmly attached to the motherland, often without relocating their close families. Today, the share of highly educated and highly qualified sections of the migration contingent is growing, which is frequently initiated by very attractive programmes in developed countries for targeted labour attraction.

Family reunification is more common than before. The entry of spouses, children and other relatives of previous primary migrants is often the largest single entry category in many countries.

The impact of population movements on the socio-economic situation in a country imposes the need to manage migration in countries on both sides. Adequate data is needed for a comprehensive assessment of the nature, scope and characteristics of this phenomenon, as well as its consequences. However, there are a number of limitations to administrative and statistical data because, in different countries or institutions, methodologies and definitions may vary depending on the purpose for which they are collected.

This work is an attempt to quantify the influence of an actual emigration trend on the economy of Kosovo, based on publicly available demographic statistics, education statistics and macroeconomic data. As well, it seeks to create a basis for deeper and more detailed analyses that will come later.

The three key questions that this analysis seeks to answer are:

1. What is the average cost of educating a highly educated person?
2. What is the opportunity cost in terms of losing potential gross domestic product
(GDP) generated by the annual emigration of the population?
3. What are the positive effects of the migration flow on the economy?

## Key Findings

This study shows that Kosovo shares the fate of the region in terms of migration movements and is facing an intensified process of emigration of young and highly educated people. Specifics related to Kosovo-wars, political instability, fragile institutions in the initial stages of establishment-only intensify this process. In addition, the long tradition of emigration from these areas, the still strong ties of the diaspora with the motherland and the effect of the "trodden path" contribute to the intensification of this process.

For youth, which is usually the most mobile part of the population, the impossibility of finding a job is one of the main push factors. Unemployment in this part of the population is enormous in Kosovo, where approximately half of young people have no chance of finding any job after finishing school.

Official statistics on migration compiled by the Kosovo Agency of Statistics provide data on both external outflows and population inflows. The balance of these movements is continuously negative, but with a very pronounced variability of absolute amounts. After a peak in 2015, in which over 74,000 people emigrated and only a quarter of that number were registered as immigrants, two years of mitigating this trend followed. After that, the emigration flow was intensified again with negative balances of over 21,000 and almost 29,000 in 2018 and 2019 respectively. In any case, in the period from 2015 to 2019, the territory of Kosovo recorded a negative migration balance of over 120,000 people.

This research shows that around $€ 4,700$ were invested in the education of each resident of Kosovo who completed nine years of primary education in 2018. The cost of upper secondary education, which lasted three years and ended in 2018 (including primary), was about $€ 5,650$, while for one graduate student from primary through three years of secondary school to the end of academic studies that lasted an average of five years and ended in 2018, about $€ 9,700$ was invested. If these individual results are applied to the emigrant component of the population, the results show that the total cost of education of people leaving Kosovo in one year, depending on the educational structure, varies from just over $€ 180$ million to almost €205 million.

## As it is impossible to prevent the annual outflow of the population through

 employment, an annual loss in potential GDP in the amount of about $€ 519$ million is generated. Simply put, every employable individual emigrating from Kosovo takes an average of almost $€ 17,000$ a year in future potential annual GDP that could have been realized if economic flows had enabled their productive employment. This loss of potential GDP should not just be equated with the loss of real GDP that would happen in 2018, since it was caused by the departure of people who emigrated, mainly due to their inability to find an adequate job and thus participate in creating added value. This amount should be viewed through the prism of a permanent loss of potential for the Kosovo economy.The most significant benefit of emigration is remittances. Given the size of its diaspora, in terms of the proportion of remittances in its GDP, Kosovo is at the very top of European countries with remittances constituting about 12 per cent of GDP. More broadly, if, in addition to workers' remittances, we take into account other sources such as other personal transfers, pension benefits and income from the work of Kosovo residents from temporary jobs abroad, the share in GDP exceeds 20 per cent. However, the distribution of remittances, which dominate current consumption, prevents the possibility of these transfers becoming a generator of additional economic growth and accelerating future development. Hence, strengthening the investment component is necessary and could be considered as an untapped resource.

1 The migration statistics


## The literature on migration in Kosovo identifies four waves of emigration in the last 60 years.

The first occurred in the late 1960s and early 1970s when unskilled young men, primarily from rural areas and of lower qualifications, emigrated to Germany and Switzerland. Departures declined briefly in the 1970s when new jobs were created in public administration institutions and social enterprises.

The second wave occurred the period from 1989 to 1997 when the autonomy of Kosovo was abolished and people were dismissed from the administration and social enterprises. Better educated residents of Kosovo emigrated to Western European countries to find work or avoid conscription.

The third period occurred from 1998 to 1999 when almost a million people in Kosovo were displaced due to the war. This trend reversed immediately after the conflict when there was a mass return of the displaced population.

[^0]After 1999, emigration occurred in three waves: 1) migration for the purpose of family reunification; 2) illegal migration of unqualified and insufficiently educated youth; and 3) legal migration of highly qualified and highly educated individuals through study or work arrangements.

According to United Nations Development Programme (UNDP) data from the Kosovo Remittance Survey ${ }^{2}$, more than half of the total number of emigrants left Kosovo in the last wave. The second largest share was during the second wave of emigration in the late 1980s and during the 1990s.

Share of emigrants across
emigration waves

| Emigration wave | Percentage of emigrants |
| :--- | :--- |
| I. Pre-1989 | $8.8 \%$ |
| II 1989-1997 | $25 \%$ |
| III. 1998-1999 | $12.6 \%$ |
| IV. Post 1999 | $53.6 \%$ |

The overview of destinations shows the continuation of the trend from the previous period. This shows that the previously established structure of the diaspora largely shapes today's trend.

Hence, it is not surprising that Germany and Switzerland are first on the list of emigration destinations. Significant numbers of emigrants also continue their lives in Italy and Austria, and the next largest groups move to France and the United States.

## Emigrants' destination countries

| Emigrant host countries | PERCENTAGE OF Emigrants | Emigrant host countries | PERCENTAGE OF EmIGRANTS | EMIGRANT HOST COUNTRIES | PERCENTAGE OF EMIGRANTS |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Afghanistan | 0.6\% | Denmark | 0.2 \% | Netherlands | 0.3 \% |
| Saudi Arabia | 0.2 \% | Finland | 0.9 \% | Norway | 1.2 \% |
| Australia | 0.6 \% | France | 4.2 \% | Russia | 0.2 \% |
| Austria | $6.8 \%$ | Germany | 31.3 \% | Slovenia | 1.2\% |
| Belgium | 3.9 \% | Iceland | 0.2\% | Sweden | 2.6\% |
| Bosnia and Herzegovina | 0.8\% | Iraq | 0.2 \% | Switzerland | 27.9 \% |
| Canada | 1.2 \% | Ireland | 0.2 \% | UK | 2.8 \% |
| Czech Republic | 0.3\% | Italy | 7.1\% | US | 4.8\% |
| Croatia | 0.2 \% | Montenegro | 0.3 \% |  |  |

Source: Kosovo Remittance Survey, 2012


The educational structure of the emigration contingent has been quite stable in the last three decades. The most significant participants in the contingent were people with upper secondary education, followed by primary education and university education. More than 80 per cent of emigrants had secondary or university education. The change in this structure compared to the years before 1989 was largely related to the trend of more intensive education in Kosovo. In any case, the structure was unfavourable from the point of view of the social community. Still, the departure of a low-skilled workforce can have positive effects. By moving to more advanced economies with higher levels of productivity, such individuals provide a better standard of living for themselves and their families. The dominant departure of highly qualified people negatively affects the work force supply, the attractiveness of Kosovo for foreign investors, productivity, innovation, etc.

Emigrants' education levels


Official statistics on migration from the Kosovo Agency of Statistics provide data on both external outflows and population inflows. The balance of these movements is continuously negative, but with a very pronounced variability of absolute amounts. After the peak in 2015 , in which over 74,000 people emigrated and only a quarter of that number were registered as immigrants, two years of mitigating this trend followed. After that, the emigration flow was intensified again with negative balances of over 21,000 and almost 29,000 in 2018 and 2019 respectively. In any case, in the period from 2015 to 2019 the territory of Kosovo recorded a negative migration balance of over 120,000 people.

International
migration in Kosovo

| Yrs. | Immigration | Emigration | Balance of International Migration |
| :--- | :--- | :--- | :--- |
| 2015 | 18862 | 74434 | -55572 |
| 2016 | 5492 | 14432 | -8940 |
| 2017 | 5832 | 11263 | -5431 |
| 2018 | 6762 | 28164 | -21402 |
| 2019 | 6066 | 34911 | -28845 |


| CITIZENSHIP | 2015 |
| :--- | :--- |
| Syria | 368,355 |
| Afghanistan | 181,425 |
| Iraq | 124,970 |
| Kosovo | 72,480 |
| Albania | 67,950 |
| Pakistan | 48,015 |
| Eritrea | 34,130 |
| Nigeria | 31,245 |
| Serbia | 30,065 |
| Iran | 26,575 |
| Total | $1,323,485$ |

The massive outflow of population during 2015 is
also confirmed by Eurostat data on asylum seekers, according to which Kosovo took fourth place this year, just behind Syria, Afghanistan and Iraq.

Numbers of Kosovo asylum applicants in EU countries


## 2 The economic nature of migration


ven within the Socialist Federal Republic of Yugoslavia, Kosovo was declared an underdeveloped area. Attempts to improve the economic status of this area failed with the collapse of that state. The conflicts of the 1990s that marked the entire region only further impoverished the population. Although some progress has been made, Kosovo's economic lag is noticeable not only in comparison to the countries of Western Europe, but also in comparison to the countries of the region. According to a survey conducted jointly by the World Bank and the Kosovo Agency of Statistics, in 201718.0 per cent of Kosovo's population lived below the poverty line, which was only $€ 1.85$ per adult per day, and 5.1 per cent of the population lived below the extreme poverty line, $€ 1.31$ per adult per day ${ }^{3}$. According to the Labour Force Survey ${ }^{4}$, the total unemployment rate in 2018 was about 30 per cent, and the highest rate was among young people aged 15 to 24 , reaching 55.4 per cent.

Alarmingly high unemployment combined with low average wages do not encourage young people to become independent or start a family, but rather to think about where they could build their future. It is clear that young people do not choose the country they will go to according to the unemployment rate, the average salary or the GDP. Most often they follow "trodden paths"; but they do compare basic macroeconomic indicators with their equivalents in developed countries. This confirms a poor economic outlook is important and it supports the basic assumption that the most important drivers of migration, especially of young people, are economic factors

For youth, which is usually the most mobile part of the population, labour market conditions are one of the main push factors. Unemployment in this part of the population is enormous in Kosovo, where approximately half of young people who are in the labour market have no chance of finding any job after finishing school. A comparison with other countries suggests that this rate in Kosovo is many times higher. More precisely, not only compared to developed countries but also compared to other countries in the region, Kosovo has an poor record according to this indicator.

This is undoubtedly an indicator of the extremely difficult situation for young people which, together with additional factors such as corruption, quality of health care, political freedoms and legal security, create strong pressure on this part of the population to direct it towards emigration.

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World Bank and Kosovo Agency of Statistics (2019) Consumption Poverty in the Republic of Kosovo , World Bank and Kosovo Agency of Statistics, 2019 https://ask.rks-gov.net/ media/4901/poverty-statistics-2012-2017.pdf

Kosovo Agency of
Statistics (2019). Labour
Force Survey in Kosovo,
2018, Kosovo Agency of Statistics. https://ask
rks-gov.net/media/5026
labour-force-survey-2018 pdf.

| Countries of emigration |  | Destination countries |  |
| :---: | :---: | :---: | :---: |
| Kosovo | 55.4 \% | Slovenia | 8.8 \% |
| Bosnia and Herzegovina | 38.8 \% | Norway | 9.7 \% |
| Serbia | 29.7 \% | Switzerland | 7.9 \% |
| Bulgaria | 12.7 \% | USA | 8.6 \% |
| Northern Macedonia | 45.4 \% | France | 20.8 \% |
| Romania | 16.2 \% | Italy | 32.2 \% |
| Hungary | 10.7 \% | Germany | 5.1 \% |
| Montenegro | 29.4 \% | Austria | 9.4 \% |
| Albania | 31.9 \% | Sweden | 16.8 \% |

[^1]| Countries of emigration |  | Destination countries |  |
| :---: | :---: | :---: | :---: |
| Kosovo | $€ 409$ | Switzerland | $€ 4,502$ |
| Bosnia and Herzegovina | $€ 449$ | Austria | $€ 2,640$ |
| Serbia | $€ 420$ | Sweden | € 2,724 |
| Bulgaria | $€ 508$ | Norway | $€ 3,754$ |
| Northern Macedonia | $€ 395$ | USA | € 2,948 |
| Romania | $€ 579$ | France | € 2,336 |
| Hungary | $€ 688$ | Italy | $€ 1,778$ |
| Montenegro | $€ 511$ | Slovenia | $€ 1,075$ |
| Albania | $€ 365$ | Germany | $€ 2,546$ |

The high unemployment rate combined with low wages even when a job is found certainly do not offer the expected perspective. Although wage data offers limited insight into living standards and quality of life, it should be noted that the average wage in Kosovo is about seven times lower than in Germany and Austria, while it is nine times lower than in Norway and 11 times lower than in Switzerland.

[^2]20

| Countries of emigration |  | Destination countries |  |
| :---: | :---: | :---: | :---: |
| Kosovo | $€ 3,753$ | Slovenia | $€ 22,146$ |
| Bosnia and Herzegovina | $€ 5,143$ | Norway | $€ 69,051$ |
| Bulgaria | $€ 8,015$ | Switzerland | $€ 70,413$ |
| Serbia | $€ 6,136$ | USA | $€ 53,392$ |
| Northern Macedonia | $€ 5,153$ | France | $€ 36,480$ |
| Romania | $€ 10,475$ | Italy | € 29,212 |
| Hungary | $€ 13,672$ | Germany | $€ 40,501$ |
| Montenegro | $€ 7,498$ | Austria | $€ 43,431$ |
| Albania | $€ 4,475$ | Sweden | $€ 45,974$ |

When looking at GDP per capita as a measure of the living standard of a country's population, it is many times higher in destination countries: in Germany almost 11 times, in Austria and Sweden about 12 times, in Norway 18, and in Switzerland 19 times higher than in Kosovo

The FES Foundation's study on youth in Kosovo 2018/19, which analyses data from field research that is part of the broader regional project "Youth in Southeast Europe", offers additional information that confirms economic reasons as the main cause of emigration ${ }^{5}$.

According to this research, youth unemployment in Kosovo is a huge problem, and its impact is multidimensional, especially given the fact that Kosovo has one of the youngest populations in the world. Acquaintances and connections with people in power are considered by young people to be very important for finding a job in 54 to 58 per cent of cases, while job security is the main factor that young people in Kosovo consider when choosing a job. This implies great concern about the rights of employees regarding unpaid overtime work, problems with wage amounts and employment status. Therefore, it is not surprising that 70 per cent of young people want to work in the public sector, and only 23 per cent in the private sector.

More than half of young people in Kosovo are in a situation where they have to do jobs that are not within their profession. This shows a high mismatch between the education system and labour market needs. Only 23 per cent of respondents are satisfied with the quality of education and this is one of the lowest numbers in the entire region. Moreover, Kosovo is the only country where the level of satisfaction with the quality of education has deteriorated over time. More than 56 per cent of young people generally agree that there are cases of bribery at universities in Kosovo

When asked if they wanted to emigrate from the country, nearly half of the respondents in this survey expressed a desire to leave the country: 18 per cent said they had a very strong desire, 17 per cent had a strong desire, and another 12 per cent had a moderate desire to emigrate. About a third of respondents planning to leave the country had no intention of ever returning to Kosovo. As the most desirable destination, young people from Kosovo exclusively stated developed countries, as follows: 25 per cent Switzerland, 24 per cent Germany, followed by France and the United States with eight per cent each, while Austria and Sweden were about five per cent of respondents.

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Rrumbullaku, Oltio (2019). Youth Study Kosovo 2018/19. Friedrich Ebert-Stiftung. https:// library.fes.de/pdf-files/id moe/15264.pdf.

The motives for emigrating were completely
dominated by economic factors. Among them,
the most pronounced were: improvement
of living standards (48 per cent), better employment opportunities ( 15 per cent), and higher salaries (five per cent)
Improvements of the standard of living

Better employment possibilitiesExperiencing different cultureOther reasonsBetter educationHigher salariesBeing close to people I care for

In addition to this study, interesting data on the reasons for emigration and on destination countries are offered by the Migration Survey conducted by the Agency for Statistics of Kosovo, analysing the period from 1969 to $2010^{6}$. In this context, it is seen that over all time periods the main reasons were not only economic but also social and political. From the answers offered to the questions about the main reasons why members of their households emigrated, strong family ties of the Kosovo population were the main reason for emigration (usually marriage or family reunification) for half of the respondents. Economic reasons (primarily employment) were the motive for emigration of almost 40 per cent of people, while emigration due to the war was the reason for emigration for about eight per cent of people. According to the 2011 census, over 35 per cent of Kosovo's total population emigrated to Germany, followed by about 23 per cent to Switzerland and over seven per cent to Italy. Significant numbers of people emigrated to both Sweden and the United States.

## 3 Costs of Youth Emigration



# The effects of population movements are different depending on the observed country's perspective and can be both positive and negative. 

When it comes to the emigration of young people and the so-called "brain drain", we first consider the amount of investment in their education by the whole society. Investment in education and training is lost through emigration as the capital invested in education and training is not returned to the home country through the income that emigrants earn.

In addition, the departure of a young highly educated and highly skilled labour force reduces the country's ability to develop, because potential innovators looking to create new products, new markets or jobs and be generators of GDP growth are leaving. Also, there is a loss of gross value added per potential employee, followed by a reduction in total consumption, which directly reduces GDP. Individuals who leave the country do not create added value and do not spend in the country, which negatively affects the potential economic activity of domestic producers. They also do not pay taxes in their home country, which means the state loses income it could use for the improvement of education and other services.

There are also positive effects of emigration, which are reflected primarily through the direct inflow of money from abroad through foreign currency remittances. Their primary role is to maintain budgetary stability; but it would be far more beneficial if they were invested in production instead of personal consumption. Also, there is always hope and opportunity for people who left the country to return to it at some point, bringing with them significant experience and professional knowledge, as well as capital that they could invest in their country, which they would never have gained if they had not left.


## What is the Total Cost of <br> Schooling Completed in 2018?


#### Abstract

expenditures according to the functional classification (COFOG). In accordance with this classification, all general government expenditures from domestic or foreign sources are classified into 10 groups, one of them being education.


In an attempt to find an answer to this question, we started from the data of government

## CALCULATION METHODOLOGY

In accordance with this classification, all general government expenditures from domestic or foreign sources are classified into 10 groups, one of them being education. Government outlays on education include expenditure on services provided to individual pupils and students and expenditure on services provided on a collective basis. The breakdown of education spending is based on the categories of the 1997 International Standard Classification of Education of the United Nations Educational, Scientific and Cultural Organization. Data on these expenditures is published regularly by the Agency for Statistics of Kosovo and the Ministry of Finance and has been available since 2008. Since our average graduate
started schooling in the school year 2000/2001, it was necessary to determine
the annual expenditures for education in each year individually in the observed period. As the data of the competent institutions on these expenditures is available for a somewhat shorter period of time than the observed period, it required their combination with data from education statistics, which are available for the entire period, in order to estimate data on government expenditures for the missing period

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In addition to these expenditures, the expenditures that households in Kosovo allocate for education are also important in this research. This data is provided by national accounts statistics through the GDP aggregate on the expenditure side-final household consumption. This aggregate covers all expenditures that households have in accordance with the COICOP classification, including one for education ${ }^{8}$. In the stated data, in addition to the expenditures for classic primary secondary and tertiary education, there is also that part of the costs for educational services that arises outside formal flows (such as costs of private lessons, translation services and additional courses). This data is regularly published by the Kosovo Agency of Statistics along with data on the Household Budget Survey.

In parallel, data on the number of pupils and students for each year in the specified period was provided in order to calculate the allocation per observation unit. After the total annual amount of expenditures on education for the period 20012018 was determined, the obtained values were discounted so that all costs in this 18-year period would be reduced to today's monetary value.

The set of data created in this way was used to estimate the costs of schooling by levels of education to answer the question of how much the average budget of the government and households spend for primary, secondary and higher education of one person who completed some of these levels of education in 2018? We must note that this is an average that should not have significant deviations in primary and secondary education, while the deviation from the average increases significantly in academic studies, where it is actually a synthetic indicator of school costs since it
contains a part of each academic level. More precise assessments can be made by individual faculties and colleges, specialist profiles and postgraduate levels, which may be the subject of some future research.

The results obtained from the application of the aforementioned methodology show that the education cost of a fellow citizen, from preschool, through primary and four-year secondary school, until the end of academic studies (which lasted five years on average, and ended in 2018), cost around $€ 34,000$. The costs of a four-year secondary education (that ended in 2018) cost around $€ 21,000$, whereas the eightyear primary education cost around $€ 13,500$. The estimate of PhD education costs is not easily done, due to the unavailability of data in the necessary structures. Based on the available information, approximately $€ 55,000$ on average are spent for the education of a PhD

## THE RESULTS

The results obtained by applying the above methodology show that around €4,700 was invested in the education of one resident of Kosovo, who completed nine years of primary education in 2018. The cost of upper secondary education which lasted three years and ended in 2018 (including primary), was about $€ 6,100$, while in one graduate student from primary through upper secondary school to the end of academic studies that lasted an average of five years and ended in 2018, about €9,700 were invested.

## €9,701

Costs per person by educational level for schooling completed in 2018 (euros)
€5,663
Completed upper secondary
€4,676

Completed primary school

Although the use of averages in data analysis can obscure the picture or be interpreted in different ways, we note that these amounts represent only the first step towards quantifying the effects of a negative migration balance. The set of residents with an academic degree is a very heterogeneous set in terms of costs per individual faculty and duration of studies; but from the macroeconomic point of view, a deviation of a more precise amount from the currently obtained one would not lead to a dramatic change of conclusions. Also, by observing the costs by years, strong stability in this series of data was noticed, which enables taking into account those who finished school before 2018

According to the data of the Agency for Statistics of Kosovo, in the period 2015-2019, the average annual outflow of population from Kosovo was about 33,600 people. The detailed educational structure of this contingent does not exist or at least is not publicly available. In order to estimate the cost of schooling this number of people in the first step, we excluded people aged five or under from the set and corrected the set for persons with incomplete primary or secondary school. The age structure of the population was basically used as a framework for this assessment, modified in accordance with the assumption that the number of children in the emigration flow is half lower than the share in the population. Regarding the educational structure of the adjusted migration contingent, we used the educational structure of emigrants as a starting point according to the UNDP-Kosovo remittance study.

The approach to the individual cost in the research also enabled us to create an alternate scenario. Accordingly, we analysed scenario 2, which is based on the assumption that all levels of education have equal representation in the total emigration contingent. The results show that the total cost of education for people leaving Kosovo in one year, depending on the educational structure, varies from just over $€ 180$ million to almost €205 million

Expenditures on education in Kosovo according to the chosen educational structure and in relation to the total outflow of population (million euros)

|  | Scenario 1 | Scenario 2 |
| :--- | :--- | :--- |
| Primary education | $24.3 \mathrm{mil} €$ | $47.8 \mathrm{mil} €$ |
| Upper secondary education | 122.6 mil $€$ | $57.9 \mathrm{mil} €$ |
| Tertiary education | $34.4 \mathrm{mil} €$ | $99.2 \mathrm{mil} €$ |
| TOTAL | $\mathbf{1 8 1 . 2} \mathbf{~ m i l ~} €$ | $\mathbf{2 0 4 . 9} \mathbf{~ m i l ~} €$ |

ompletely reliable and comprehensive structures and statistics of those who leave or those who come do not exist. It is not known whether they are seasonal workers foreign retirees, temporary migrants for training or education, etc. This significantly complicates the precise quantification of the end effect of the migration flow. If individual costs are applied to the net outflow of population from Kosovo, education costs range from $€ 133$ million to $€ 151$ million, depending on the assumed educational structure.

However, we believe that the effect of the total outflow should be taken very seriously because, regardless of the current temporary nature of a number of these departures, they represent a step closer to permanent emigration, especially if the policies and measures of developed countries are taken into account.

Developed countries with labour shortages devise different policies to attract the working age population. Some countries of the European Union have adopted new facilitating measures to prolong the stay of workers from Third World countries. The goal is to make up for the lack of skilled labour in some countries. Thus, Austria amended the Law on Settlement and Residence in 2017 with the aim of facilitating access to the labour market and integration into society for skilled workers coming from Third World countries. Estonia has developed a "Working in Estonia" strategy
with the aim of attracting highly qualified workers. Germany has taken measures to provide additional information to migrants, then to organise vocational training and coaching, all in order to facilitate access to the legal labour market and longterm employment for migrant workers. The Law on Immigration of Skilled Workers was also adopted, which entered into force on 1 March 2020 and which enables immigration to Germany for employment purposes. The goal is to facilitate the arrival of experts from countries that are not members of the European Union. European Union countries have also expedited the procedures for accepting students from other countries. The basic measure is to facilitate student access to the labour market during their studies and after graduation. Also, administrative procedures related to coming to study in the European Union have been facilitated, as well as longer stays after graduation. Sometimes the countries of the European Union target a certain Third World country and create specific policies to attract students and young people from that country. In order to attract students who would work and study in parallel, Austria increased the number of working hours for students to 20 hours a week. Also, after graduation, Austria allows foreign students to stay for another year to find a job. These measures encourage both young and employable third-country nationals to continue their education or develop a business career in one of the countries of the European Union.


The destination countries of highly educated people indisputably benefit from their arrival and involvement in the economic and social systems. That "gain" is significantly greater than the "loss" that the home country suffers due to their departure. In addition to alleviating the problem of labour shortages, far greater spending by the state and households for educational services in developed countries should be taken into account. According to Eurostat data for 2015, the annual allocation of the state and households for educational services at the upper secondary level amounted to close to $€ 11,000$ per student in France and $€ 10,500$ in Germany, compared to around $€ 630$ euros in Kosovo. The range is even more pronounced in tertiary education, so in relation to the allocation in Kosovo of $€ 790$ per student per year, the United Kingdom spends about 27 times more, Sweden 21 times, Austria, France and Germany about 17 times more, etc.

Total yearly spending for educational services in 2015 per student (euros)

| Total yearly spending for educational services in 2015 per student (euros) |  |  |
| :--- | :--- | :--- |
| Kosovo | Tertiary education | Upper secondary education |
| Germany | $€ 790$ | $€ 632$ |
| France | $€ 13,137$ | $€ 10,457$ |
| Austria | $€ 13,333$ | $€ 10,900$ |
| Sweden | $€ 14,074$ | $€ 9,410$ |
| Great Britain | $€ 17,011$ | $€ 9,100$ |

Tuition costs are incurred over a long period of time depending on the number of years that education lasted. In addition, the departure of a certain number of people abroad has an immediate effect on a country's economy and is a generator of lost profits in the future, which is actually the definition of opportunity cost. Although this cost is related to the decisions of the individual, in our analysis we will attribute it to the whole society. Leaving it to demographers and sociologists to recognise and describe the effects of migratory flows on population aging and overall social development, the focus of this paper remains on identifying the magnitude of the impact on the economic component of social progress. For that purpose, we link the number of people who leave Kosovo on average per year to GDP as a measure of a country's economic activity.

## What are the Effects on <br> Economic Activity

According to the production approach to measuring economic activity, GDP represents the total gross value added created by residents during one year. Gross value added is actually the total value of products produced and services provided minus intermediate consumption, that is, operating, tangible and intangible costs incurred in performing production or providing services. Using official data on the created gross value added and the total number of employees, we calculate the productivity indicator, the gross value added per employee

Due to the specifics of the calculation of agricultural production and the special methodology for measuring economic activity in the real estate business, which includes the concept of imputed rent, we excluded these two activities from the observation. This indicator varies significantly from industry to industry and ranges from about $€ 3,500$ in tourism to just over $€ 45,000$ in the mining sector.



[^3]To estimate the loss of economic potential caused by the reduction of the labour factor, we used the average total annual outflow of people from Kosovo of 32,641 people, modified by the adjusted age structure, since not all people who leave are of working age. The next assumption is that the main reason for their departure-to find a job in their profession or to find any job-did not exist; more precisely, that the dynamics of economic activity created space for their employment, and that throughout 2018 they had the status of employees. Using the average amount per worker, we come to an opportunity cost in terms of lost gross value added in Kosovo of $€ 418.9$ million per year. This has a direct negative effect on the level of potential GDP. When we talk about measuring potential GDP, we should keep in mind that this is a concept that measures the maximum possible economically sustainable level of economic activity using all factors of production (labour, capital and total factor productivity). In that sense, this loss should not be equated with the loss of real GDP that would happen in 2018, since it was caused by the departure of people who emigrated, mainly due to the inability to find an adequate job and thus participate in creating added value. In other words, despite the availability of labour factors, although these people would not be employed in the process of creating GDP in 2018, their departure represents a permanent loss of potential for the Kosovo economy.

Bearing in mind that the departure of this number of people means a decrease in total consumption, that is a decline in aggregate demand, which will ultimately reduce the total level of production and services, and thus gross value added or GDP,
we come to an indirect impact of emigration flow on economic activity. Using data on average annual net earnings and the number of persons in employment who emigrated, and then the relationship between personal consumption adjusted for external balance and generated GDP, we estimate this indirect effect at $€ 84.6$ million.

In addition to the direct and indirect impact in macroeconomic analyses, there is often talk of the so-called induced influence. Since it implies a large number of indirect effects on economic flows, complete quantification is almost impossible. For example, the remaining population in the country implies the need for more doctors, professors, dentists, hairdressers, etc. who would again create additional aggregate demand with their salaries, which would again give impetus to production, turning this whole flow into a virtuous circle of effects impossible to fully comprehend and evaluate. The departure of this number of people represents an opportunity cost for the state as well, in terms of lost tax revenues in the future. This primarily refers to income taxes, social security contributions, value added taxes and excises as the most generous budget revenues. Using the available data on the number of workers, total personal spending, budget revenues and their mutual relations, we estimate this amount to be a total of $€ 51.8$ million. Since we are talking about money that would be transferred to consumption in the next iteration through the state treasury services, capital investments, growth of salaries and pensions) which would also have a stimulating effect on conomic activity, we also classify this impact in the group
of induced effects and using the estimated fiscal multiplier we estimate it at $€ 15.5$ million.

The results obtained show that directly and indirectly, as it is impossible to prevent the annual outflow of the population by employing them, an annual loss in the level of potential GDP in the amount of about $€ 519$ million was generated. Simply put, every employable individual emigrating from Kosovo takes an average of almost $€ 17,000$ a year in future potential annual GDP that could have been realized if economic flows had enabled their productive employment.

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## Economic Benefits of Population Migration

The assessment of the effects of the migration cycle depends on perspectives. From the point of view of the individual, economic migration has positive effects since it represents a movement "for the better". Globally, the positive impact of migration processes also prevails because they raise overall well-being, increase efficiency and contribute to global growth. A number of authors compare this process with the process of unhindered flows of goods and capital, emphasising its importance for the global economy. On the other hand, viewed from the local and national level, the emigration of a skilled and highly educated working population represents a loss of community. However, as we have already stated, these processes bring with them two-way impacts on the national economy. We have tried to quantify the negative economic effects through the costs of education of emigrants, as well as the opportunity cost in terms of lost future benefits and the quantification of the impact on GDP; but a review of the positive impacts of these processes is also required.

The most significant benefit of the emigration flow is remittances. These are funds transferred by emigrants to their families and other close persons in the country of origin. Their influx improves the quality of life of recipients, but also significantly affects the economy of a country such as Kosovo.

Given the size of its diaspora, in terms of the share of remittances in GDP, Kosovo is at the very top of European countries with about 12 per cent of GDP coming as remittances. Broadly speaking, if we take into account other sources in addition to workers' remittances, such as other personal transfers, pensions, as well as income from the work of Kosovo residents filling temporary jobs abroad, the share in GDP exceeds 20 per cent. It is assumed that through informal channels and in cash, a much larger amount of money arrives in Kosovo which cannot be recorded. Remittances by workers from abroad are more than twice as large as the export of goods from the Kosovo economy, which in 2018 was worth $€ 376.7$ million.

## Remittances and other personal

income and inflows from abroad

| (€ million) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Remittances, | 584.3 | 492.5 | 516.4 | 573.4 | 622.3 | 665.5 | 691 | 759.2 | 800.6 |
| Other transfers and income from work | 359.7 | 447.8 | 509.7 | 564.4 | 491 | 474.4 | 473.3 | 491.9 | 549.9 |
| TOTAL | 944 | 940.3 | 1026 | 1137.8 | 1113.3 | 1139.9 | 1164.2 | 1251.1 | 1350.3 |
| (Percent of GDP) |  |  |  |  |  |  |  |  |  |
| Remittances | 13.3 | 10.2 | 10.2 | 10.8 | 11.2 | 11.5 | 11.4 | 11.8 | 11.9 |
| Other transfers and income from work | 8.2 | 9.3 | 10.1 | 10.6 | 8.8 | 8.2 | 7.8 | 7.7 | 8.2 |
| TOTAL | 21.4 | 19.5 | 20.3 | 21.4 | 20 | 19.6 | 19.2 | 19.5 | 20.1 |

Source: Central Bank of Kosovo and the Agency for Statistics of Kosovo

According to the data of the Central Bank of Kosovo, most remittances come from Germany and Switzerland, which constitute about 61 per cent of the total amount of remittances arriving in Kosovo. They are followed by other developed countries: the United States with about seven per cent, Italy with just under five per cent, and then France and Austria with about four per cent each. This structure of remittance inflows is in full correlation with the list of the most attractive emigrant destinations presented in the initial part of this document.

Structure of remittance inflows by country of origin (percentages)


High inflows from abroad have a very significant macroeconomic effect because they directly affect the reduction of the current account deficit. Thanks to inflows, a part of the domestic economy is kept alive by enabling domestic consumption above both real internal potential and consumer power created exclusively by internal sources. A survey conducted by the UNDP showed that remittances represent 20.1 per cent of the total income for families that receive this source of income, the second largest source just behind the salaries of permanent employees.

Permanent employmen

Better employment possibilitiesInternal remittancesNon-permanent employment
-
Self-employment

- Other

However, to quantify the impact of remittances on economic activity it is necessary to look at their allocation and this shows that remittances are mainly used for current consumption by recipients. They are mostly used for the purchase of food products and payment for utilities (about 35 per cent), then for the purchase of household appliances, cars, etc. ( 24.8 per cent), as well as for the renovation and purchase of apartments or houses (almost 20 per cent). Only a small share of remittances (less than eight per cent) is used for productive activities, namely 3.9 per cent of remittances for business investments and 3.7 per cent for savings.


The strong impact of remittances on Kosovo's economy is undeniable. This is clearly indicated by their share of GDP and their importance among the sources of household income. However, the distribution of remittances, in which their share of current consumption is dominant, prevents the possibility of these transfers becoming a generator of additional economic growth and acceleration of future development. Hence, strengthening the investment component is necessary, and the continuation of this trend could be considered an untapped resource. A clear strategy of the state administration on this issue is still lacking, although the focus of the relevant state bodies as well as the non-governmental sector is slowly moving in this direction, primarily through the recognition of untapped potential.

More intensive investment by the diaspora primarily requires an improved economic environment, since business conditions in countries where the diaspora is distributed are very attractive. After that, it is necessary to create a platform that will make communication stronger and operationally efficient, in terms of promoting investment points but also neutralising administrative barriers and reducing pre-investment costs. Also, we frequently encounter warnings that this source of current account financing will soon begin to decline due to the changing nature of migration, which is now dominated by family emigration and the natural disappearance of older generations who are the concern of the diaspora as remittance recipients.

On the other hand, the global COVID-19 pandemic has shown that jobs are more mobile than previously thought, and that the effort to optimise costs will result in a pronounced intention to relocate to peripheral countries. This raises the question of the quality of the workforce, and principally the quality of education which today is becoming one of the most important factors for attracting foreign direct investment, especially if the goal is to attract modern, sophisticated and environmentally desirable investments.

Another important resource of the diaspora, in addition to remittances, is the knowledge and skills acquired in countries with higher levels of development. It is clear that this influence carries not only economic but also sociological and cultural effects, as well as the effects of improving institutions. Hence, various concepts are increasingly mentioned, such as the circulation or transfer of knowledge, which should ensure a more efficient use of this resource. The diaspora or returnees who remain attached to or committed to their home country often put their entrepreneurial, organisational or managerial skills acquired abroad into the profit-making service. Through various forms of transnational practice, they can simultaneously remain connected with their own and other countries, that is with people, creating networks that encourage the diffusion of advanced technologies, management methods, modern trade, service delivery, etc. Even without a constant return to the homeland, maintaining strong ties with those who remain in the diaspora can have a positive impact on norms of behaviour. The informal influence of adopted standards and value scales can therefore create latent pressure on institutions and contribute to the improvement of the entire system.

4 Conclusion

This paper aims primarily to update this topic and animate the professional public and decision-makers in order to manage the phenomenon of migration in the best possible way. To this end, certain quantifications have been made and key points have been highlighted so that the activities undertaken in order to solve this issue will be more effective and not counterproductive. Stopping this process or reversing trends is an impossible mission in this constellation of factors, and it is likely that it will be for many years to come. However, minimising the negative effects and maximising the possible potential impacts is something that should start now.

This study has shown that Kosovo shares the fate of the region in terms of migration movements and is facing an intensified process of emigration of young and highly educated people. If the trend of emigration continues, the future will bring a number of socio-economic problems and exacerbate those that are already present today. Pressures from pension funds, health and social services, supply-side labour market disruptions and declining potential GDP growth due to deteriorating human capital factors are just some of the problems that Kosovan society will face. They stand in the way of national prosperity and a better quality of life for every citizen.
The results obtained and the methodological approach are a good basis for the further deepening of the analyses, for which it is necessary to provide more detailed data on the number of emigrants and the age and educational structure of the emigration contingent.

The quantification and analysis of the current state has demonstrated the complexity of this phenomenon and its strong, multidimensional impact on the community. In addition, the calculations show that people leaving Kosovo, in addition to the knowledge and experience they have gained, "carry" with them significant value from the funds invested in their education. The results show that the total cost of education of people leaving Kosovo in one year, depending on the educational structure, varies from just over $€ 180$ million to almost $€ 205$ million. This puts the whole society in a situation where something that was supposed to be an investment becomes a cost.

The results obtained show that directly and indirectly, as it is impossible to prevent the annual outflow of the population by employing them, an annual loss in the level of potential GDP in the amount of about $€ 519$ million was generated. It is clear that this cost is not a one-time cost but that in the future it will be further expanded through a decline in the value of human capital which will multiply the negative impact. A lack of human capital, in the not too distant future, can largely determine the economic destiny of the country and the living standard of the entire Kosovan population.

While the negative effect is known and realised today, the positive effects are present only at the level of potential and their activation requires comprehensive activities by public bodies, support from the non-governmental sector and clear understanding by the public. Even the most direct positive effect, in the form of remittances and personal transfers, has very limited scope without the active approach of relevant institutions. This is especially the case because the nature of modern migrations significantly weakens the links with the motherland and thus the strength of these transfers.

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[^0]:    Source: Kosovo Remittance Survey 2012, UNDP, 2012, pg. 26.

[^1]:    Sources: National Statistical Institutes and Eurostat

[^2]:    Sources: Eurostat and National Statistical Institutes

[^3]:    Source: Author's calculation based on data from the Kosovo Agency of Statistics

