

# **Kosovo (UNSCR 1244)** in its early demographic dividend stage - a time sensitive opportunity

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*The window of opportunity for Kosovo\* is expected to close in mid - 2030*

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## Executive summary

Kosovo is currently in the early demographic dividend stage with fertility levels and child mortality rates that have already reached the post transition levels and dependency ratios expected to decline. In demographic transition, the population moves from one demographic structure to another. Secular shifts in fertility and mortality levels change the age structure of a population from many children and few elderly to few children and many elderly, thereby leading to a situation where the growth rate of the labour force exceeds that of dependents, resulting in surplus resources for investments in economic development and family welfare. The situation of having a relatively larger working-age population is related to the so-called **first demographic dividend**. As the working-age population matures, the prospect of retirement can provide the motivation to save for financial security. The additional savings can either be consumed or used to prolong economic growth. This stage of economic growth has been termed **the second demographic dividend** which can occur in the later stage of the demographic transition. To summarize, while the first demographic dividend is an outcome of a change in the population structure which leads to a transitory bonus, the second dividend converts the additional resources into means of sustainable development. Nevertheless, the dividend period is a window of opportunity rather than a guaranteed outcome, which fully depends on the adoption and effective implementation of policies aimed to reap the benefits of the demographic dividend.

**By 2030 half of the Kosovo population will be over 37 years old and by 2050 half of the population will be older than 46.**

- The Kosovo population is expected to start declining by mid-2030s despite the current growth trends.
- While the share of population under 18 years is projected to decline by one fifth from 2015 to mid - 2030, the adult population between the ages of 18-65 years will increase by 10 percent.
- Evidence points to a decline in the total fertility rate from 4.5 in 1980-1985 to 2.3 (2013-2014 Kosovo MICS) with the fertility levels projected to continue to decline to 1.5 estimated in 2061 (Kosovo Agency of Statistics (KAS), 2013a).

**A child born in Kosovo today has a greater chance of reaching his or her fifth birthday than children born 5 to 14 years ago. Projection analysis results suggest that the decline in the under-five mortality is expected to continue.**

- Although Kosovo has a much younger population than the neighbouring countries, it can be expected that, due to the current age structure, the population will undergo an ageing process in the future due to relatively few births rejuvenating the pyramid from the bottom. This process can be accelerated with the emigration of the working age population.
- In 2011, life expectancy at birth for both sexes was estimated to be 76.7 and this is expected to increase to 80 years by 2030.

**By 2021 Kosovo will reach the lowest dependency ratio of 45 percent. Dependency ratios are then expected to increase again reaching 47 percent by 2030 and 57 percent by 2050.**

- Dependency ratios in Kosovo are currently falling, with the share of the working age population increasing and the number of dependents declining.
- While child dependency ratios are expected to decline from 37 percent in 2015 to 22 percent by 2050, old dependency ratios are expected to increase from 12 percent in 2015 to 35 percent by 2050.

**In Kosovo, the number of emigrants<sup>1</sup> increased over the past years reaching 45,000 emigrants in 2014 (Migration Profile 2014).**

- In the European context, migration makes rich receiving countries younger, and poorer countries with high emigration older. Emigration of working age population, can accelerate population ageing in Kosovo.

**Kosovo is the only place in Europe which is classified as a place in the early demographic dividend stage. The window of opportunity for Kosovo is time-sensitive and will be short, as it opened in the mid-2000s and will be closing by mid - 2030.**

- Kosovo is currently in the early demographic dividend stage with fertility levels and child mortality rates that have already reached the post transition levels and dependency ratios expected to decline.
- The demographic dividend is seen as a window of opportunity for accelerating economic growth, but this is not automatic and it may or may not be realized in practice. It fully depends on the capitalisation of opportunities and implementation of effective policies in the country for reaping the demographic dividend. For Kosovo to reap the demographic dividend, it is therefore critical that challenges and opportunities are properly addressed and adequate policy actions are put in place.
- Key policy recommendations for countries in early demographic dividend stage focus on investment in human capital; enhancing labour market mobility; reducing barriers for female labour participation; strengthening conditions for savings and creating new opportunities for employment.

**Kosovo is one of the poorest places in Europe and households with children are more likely to experience extreme poverty. To initiate a demographic dividend, it is critical for Kosovo to adequately address its challenges and make the best use of its opportunities.**

- Poverty and deprivation levels in Kosovo are high, with almost one out of four children under the age of 18 years being deprived in at least 2 dimensions in the areas of nutrition, water, sanitation, education, household, health, protection from violence or child protection (UNICEF, 2015)
- Models predict 0.3-0.6 percent increase in GDP per capita, per year, on average between 2015 and 2021 which is less than the current growth rate in Kosovo.

**Dependency on remittances in Kosovo is high, accounting for 16 percent of the GDP in 2014 (World Bank WDI database).**

- While remittance protect a sizeable fraction of its population from poverty, there are several concerns raised about using remittances as a development strategy.

**For Kosovo to benefit and maximize the demographic dividend, the need for investments in human capital is critical.**

- To boost the economic growth specific education and labour policies are necessary which should be combined to align the stock of human capital with growth-oriented demand.
- In terms of investments in human capital, it is essential that policies in Kosovo focus on skill gap assessment for professions in demand, investments in vocational and technical training, implementation of career guidance corresponding to professions in demand by the labour market and increasing opportunities for life-long learning to provide the increasing labour force with necessary skills.
- Emphasis should be put in the creation of new jobs in expanding economic sectors including agriculture, manufacturing etc., that become available and match with the production of skilled labour (ECA and AUC, 2013).

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<sup>1</sup> Emigrants defined as persons aiming to stay outside of Kosovo for more than one year according to Migration Profile 2014.

**Kosovo has the highest percentage of total economically inactive<sup>2</sup> population rate in Europe, with female inactivity rate being 79 percent. Reducing gender gaps in the labour market can serve as a huge potential for growth, poverty reduction and shared prosperity.**

- Low labour force participation of females contributes to the extremely low level of employment rate for women in Kosovo. Increasing labour participation of females can increase the overall activity rates in Kosovo.
- Adequate policies targeting specifically children, youth and women are very important. Children and youth policies should focus on gender specific constraints to schooling and enhancing non-cognitive and vocational skills. For young women during the productive years, policies should focus on combination of training and other support including expanding access to child care and elderly care services (World Bank, 2012).

**Education is a driver of economic growth which is associated with individual empowerment and a decrease in poverty. Evidence suggests that the average return rate for an additional year of schooling contributes to a 10 percent increase in income per individual (Montenegro and Patrinos, 2014). Data for Kosovo indicate the need to increase access to education particularly for pre-primary, upper secondary levels and early childhood education programs.**

- Public spending for education in Kosovo is low, indicating a need to prioritize education in public spending.
- There is a need to increase enrolment rates to reach the universal coverage in education. The evidence suggests that children in Kosovo are mainly deprived in the area of early childhood education, suggesting a need to increase access and enrolment in early childhood education programs.
- Targeted interventions focusing on poorer households and children from Roma, Ashkali and Egyptian communities are critical for Kosovo.
- Increasing investments for innovative, professional development programs for teachers, learning materials and teaching support to increase the quality in education is also important.

**Improvements in the health system are critical for the development of a healthy population which would contribute to economic growth. Despite the progress made in Kosovo particularly in infant and child mortality, child health indicators are still the poorest in the region, highlighting gaps in access and quality of care and inequities (UNICEF and WHO, 2015).**

- Evidence suggests that adequate investments to increase and sustain breastfeeding rates will provide financial return in investment within a very short period of time, as little as within a year (UNICEF, 2012). The most recent 2013-2014 Kosovo MICS data indicate that about 60 percent of children among the general population and about 84 percent of children living in Roma, Ashkali and Egyptian communities are not exclusively breastfed. Policies that focus on the promotion and improvement of nutrition practices for children are of crucial importance for Kosovo.
- Targeted policy actions to reach the most disadvantaged groups with primary focus on Roma, Ashkali and Egyptian communities and poorer households are critical.
- Improvements in health systems and programs can contribute to the development of a population which is healthy and capable to maximize the economic growth (Quilici et al., 2015). Expanding community-based services, such as home visiting throughout Kosovo would contribute to the promotion and improvement of good nutrition practices for children all over Kosovo and reach out to the most disadvantaged groups.

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<sup>2</sup> According to Kosovo Agency of Statistics, Labour Force Survey, 2014, inactive population is defined as 'working age population not economically active, those that are not employed and have not actively sought employment in the past four weeks and/or are not available to start work within two weeks'.

**Domestic savings and investments: the early demographic dividend stage for Kosovo will close soon, it is therefore critical to act now to get prepared and benefit from the second demographic dividend opportunity in the near future.**

- Realization of the second demographic dividend fully depends on the support mechanisms provided for the elderly people in a country. In Kosovo, only a reduced portion of residents can live solely from their work, they have to rely on other persons and/or other sources of income.
- To reap the second demographic dividend, it is therefore important to focus on productive investments in creating new jobs; promoting and strengthening savings programs; create mechanisms to support workers to accumulate their wealth for the future.

**It can be expected that in Kosovo the household sizes will further decline while the number of actual households will increase and the growth in the number of households is expected to be faster than the actual population growth.**

- The demographic transition is associated with changes in family structures and household structures. An increase in the number of households in Kosovo will be particularly important when it comes to energy-related consumption, the human impact on the environment and sustainable development.

## Demographic trends, population patterns and age structure

**While from 2015 to 2030 the Kosovo population is expected to increase from 1.8 million to 1.93 million the population is expected to start declining by mid-2030s, estimated to reach about 1.9 (1.87) million in 2050.**

According to the KAS, Kosovo's current population of 1.8 million<sup>3</sup> is expected to grow until mid-2030s and then decline to reach 1.87 million by 2050. The Kosovo population will soon be facing a transitioning phase as half of the population will be over 37 years old by 2030 and over 46 years old by 2050. The under 18 population is projected to decline by one fifth (20 percent) from 2015 to 2030, with further decline to 2050<sup>4</sup>.

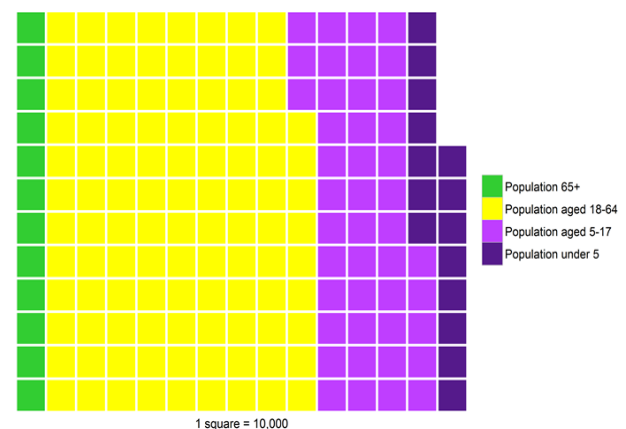
Understanding this demographic transition and undertaking necessary steps in terms of adequately addressing challenges and opportunities and putting in place adequate policies is of critical importance. This chapter analyses the projected levels and trends in Kosovo's population, fertility, child mortality and life expectancy, migration, age structure of the population, population density and urbanization and discusses some of the key policy issues and challenges in the next chapter. All population projections are based on the medium variant of the population projections from the KAS using the 2011 Census data as a primary source (KAS, 2011).

### Total population

**Despite the current growth trends, Kosovo's population will decline by mid-2030s. By 2030 half of the population in Kosovo will be over 37 years old, and by 2050 half of the population will be older than 46 years.**

According to the 2011 Census, the Kosovo population was estimated to be 1.78 million with 34 percent of the population under the age of 18 and a median age of 27 years. 62 percent of the population lives in the rural areas with a density of 163.2 people per km<sup>2</sup>. Population change includes the overall population growth, as well as changes in age, sex and spatial distribution. In turn, all of these changes can be analysed by considering the three driving forces of population dynamics: fertility, mortality, migration.

Figure.1: Population in Kosovo by broad age groups, 2011



Note: Data based on the estimations with population living in north municipalities included.

<sup>3</sup> North municipalities resided by Serbian population are not captured during the Kosovo Census in 2011. After 2011 Census, Kosovo Agency of Statistics has calculated and estimated the number of Serbian population living in North municipalities to be 40,196 which was then added to the total population.

<sup>4</sup> Based on estimations with north municipalities included.

## Fertility

### **Decline in the total fertility rate from 4.5 in 1980-1985 to 2.3 in 2013-2014.**

The most recent data from the 2013-2014 Kosovo MICS survey estimate the total fertility rate (TFR) to be 2.3 children per woman. The evidence suggests that the TFR declined from 4.5 in 1980-1985 according to KAS, Vital Registration. TFR is higher in rural compared to urban areas: 2.4 with 2.0 respectively (2013-2014 Kosovo MICS). According to the medium variant - population projections, the fertility level is projected to continue its decline with TFR estimated to be 1.7 in 2030 and 1.5 in 2061 (KAS, 2013a).

Figure.2: Population dynamics, today and 2030



Source: UNICEF analysis based on data from KAS population projections (medium variant) and Kosovo MICS 2013-2014.

## Child mortality and life expectancy

### **A child born in Kosovo today has a greater chance of reaching his or her fifth birthday than children born 5 to 14 years ago. Analysis project that the decline in the under-five mortality is expected to continue.**

Both admin and survey data show declining trends in child mortality. Based on the latest MICS data, the under-five mortality rate is estimated at 15 deaths per 1,000 live births, and neonatal mortality rate is estimated at 9 deaths per 1,000 live births, with data referring to period of 0-4 years before the survey. According to 2013-2014 MICS data, the neonatal mortality rate to under-five mortality ratio is 0.6. Vital registration data indicate concentration of under-five mortality deaths in neonatal period (57–76 percent in the years 2002-2014). Based on the analysis of vital statistics -the most frequent causes of infant deaths in Kosovo are pneumonia, diarrhoea and congenital abnormalities (World Bank, 2014). Disaggregated data indicate higher mortality rates in rural than in urban areas with 18 deaths per 1,000 live births in rural versus 11 in urban areas (2013-2014 Kosovo MICS). Overall, projection analysis indicates a continuous decline in the under-five mortality rate. Although there is progress in terms of child survival among the general population, data show large discrepancies among the Roma, Ashkali and Egyptian population in Kosovo, with under-five mortality rate as high as 49 deaths per 1,000 live births (2013-2014 Roma, Ashkali and Egyptian communities in Kosovo MICS).

Figure.3: Under-five mortality rate in Kosovo, by data series and European average 2015

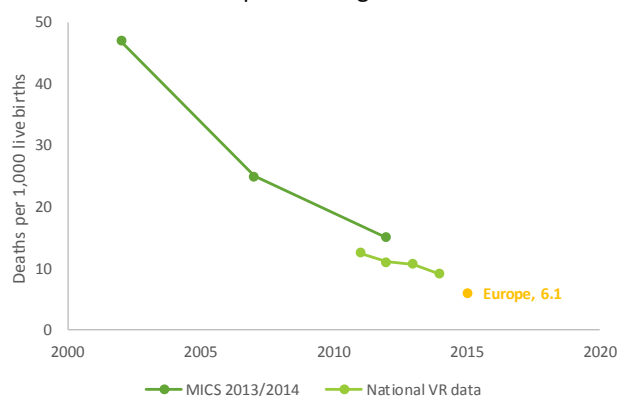
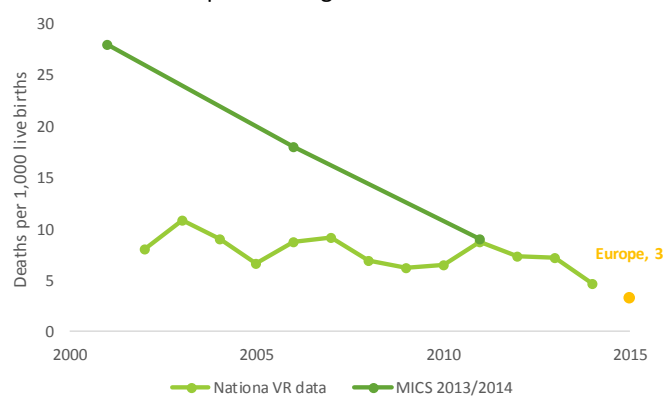


Figure.4: Neonatal mortality rate in Kosovo, by data series and European average 2015



Sources: UNICEF analysis based on 2013-2014 Kosovo MICS and KAS Vital registration data, United Nations Inter-agency Group for Child Mortality Estimation (UN IGME) 2015

**Life expectancy in Kosovo has risen and will continue to do so. Population projections expect an increase in life expectancy of 0.17 years per calendar year.**

Life expectancy at birth was estimated at 76.7 years for both sexes and 74.1 years for men and 79.4 years for women in the 2011 census. The census estimation for life expectancy in Kosovo was not very different from the UNDP estimations for neighbouring countries for the time period of 2010-2015. Life expectancy at birth for both sexes reported by World Bank is 70.5, which differs from the figure reported by KAS due to the differences in the methodologies used for the calculation, with World Bank accounting for under-registration of deaths (2013a). According to the UNDP estimation, the life expectancy in Albania for both sexes was 77.5 years, 75.2 years for Former Yugoslav Republic of Macedonia and 76.0 years for Montenegro. Projections expect an increase in life expectancy of 0.17 years per calendar year for both sexes, with a life expectancy at birth expected to increase to 80 years by 2030 (KAS, 2013a) (Figure 2).

## Migration

**The number of emigrants increased over the past years reaching 45,000 emigrants in 2014 (Migration Profile 2014). In the European context, migration makes rich receiving countries younger, and poorer countries with high emigration older. Emigration of working age population can accelerate population ageing. In Bulgaria, emigration to other European countries has accelerated rapid ageing of the population (World Bank 2016).**

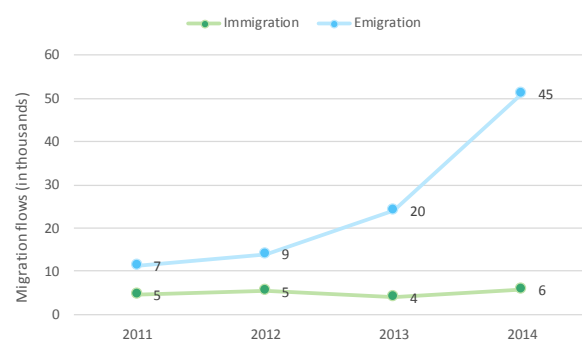
Based on the 2011 population census, 70 percent of the population never migrated internally or internationally, 23 percent migrated internally, while 8 percent moved to Kosovo from abroad being mainly returning Kosovars with 97 percent of them holding a Kosovo citizenship (KAS, 2013c). In addition, the Census measured outmigration with a supplementary form and estimated that in 2011 about 22 percent of the Kosovo population had emigrated from Kosovo. In other words, Kosovo's population would be about one fifth larger with zero emigration over the past. Although this may be an undercount since families that have left completely were not captured, the typical family structures in Kosovo allow to measure outmigration with a certain reliability.

### Internal and International migration

Based on the 2011 census data, family-related marriage is the main reason for internal migration in Kosovo, with rural to rural movements dominating over urban movements and females dominating males (KAS, 2013c).

Evidence suggests negative net migration in Kosovo with more emigrants than immigrants, where most of immigrants are returnees. In 2014, the negative migration was not balanced by natural population growth, resulting in negative population growth of -0.9 percent. Based on these flow statistics, for every person moving to Kosovo, there were almost 8 people leaving in 2014 (KAS, 2015c) (Figure. 5).

Figure.5: Migration flows from and to Kosovo, 2011-2014



Source: The Government of Kosovo, Governmental Authority for Monitoring of Migration Movements: Migration Profile 2014.

**Emigration:** The number of first time asylum applications to the European Union and European Free Trade Association (EFTA) countries rose by more than 8 times from 2012 to 2015, from 8,000 asylum seekers in 2012, to 18,000 in 2013, 35,000 in 2014 and 68,000 in 2015 (Eurostat database, 2016) (Figure 6). The approval rates for asylum applications for Kosovo citizens were below 7 percent in 2014 and 3 percent in 2015 (*First instance decisions*; Eurostat database, 2016). However, monthly asylum application numbers indicate that emigration flows are declining since mid-2015 and in 2016 the levels were similar to the 2011. They peaked in late 2014 and early 2015 with 23,000 first applicants from Kosovo in February 2015. The number of first time applicants in January 2016 stood at 600 applications compared to 14,000 in January 2015 which is 24 times smaller (Figure.8) (Eurostat database 2016). While previously

emigration had been more gender balanced with almost half of all emigrants being females (KAS, 2013a), the latest data show that around two thirds of new asylum applicants with Kosovo citizenship were male in the years 2013 to 2015 (Eurostat database, 2016) (Figure. 7). The reports from receiving countries show that the majority of Kosovo emigrants are of working age and predominantly male. In 2015, 67 percent of all first time asylum applicants with Kosovo citizenship were aged 18-64 (72 percent of them were male), half of them 18-34 years old and of those 77 percent were male. First time asylum applications among those under the age of 18 were more gender balanced, with 45 percent being female (Figure. 7). There is indication that in 2014 entire families emigrated because the relative increases in younger ages (under 18) was larger than for 18-34 age group, and relative increase in the number of females was higher than for males for 18-34 years age group as compared to 2013 (Eurostat database, 2016). In 2013 and 2015 there was largest absolute and relative increase for males among the age group 18-34 years (Figure 7). There is an expected increase in emigration rates from larger birth cohorts before declining in about 30 years with smaller birth cohorts. Currently the annual emigration exceeds medium as well as low (high net emigration) assumptions in the official population projections. Emigration is 3.5 times larger than assumed in KAS medium variant population projections for the year 2014 (45,000 vs 13,000).

**Immigration:** At least 4/5 immigrants in 2014 were returning citizens. The number of returned emigrants overall went up from 5,000 in 2014 to 16,000 in 2015 with more than half returning by force (55 percent) (Annual Statistical Report, 2015). Projections of immigrations (projection on return migrants) depend on migration policies in the countries of destination. Based on the 2011 population projection, the assumption was that high return migration in 2008-2011 will not continue as a result of the agreements between EU and Kosovo Government. Without agreement there was an expected inflow of 4000-6000 per year (guesstimate). The values for return migration reported for 2014 were similar to the values used in the projections, but in 2015 return immigration was 4 times higher than the medium variant number. KAS projections assumed higher female than male net emigration, less female return, while for those emigrating sex ratios are similar. Nevertheless, the projections are not supported by recent data from receiving countries with far higher male emigration. Survey data indicate that half of the 18-36 years old expressed intention to migrate (UNDP, 2014). Although this does not mean that all migration aspirations will result in actual migration, it is an indication that emigration will most likely continue. In the European context, migration makes rich receiving countries younger and poorer countries with high emigration older.

Figure.6: First time asylum applicants with Kosovo citizenship in the European Union and EFTA countries, 2009-2015

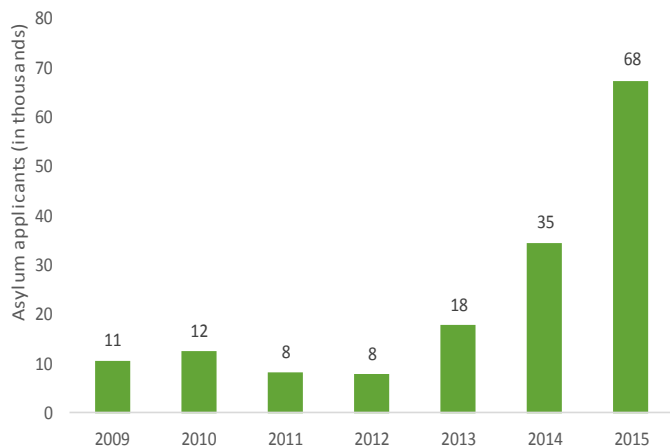


Figure.7: First time asylum applicants with Kosovo citizenship in the European Union and EFTA countries by age and sex, 2012-2015

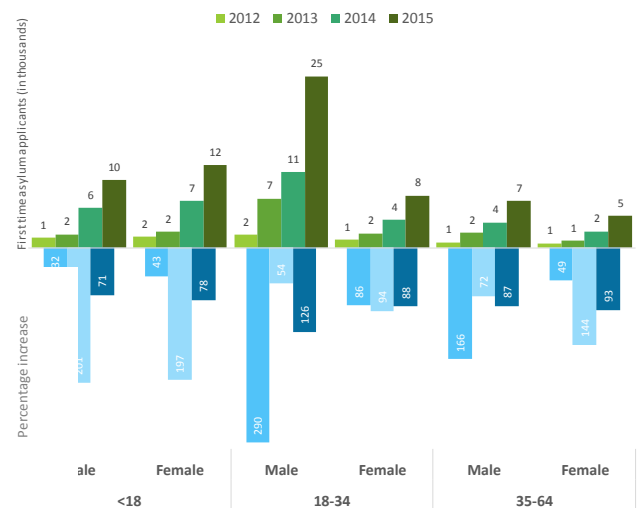
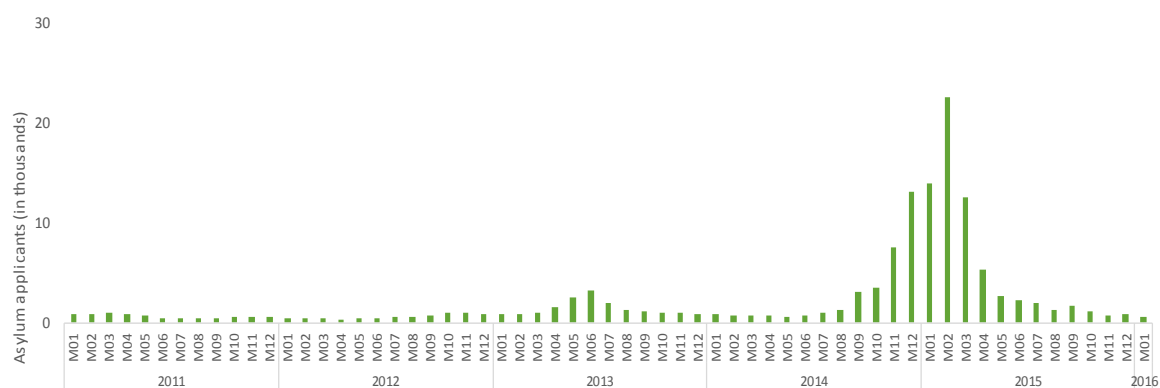


Figure.8: Monthly first time asylum applicants with Kosovo citizenship in the European Union and EFTA countries, 2011/01 to 2016/01



Sources Fig 5-8: The Government of Kosovo, Governmental Authority for Monitoring of Migration Movements: Migration Profile 2014, The Government of Kosovo, Ministry of Internal Affairs, Department of Citizenship Asylum and Migration, Annual Statistical Report, 2015, Eurostat databases.

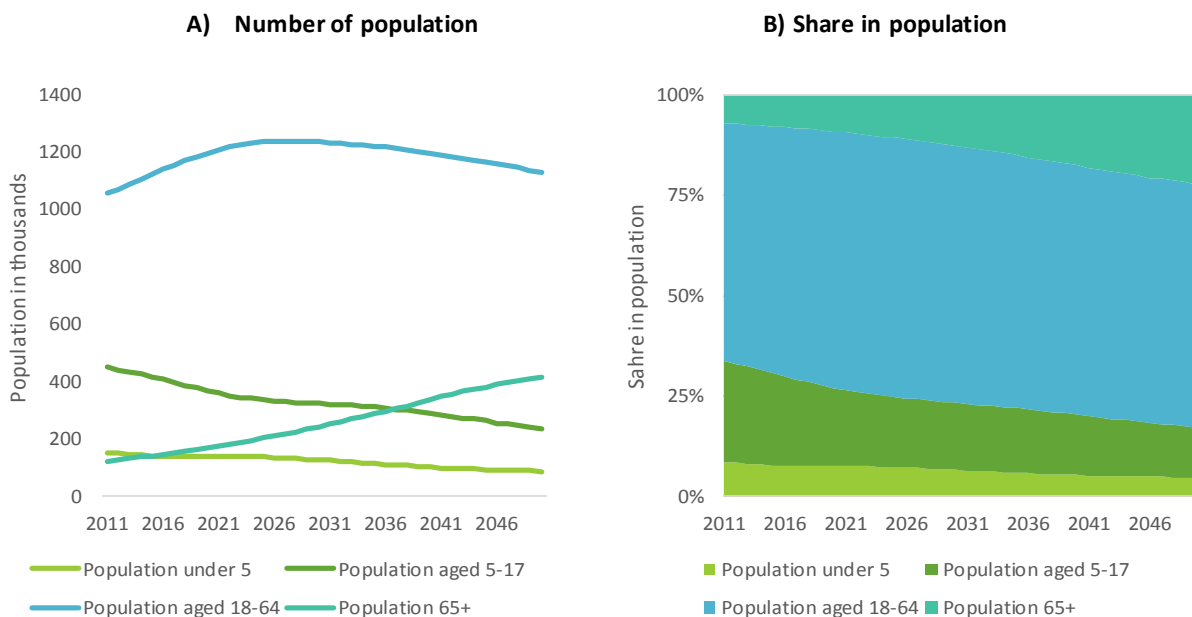
## Age structure of the population, age groups and dependency

**Kosovo has a much younger population than neighbouring countries however, due to the current age structure, it can be expected that the population will undergo an ageing process in the future, due to relatively few births rejuvenating the population pyramid from the bottom. Emigration of working age population can accelerate this process.**

In 2011 half of the Kosovo population was younger than 27 years and by 2015 half of the population was projected to be under the age of 29 years (28.4). Kosovo has a much younger population than the neighbouring countries. Albania has the second youngest population with 34.3 years, followed by FYROM and Montenegro with half of the population under 38 years, while the highest median age is estimated for Italy with 45.9 years (UNDESA, 2015). In 2015, half of the population in Southern Europe was older than 43.9 years. Overall, the current age structure for Kosovo reflects the fact that fertility rates have fallen over the past so that the current cohorts of childbearing age are not giving rise to large cohorts of children and that child mortality is relatively low. The age pyramid also reflects the historic population patterns, with narrowing age groups and the current mortality of middle-aged and older persons. Dividing the population in two (the median) fall in the age group of 25-29. There are still relatively few older people. Based on the current age structure it can be expected that the population will undergo an ageing process in the future, since there are relatively few births rejuvenating the pyramid from the bottom, which can be accelerated with the emigration of the working age population.

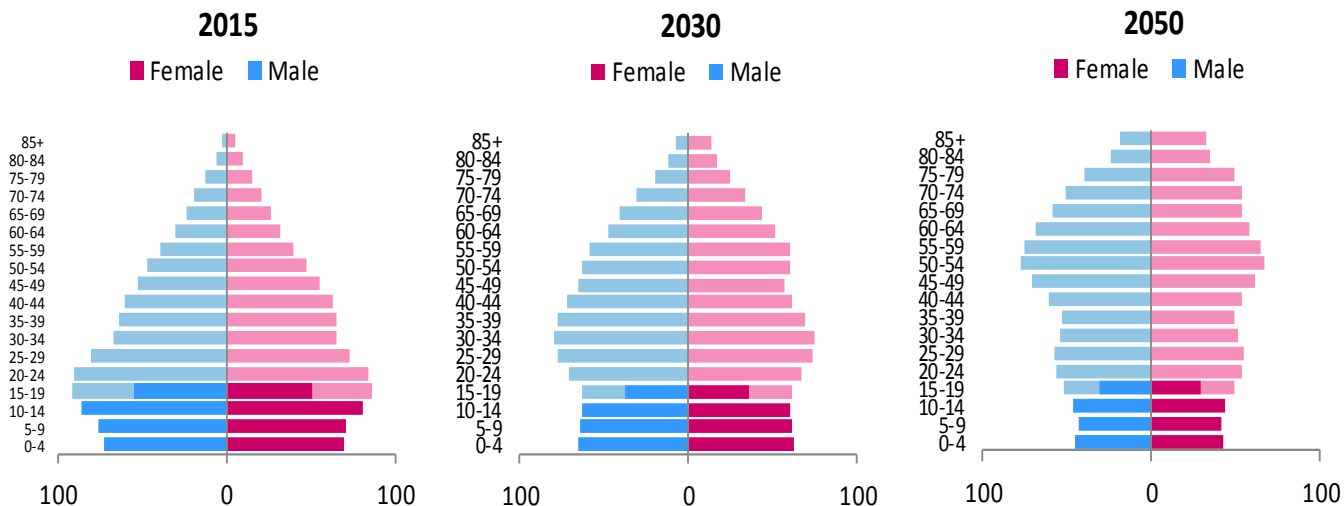
Projections show that by 2030 half of the population will be over 37 years old, while by 2050 half of the population will be older than 46 years whereas the share of the population under the age of 18 is expected to decline by one fifth from 2015 to 2030. By 2030, the adult population, those between the age of 18 and 65, will increase by 10 percent from 1,124 to 1,238 thousand. By the end of 2020s (2029) the adult age population is projected to start declining, reaching 1,130 thousand by 2050 (Figure. 9 and Figure. 10). The largest increase by age groups is projected for the old age population as the group of 65 and older is estimated to increase by 71 percent from 2015 to 2030 from 142 thousand to 243 thousand in 2030 and to 416 thousand in 2050 (Figure. 9 and Figure. 10).

Figure.9: Projected population by broad age groups 2011-2050



Source: UNICEF analysis based on data from KAS population projections (medium variant)

Figure.10: Projected population by age and sex, 2015, 2030 and 2050



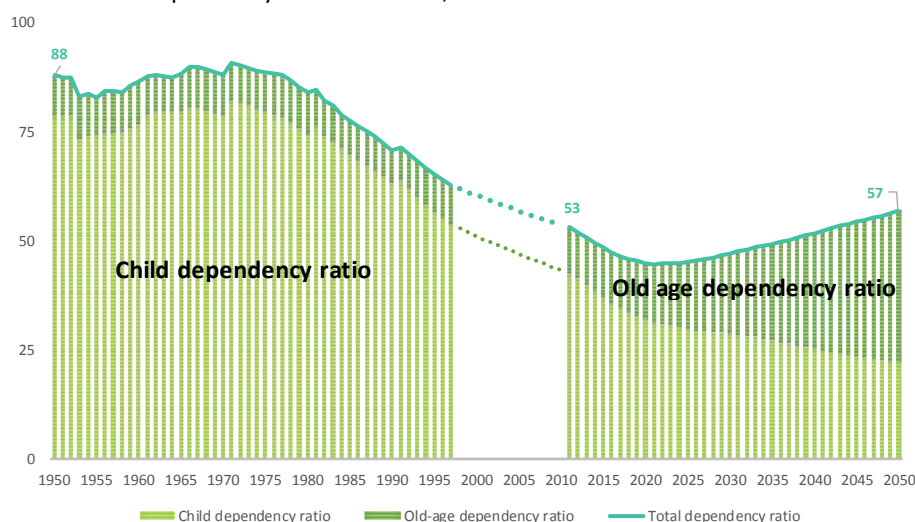
Source: UNICEF analysis based on data from Kosovo Agency of Statistics population projections (medium variant)

## Dependency

**Dependency ratios in Kosovo are currently falling. The share of the working age population is increasing while the number of dependents is declining, with the lowest dependency ratio of 45 percent that will be reached in 2021.**

Currently the dependency ratios in Kosovo are falling and have been falling since the mid-1970s from very high levels of above 90 percent (Figure.11). The share of the working age population is increasing and the number of dependents is declining. In 2011, dependency ratios stood at 53 percent, and were projected to be at 48 percent in 2015. The lowest dependency ratio will be reached in 2021 with 45 percent. From the early 2020 the dependency ratios are expected to increase again after a long period of decline. They will reach 47 percent by 2030 and 57 percent by 2050. While child dependency ratios will continue to decline from 43 percent in 2011, 37 percent in 2015, 29 percent by 2030 and 22 percent by 2050, old age dependency ratios are projected to increase from 11 percent in 2011, 12 percent in 2015 to 19 percent in 2030 and 35 percent by 2050 (Figure. 11). Child population share is higher in rural areas (56 percent) than in urban areas (49 percent) (KAS, 2011)

Figure.11: Past and future dependency ratios in Kosovo, 1950-2050



Source: UNICEF analysis based on data from Kosovo Agency of Statistics population estimates and projections (medium variant) and for the period of 1950 to 1997 from Statistical Office of Serbia

## Urbanization and household size

**Pristina, the capital city of Kosovo, had the most important population increase in the past, due to internal migration.**

According to the 2011 population census, 62 percent of the Kosovo population live in rural areas and the population density (people per km<sup>2</sup>) is 177.4, an increase from 166.4 assessed in 2012 (KAS 2014). The population density in Kosovo varies from 19.8 to 505.2 by municipalities (KAS, 2011<sup>5</sup>). Pristina the capital city of Kosovo had the biggest important population increase in the past through internal migration (KAS, 2011<sup>6</sup>).

**The average number of members per household is declining with 5.4 members per households based on 2013-2014, 5.9 in 2011, 6.9 in 1981 and 6.6 in 1971 (Population census, 2011, 1981, 1971).**

Less than a quarter (24 percent) of the households are single family nucleus including parents living with their children, while in most of the cases 62 percent several generations or siblings live together with their own families. According to the 2011 population census, single-parent families living without any other relative account for 2.4

<sup>5</sup> Data based on Census Atlas, 2013, Kosovo Agency of Statistics

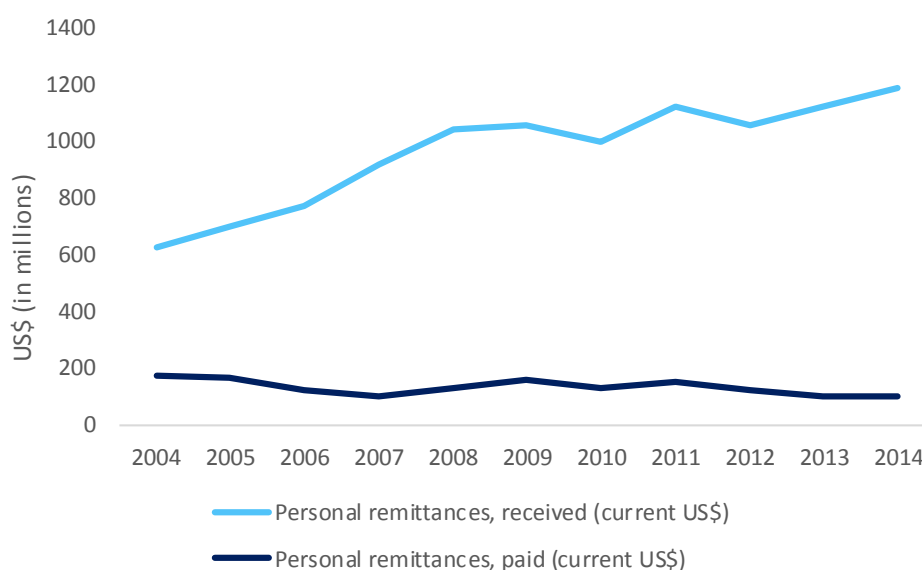
<sup>6</sup> Data based on Census Atlas, 2013, Kosovo Agency of Statistics

percent of the population, while one-person households account for 2.9 percent. Co-residence rates for elderly is comparably high in Kosovo with 92 percent (Bussolo et al., 2015). Declining trends are observed, with the average number of persons per households of 5.4 persons in 2013-2014, 5.9 in 2011, 6.9 in 1981 and 6.6 in 1971 (Population census, 2011, 1981, 1971).

## Remittances

Dependency on remittances in Kosovo is high, accounting for 16 percent of the GDP in 2014 (World Bank WDI database). Remittances inflows have been increasing over the past years amounting to US\$1.2 billion in 2014 (Figure. 12). The incidence and value of remittances vary. Remittances receiving households tend to have lower levels of labour market participation and employment rates although the number of persons of working age is slightly higher than in non-remittances receiving households. Especially for women labour force participation is lower in remittances receiving household, with the possible reasons that women left behind take more responsibilities for children, elderly and other dependents in the household (UNPD, 2014). Based on UNDP analysis, remittances receiving households tend to have lower levels of poverty and higher level of consumption expenditure. They tend to spend more on education (11 percent more) and healthcare (48 percent more) than non-remittances receiving households and invest in business activities (UNDP KHDR Report 2014). Nevertheless, while remittances protect a sizeable fraction of its population from poverty, several concerns have been raised about using remittances as a development strategy including: 1) Migrants change and if settling more permanently in host places, ties to place of birth become looser and can result in declining attachment and remittances; 2) Migration policies change; 3) Remittances, which are essentially private transfers, cannot be effective substitutes for more reliable, domestically generated resources to finance public investments in infrastructure, human capital, social services, and so on.

Figure. 12: In- and outflows of remittances to and from Kosovo, 2004-2014



Source: World Bank Development Indicators 2016.

## Demographic transition and the demographic dividend

In demographic transition, the population moves from one demographic structure to another. Secular shifts in fertility and mortality levels change the age structure of a population from many children and few elderly to few children and many elderly. In the transitional period, countries can experience unprecedented levels of population growth. The demographic transition offers a typology of how countries evolve demographically.

The situation of having a relatively larger working-age population is related to the so-called **first demographic dividend**. The age structure of the population can have important economic consequences for the population since an increased number of potential workers per dependent increases the potential for increasing production and savings, leading to job creation, improved productivity, increased human capital in terms of better health and education and female participation in the labour market. Considering that the household savings are concentrated in the working ages, a growing labour force together with less children per household have the potential to increase savings.

The demographic dividend is seen as a window of opportunity for accelerated economic growth. Nevertheless, declining dependency ratios is no guarantee for more rapid economic growth. The favourable age structure of a population between fertility decline and an ageing population frames the window of opportunity for the first demographic dividend. Besides the favourable age structure, inclusive and equitable economic and social policies as well as political and social stability must be in place for reaping the demographic bonus.

In the next stage of the demographic transition, the increasing longevity leads to a rapid growth of the group of elderly people. At the same time, low fertility results in a slower growth of the working-age population. The ageing population can create a burden for the working-age population if supported by the intergenerational transfers, either through pension systems or from adult offspring. It has been argued that this burden would neutralize or be limited by life cycle savings of the elderly. As the working-age population matures the prospect of retirement can provide the motivation to save for financial security. The additional savings can either be consumed or used to prolong economic growth. This stage of economic growth has been termed **the second demographic dividend** which can occur in the later stage of the demographic transition. It is also called savings dividend. This 'second' dividend is argued to be more durable than the first. While the evidence for the demographic dividend is very strong for countries in East Asia, similar shifts in the age structure in countries in North Africa and Latin America did not result in rapid economic advances (Cleland, et al., 2015; Lee & Mason, 2011; Bloom et al., 2003).

## Kosovo in early demographic dividend stage – a time sensitive opportunity

***Kosovo is the only place in Europe which is classified as a place in the early demographic dividend stage. Fertility levels and child mortality rates have already reached post transition levels, and dependency ratios will decline. The window of opportunity for Kosovo will be short, opened in the mid-2000 and closing by 2030.***

According to the World Bank 2015/2016 typology which uses the past and current fertility rates, as well as future growth in the share of working age population, Kosovo is classified as a place in the early demographic dividend stage. Fertility levels and child mortality rates have reached post transition levels, by progressing in its fertility transition, with fertility rates below 4 children per woman, most recent 2013-2014 Kosovo MICS data indicate 2.3, and the share of working age population is expected to grow in the next years. However current projections indicate that the growth in the share of the working age population is becoming negative, and the place may progress into the late dividend stage by 2022.

More than half of the countries in early dividend stages are lower middle income countries, while the vast majority of late dividend countries are either lower or upper middle income countries. The Kosovo fertility and growth rates in the working age population values are comparable to levels in Turkey or Venezuela and Grenada (World Bank 2015/2016). Kosovo is the only place in Europe which is classified as an early dividend place while its surrounding neighbouring countries are all in the late dividend stage (e.g. Albania, Montenegro, FYROM). Most of early dividend

countries are located in Latin America and the Caribbean, Asia and Africa. Countries that have not started their demographic transition remain located in Sub-Saharan Africa.

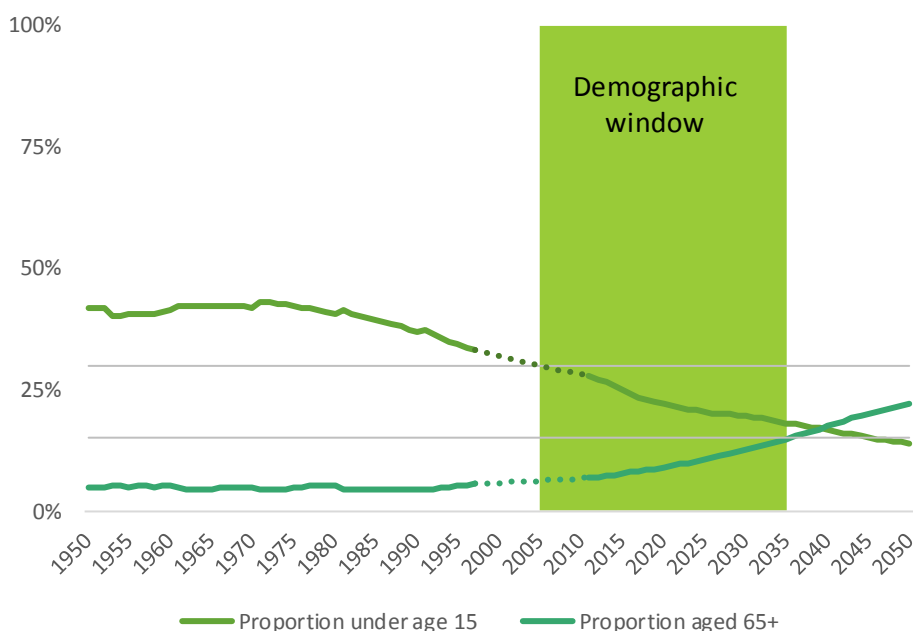
The demographic dividend is not automatic - it is time-sensitive and depends on the capitalization on opportunities for a set of specific policies and environments (ECA and AUC, 2013). Following the United Nations (2004) definition, the demographic window in Kosovo will be comparably short, opened in the mid 2000 when the proportion of the total population under the age of 15 fell below 30 percent and closing by 2030 when the proportion of the population aged 65 and over is projected to exceed 15 percent (Figure. 13). In other words, the population growth outstrips growth in working age population which marks the end of the first demographic dividend period (2021-2022) (Mason, 2005). Some countries have progressed rapidly through the demographic transition, South Korea around 30 years, while in other countries the demographic window lasted for decades.

Table 1: World Bank criteria for classification

Growth of working-age population share, 2015–30	Total fertility rate, 1985		Total fertility rate, 2015	
	≤ 0	< 2.1	≥ 2.1	
> 0			< 4	≥ 4
	Post-dividend	Late-dividend	Early-dividend	Pre-dividend

Source: World Bank Group (2016). Global Monitoring Report 2015/2016: Development Goals in an Era of Demographic Change

Figure. 13: Demographic window in Kosovo based on UN definition, 1950-2050



Source: UNICEF analysis based on data from KAS, for the period of 1950 to 1997 from Statistical Office of Serbia, and World Bank Group 2016 and United Nations 2004.

## Policy issues to reap the demographic dividend: challenges and opportunities

Kosovo is currently at the early demographic dividend stage, which is seen as a window of opportunity for accelerated economic growth, which may — or may not — be realized. The dividend period is called the ‘window of opportunity’ as it fully depends on the implementation of effective policies in a country, and is not a guarantee of the improved living standards (Lee and Mason, 2006). The dividends happen sequentially with the first dividend that begins first and comes to an end, and then the second dividend which begins later and continues indefinitely, with dividends overlapping (Lee and Mason, 2006). Depending on the policies implemented in the country, the dividend stage can be a great opportunity to accelerate the economic growth. While many Asian countries benefited from the demographic dividend, other countries in Latin America and North Africa have not seen much economic gains. Based on previous countries’ experiences, both dividends had positive effects in many countries and regions except for sub-Saharan Africa (Lee and Mason, 2006). The rapid economic growth in East Asia happened mainly due to increases in ‘factor inputs’, especially labour, capital and education (Young, 1995 as cited in Canning et al., 2015). On the other hand, this was not the case for Brazil, who did not manage to make the appropriate use of its demographic bonus. Brazil was not able to meet the demand that was created for jobs and therefore the economy was unable to harness the potential that came from changes in the age structure (Müller and Woellert 2013, as cited in Canning et al., 2015).

*The demographic window of opportunity for Kosovo is still open but will close soon. Adequate policy actions are critical and time-sensitive.*

*Key policy recommendations for countries and territories in early dividend stage include:*

- *Invest in human capital*
- *Enhance labour market mobility*
- *Reduce barriers to female labour participation*
- *Strengthen conditions to savings and job creation*

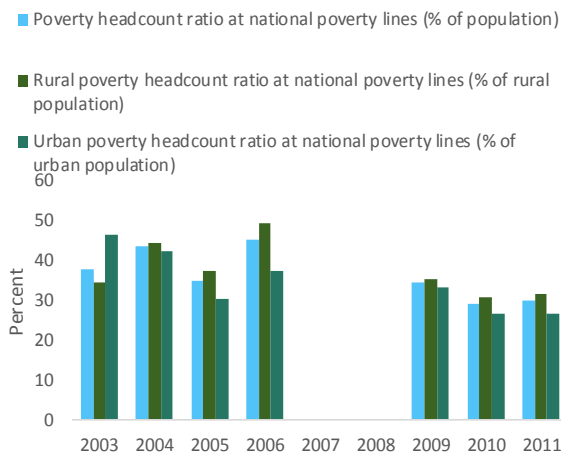
The window of opportunity for Kosovo is still open but will close soon and the timing for policy action is critical. Adequate policy making and implementation, appropriately addressing opportunities and challenges will help to make the best use and reap the demographic dividend for Kosovo. Having a long-run, multi-sectorial vision of both micro and macro effects is very important for designing adequate policies that maximize the demographic dividends (Lofgren, 2015). It is important to note, that it takes time for demographic policies to produce their full impacts and for behaviours and institutions to change (Lofgren, 2015). Therefore, in order to implement policies and maximize demographic dividends, countries in early dividend stage need to focus on interventions that help absorb new works into productive jobs (World Bank, 2016).

***Kosovo is one of the poorest countries in Europe and households with children are more likely to experience extreme poverty. Models for Kosovo predict 0.3 - 0.6 percent increase in GDP per capita per year on average between 2015 and 2021 which is less than current growth rates. To initiate a demographic dividend, Kosovo will need to adequately address its challenges and make the best use of the opportunities.***

Kosovo is one of the poorest countries in Europe with an estimated of 30 percent of population living below the national poverty line, and 10 percent of them living below the extreme poverty line (KAS and World Bank, 2013: data for 2011) (Figure. 14). Poverty and extreme poverty rates differ by household types and tend to be higher among the population living in rural areas (KAS and World Bank, 2013: data for 2011). Households with children are more likely to experience extreme poverty. Poverty and deprivation levels for children in Kosovo are high. The UNICEF’s Multiple Overlapping Deprivation Analysis (MODA) points out that almost one out of four children under 18 in Kosovo is deprived in at least 2 dimensions in the areas of nutrition, water, sanitation, education, housing, health, protection from violence or child protection. Youngest children are most disadvantaged in terms of single as well as multiple dimensional deprivations – they tend to show higher number of deprivations than older children (UNICEF 2015)

(Figure. 16). The MODA analysis point out that children among Roma, Ashkali and Egyptian communities fare worse in a number of dimensions and indicators. In general, Kosovo’s economic growth has averaged over 4 percent per annum since the end of the conflict in 1999 and slowed but remained positive throughout the global financial crisis (World Bank, 2014). Models predict 1 percentage point in the working age share population to boost the GDP per capita by 1.1 to 2.0 percent points on average provided that employment and productivity do not drop. However, modelled results need to be interpreted cautiously (World Bank 2016). Applying this number to Kosovo would mean 0.3 - 0.6 percent increase in GDP per capita per year on average between 2015 and 2021 which is less than current growth and much less than what was achieved before the crisis: The annual percentage growth rate of GDP per capita in Kosovo was 2.7 in 2013 and 0.9 in 2014 and much higher rates in GDP per capita growth haven been achieved in earlier years (Figure. 15). Apart from this “automatic bonus” in order to initiate a demographic dividend Kosovo will need to tackle challenges and make use of the demographic opportunity.

Figure.14: Poverty headcount by national poverty lines, 2003-2011



Source: KAS and World Bank Development Indicators

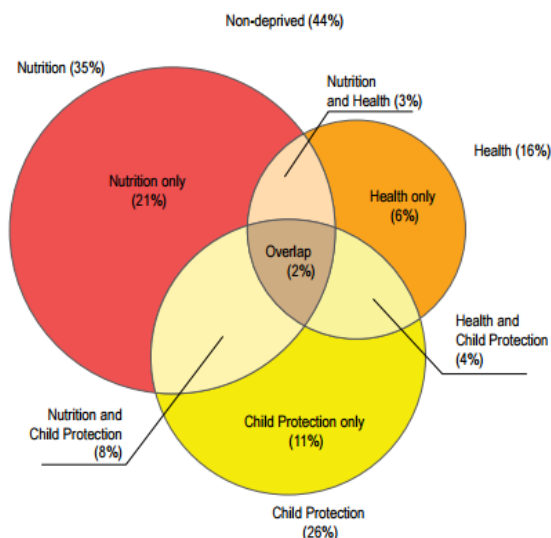
Figure.15: Annual percentage growth rate of GDP per capita, 2002-2014



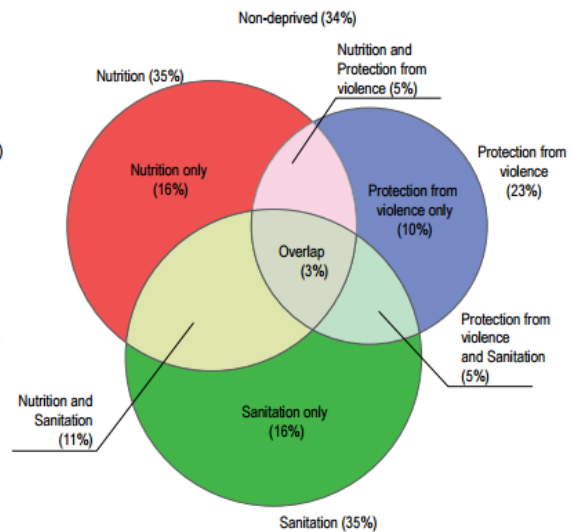
Source: World Bank Development Indicator 2016

Figure.16: Deprivation analysis for children age 0-11 months for different dimensions.

Deprivation overlap for children age 0-11 months for nutrition, health and child protection (Source: Authors’ calculations, Kosovo\* MICS 2013-2014)



Deprivation overlap for children age 0-11 months for nutrition, protection from violence and sanitation (Source: Authors’ calculations, Kosovo\* MICS 2013-2014)



## *Need for investments in human capital, including vocational and technical training in order to benefit from the demographic dividend*

***It is highly important to identify productive opportunities for employment and to provide the increasing labour force with the necessary skills needed by the growing economy in Kosovo. Furthermore, emphasis should be placed on the creation of new jobs to economic sectors that become available and are synchronized to the production of skilled labour.***

Kosovo's main challenges are related to high rates of unemployment and poverty. It is important that these challenges are adequately tackled and addressed in order for Kosovo to benefit from the demographic dividend. Creating productive opportunities for employment and providing the increased labour force with the necessary skills needed by the growing economy will be of crucial importance. According to Mason (2003) the increase in the ratio of working-age population to dependent population produces an automatic dividend during the initial stage of the demographic transition, but the dividend is greater if young workers are employed productively. However, a survey of enterprises conducted by the World Bank identifies a challenge for Kosovo as enterprises point to a mismatch between level of skills of the labour force and market demand in Kosovo. Despite high unemployment rates, 26 percent of the businesses stated in 2013 that finding adequately skilled employees poses a major obstacle for business operations (World Bank Group, 2013). An analysis conducted by World Bank using the 2012 Labour Force Survey data indicated that specific professions such as technicians, professional occupations, tertiary and vocational education are in high demand. Furthermore, according to 2014 KAS, Labour Force Survey (LFS), more than 60 percent of workers without any schooling were unemployed, which is almost double the national rate (35 percent) and workers with standard levels of education at upper secondary or below had unemployment levels higher than the national average. However, those with vocational training to the secondary level fared better in the labour market than their colleagues with standard secondary education (KAS, 2014d). More recently employment prospects worsened even for persons with higher education: in 2014, 19 percent of tertiary degree-holders were unemployed, compared to 16 in 2012, possibly reflecting a mismatch between education and demand for skills in the labour market. Generally, unemployment increased for all education levels from 2012 to 2014 (KAS, LFS 2014:2012).

*Investment in human capital is the main driver to boost economic growth. For Kosovo to reap the first demographic dividend, different policy actions should be put in place.*

*Skill gap assessment for professions in demand; investment in technical and vocational training; implementation of career guidance corresponding to professions in demand by labour market and increase opportunities for life-long learning are critical for providing the increasing labour force with necessary skills need.*

During this stage, investments and economic policies should focus on labour-intensive sectors that create job opportunities (ECA and AUC, 2013). To boost the economic growth, specific education and labour policies are needed which should be combined to align the stock of human capital with growth-oriented demand. Emphasis should be put on the creation of the new jobs, in expanding economic sectors (agriculture, manufacturing etc.) that become available and are synchronized to the production of skilled labour (ECA and AUC, 2013). It is therefore critical for Kosovo to make the best use of this window of opportunity while focusing on skill gap assessment for professions in demand, investment in technical and vocation training, implementation of career guidance corresponding to professions in demand by labour market and increase opportunities for life-long learning. An example of a dual education and working program was found to be successful which resulted with start of generating labour income at much earlier ages in Austria compared to other countries. Data showed that about 40 percent of all young Austrians participated in such a program which combined the work and education, with companies paying salaries for the amount of time students worked, and the government paying the part of the salaries while the students are in vocational training (Lee and Mason, 2012).

## *Labour market - increasing youth employment and female participation in the labour market*

***The Kosovo labour market is characterized with a high unemployment rate. In 2014, the total inactive population rate was 58 percent being the highest in Europe, with very high rate among females. Reducing gender gaps in the labour market can serve as a huge potential for growth, poverty reduction and shared prosperity. Increasing the labour force participation of females could increase the overall activity rates.***

Labour force participation of population of working age in Kosovo is comparably low with 42 percent in 2014 with particularly low female participation of 21 percent female versus 62 percent for male. There is a large number of potential workers among the inactive population of working age. With 58 percent of the total inactive working age population, Kosovo has the highest rate in Europe, with the female inactivity rate standing of 79 percent (KAS, 2015a, LFS 2014) (Figure.17). The unemployment rate among the labour force was 35 percent in 2014, where 42 percent of the unemployed were females and 33 percent males. The youth unemployment rate among the youth labour force was 61 percent in 2014, with less than 10 percent of the total youth population working, from which only 5 percent females. In 2014, the share of youth that were not employed, not pursuing education and not pursuing any training was 30 percent (with 34 percent for young women and 27 percent for young men) (KAS, 2015a, LFS 2014) (Figure 17). Every year approximately more than 30,000 new jobseekers enter the labour market in Kosovo, while the current economic growth generates around 15,000 new jobs per year (World Bank, 2014). Apart from new jobseekers, persons out of employment/labour force are also seeking jobs. Currently the working age population is still growing, with a net increase of around 17,000. Towards the end of the 2020, the stronger age cohorts will be followed by smaller cohorts and together with negative net migration, the size of population of working age will start declining (Figure. 18). While the size of the actual active working population is smaller, the future of the size of the active population depends on the working age population as well as the activity rates of the population of working age. Economic dependency ratios in Kosovo are extremely high with over 260 people not in labour per 100 people in labour while the average in the European Union is 120 percent (Figure 19). Based on the strictly demographic dependency ratio there are 50 people dependents (children under 14 and people age 65 plus) per 100 persons of working age.

Based on Census 2011 for less than a third (31 percent) of the population aged 15-64 work is the main source of income. 48% of the population aged 15-64 reported being supported by others (who are likely to be members of the family) as their main source of income. For the 15-24 year olds only 16 percent have work as their main source of income (Figure 20). A small proportion of Kosovo residents can live from their work only. While 44 percent of men aged 15-64 report work as a main source of livelihood, only 19 percent of women aged 15-64 report do so. They have to rely mainly on the support of other persons and on other sources of income (KAS, 2011). Females earn only 20 percent of the general incomes in Kosovo (KAS, 2015b: Household Budget Survey (HBS) 2014). Low labour force participation of females contributes to the extremely low level of employment rate for women in Kosovo. Therefore, increasing the participation of females in the labour force could increase overall activity rates in Kosovo. Improved gender equality in the labour market is a huge potential for growth, poverty reduction and shared prosperity, which can have large impacts on productivity (World Bank, 2016). In East Asia, the increase in labour supply per capita was

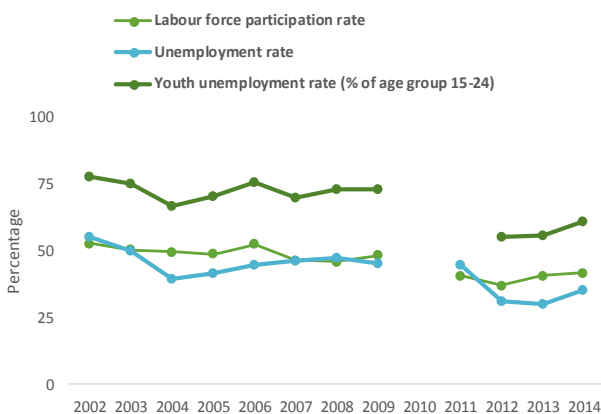
*39 percent of women in Kosovo stated that the main reason for their low participation in labour market is 'responsibilities in the family' –policies adequately addressing social norms will therefore be important to increase women's participation.*

*Children and youth policies should focus on gender specific constrains to schooling and enhancing non-cognitive and vocational skills. Young women during the productive years: policies that combine training and other support; expanding access to child care and elder care services; in older years, policy actions that support equitable old-age labour regulations combined with appropriate social protection.*

(World Bank, 2012 as cited in Global Monitoring Report 2015-2016)

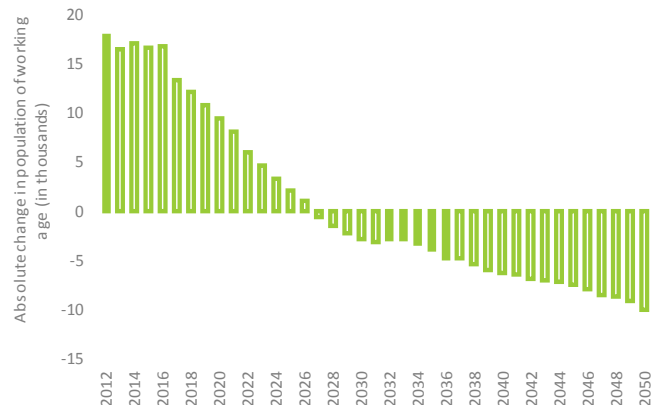
driven by the increase in female labour force participation (Canning, et al., 2015). Data show that participation of females in labour market in Kosovo is very low and therefore adequate actions should be taken to increase their participation in labour market. The Global Monitoring Report 2015-2016, lists a range of specific measures that could help a country address gender inequality in economic opportunities throughout the life cycle. For children and youth, policies should focus on gender-specific constraints to schooling and enhancing non-cognitive and vocational skills. For young women during the productive years, active labour market policies that combine training and other necessary support to enable women to enter and re-enter the workforce can increase their employment and earnings in the formal sector. Female labour market inclusion can also be promoted through expanding access to child care and elder care services. In older years, policy actions should support equitable old-age labour regulations combined with appropriate social protection (World Bank, 2012 as cited in World Bank 2016). Improving women's financial access by making it easier to open bank accounts and obtain lines of credit would also benefit growth (Sahay et al. 2015 as cited in World Bank 2016). The success of East Asian countries in reaping the labour dividend was not automatic either, in addition to expanding their manufacturing and service sectors, they were in a position to adjust the political and economic institutions and to change policies and markets so they can absorb the increased labour supply (Canning et al., 2015). Considering that 39 percent of Kosovo female respondents stated that the main reason for their low participation were the 'responsibilities in the family' (KAS, LFS 2012:2014), policy actions addressing social norms will therefore be of crucial importance for Kosovo. Social norms that largely shape the role of women and girls are key factors highlighting gender-based differences in access to opportunities (World Bank, 2016). These policy efforts would include enhancing the aspirations of women and girls while changing the behaviour of men and boys.

Figure.17: Labour market indicators for Kosovo, 2002-2014



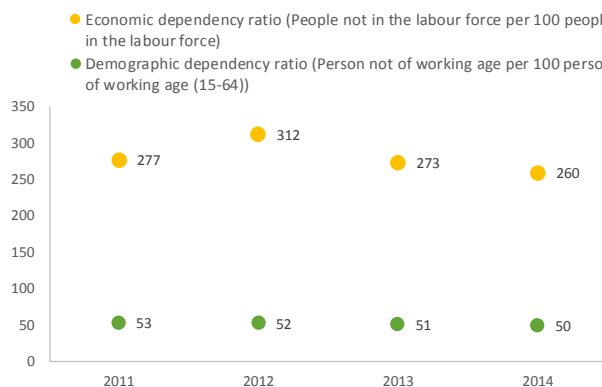
Source: KAS: Labour Force Survey 2014, 2012 and Census 2011

Figure.18: Projected annual change in the population of working age (15-64 years), 2012-2050



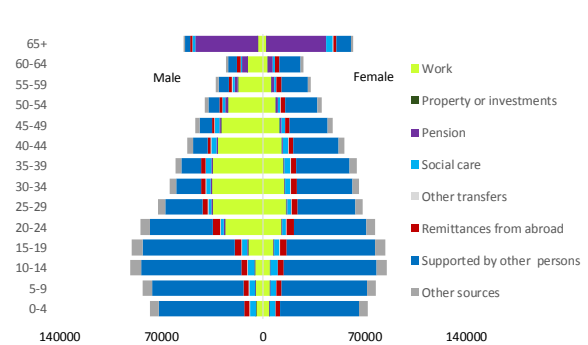
Source: UNICEF analysis based on data from Kosovo Agency of Statistics population estimates and projections (medium variant)

Figure.19: Economic dependency ratio and demographic dependency ratio



Source: UNICEF calculations based on Labour force participation rate from Labour Force Surveys and population of working age from KAS Population projections.

Figure.20: Main source of livelihood in the year before the census 2011, by age and sex



Note: Age groups 0-14 have been redistributed by size of 5-year age groups.

Source: UNICEF analysis based KAS: Census 2011.

## Education

***From 2015-2030, the primary school population will continue to decline. The reduction on the number of school population opens a huge opportunity for Kosovo to increase enrolment and quality of education. Data from Kosovo indicate a need to increase opportunities and access particularly for pre-primary and upper-secondary education, with children being mostly deprived in the area of early childhood education. Particular attention should be placed on reaching and improving access and opportunities for the most vulnerable in all education levels. Public spending in education is low, indicating a need to prioritize education in public spending.***

Education is a driver of national economic growth and is associated with individual empowerment and a decrease in poverty. (UNICEF, 2015a). According to Montenegro and Patrinos (2014) the average rate of return for one additional year of schooling was found to be 10 percent increase in income per individual, with much higher rate of return for females (11.7 percent) than males (9.7 percent). In Kosovo, the absolute enrolment figures in education have declined since 2008 given smaller birth cohorts after 2000s. The number of children enrolled in primary school declined by 20 percent between 2004 and 2012 as a result of a decline in number of births after 2000s, while upper secondary school enrolment increased by 50 percent which was caused by demographic trends and increased enrolment rates (World Bank 2014). While enrolment in primary and lower secondary education is almost universal, data indicate the need to increase opportunities and access in upper secondary education. Net attendance ratios for primary and lower secondary schools are high, at above 95 percent, while the net attendance ratio for upper secondary school is 82 percent (2013-2014 Kosovo MICS). Thus, despite the high overall enrolment in education, Kosovo will still need to increase enrolment rate to reach the universal coverage, in particular for the upper secondary (World Bank, 2014). Based on the population projections from 2015-2030, the primary school population will continue to decline. Over the next 15 years the largest declines are projected for lower and upper secondary school population with smaller birth cohorts progressing through the age groups. The school population in the upper secondary age is projected to decline by 30 percent from about 110,000 in 2015 to 70,000 by 2030 (Figure.21 and Figure.10 age pyramids). The reduction on the number of school population opens a huge opportunity for Kosovo to increase enrolment and quality of education through implementation of adequate policies.

Studies suggest that there is a wide range of benefits on investing on early childhood development and pre-primary education starting from healthy development to greater capacities to learn but also strengthening of individuals' position on the labour market, higher productivity and income generation capacity (UNICEF 2013 and World Bank<sup>7</sup>). According to World Bank<sup>8</sup> a recent study conducted both in developed and developing countries, an additional dollar invested in high quality preschool programs will yield a return up to US\$17. Data for Kosovo indicate a critical need to increase opportunities and access to pre-primary education and early childhood education programs. According to the 2013-2014 Kosovo MICS data, 76 percent of children in primary school had attended pre-primary education. The Government of Kosovo has committed to achieve full coverage of pre-primary education by 2016 (World Bank 2014) and based on the UNICEF (2011) report, the estimated costs for universal pre-primary education is at around €600,000 per year). Data indicated that children in Kosovo are mostly deprived in the area of early childhood education, which appeared as one of the most neglected investment areas for children. Almost 9 out of 10 children (14 percent) aged

*School age population will decline, providing a great opportunity to reach universal enrollment rates in education, increase enrollment in early childhood education programs and quality of programs.*

*Targeted interventions with focus on children among poorer households and children from Roma, Ashkali and Egyptian communities to reduce the equity gaps.*

*Public spending in education is low relative to the region and GDP per capita, indicating a need to prioritize education in public spending.*

<sup>7</sup> <http://www.worldbank.org/en/topic/earlychildhooddevelopment/overview>

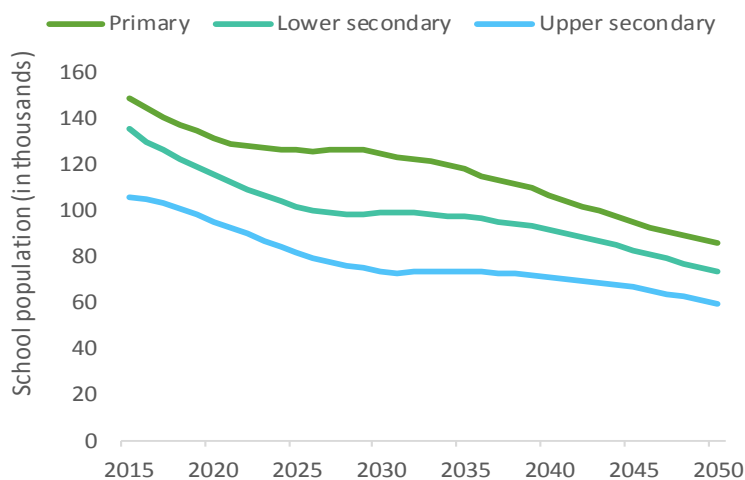
<sup>8</sup> <http://www.worldbank.org/en/topic/earlychildhooddevelopment/overview>

12-59 months do not attend any form of early childhood education. In addition to low participation of children in early childhood education programs, the 2013-2014 Kosovo MICS data highlight that for one thirds of children age 36-59 months, the adult household members do not seem to pay enough attention to engage with children in early childhood interactions which promote early learning (2013-2014 Kosovo MICS). Similarly, the population of children in early childhood education programme ages and pre-primary school ages will also decline, providing opportunities to achieve universal enrolment in pre-primary and increase enrolment in early education programmes and increase quality of programmes.

When it comes to education, particular attention should be placed on reaching and improving access and opportunities for the most vulnerable. Discrepancies between rural and urban areas and between male and female populations are decreasing over time but they still continue to be present. The gender parity index indicates disadvantages for girls in upper secondary education (0.96), and it is more pronounced in rural areas (0.92) and among children from the poorest households (0.90) (2013-2014 Kosovo MICS). According to the 2011 Household Budget Survey, children from poor and extremely poor households are less likely to be enrolled in education. Overall, evidence indicates much lower levels of school attendance for children among Roma, Ashkali and Egyptian communities, with 15 percent of primary age school children being out of school (2013-2014 Roma, Ashkali and Egyptian communities in Kosovo MICS). Targeted interventions with focus on poorer households, children from specific communities such as Roma, Ashkali and Egyptian are therefore critical to reduce the gaps and increase enrolment of the most vulnerable children in Kosovo. Provision of a conditional cash transfer program for vulnerable children living in poorest households and those belonging to disadvantaged communities would help reduce inequities and increase school participation for the most vulnerable (UNICEF, 2016). Further policy actions to increase transition rates of girls from lower secondary to upper secondary and improve completion rates of boys in upper secondary would help reduce the gaps and therefore impact the increase of overall enrolment rates.

Public spending in education is low relative to regional and GDP per capita comparators, indicating the need to prioritize education in public spending (World Bank, 2015). According to the World Bank, although reliable data on students' achievements is poor and there are no internationally comparable data, the low passing rate and achievement levels of students at the national 'Matura test' indicated a need for improvements. The initial results of Grade 5 sample-based test, undertaken in 2010 as a pre-cursor to Kosovo's entry in PISA 2015, suggest large differences between girls and boys (especially in language test) and between rural and urban students (World Bank, 2015). According to ECA and AUC (2013) report education expansion policies need to be implemented together with policies aiming at improving the quality of education. Increasing quality in education is critical for Kosovo. Given that the number of school population will continue declining, possibilities for having higher impact on increasing quality in education will be greater. According to (UNICEF, 2016) there should be focus on increasing investment for innovative, professional development program for teachers on implementation of new curricula and investment in learning materials and teaching support in the form of shared computers and related guidance material.

Figure. 21: Projected school populations by education level, 2015-2050



Note: Primary school age refers to children aged 6-10 years (Grade 1-5), lower secondary age to children aged 11-14 years (Grade 6-9), and upper secondary school using the new three-year cycle with children aged 15-17 (Grades 10-12) and no longer children aged 15-18 (Grade 10-13).  
 Source: UNICEF analysis based on data from Kosovo Agency of Statistics population estimates and projections (medium variant)

## Health

**Improvements in health systems and programs are critical for the development of a healthy population which would contribute to economic growth. Household out-of-pocket health spending has accounted for about 40 percent of the total spending on health. Despite the progress made, data highlight huge gaps among the most disadvantaged groups lagging far behind in many health indicators. High child mortality rates among Roma, Ashkali and Egyptian remain very concerning.**

Despite substantial and consistent progress, particularly in infant and child mortality, child health indicators in Kosovo are still among the poorest in the region, pointing to gaps in both access and quality of care (UNICEF and WHO 2015). While the child and infant mortality rate is decreasing among the general population, a stable trend is observed among children from Roma, Ashkali and Egyptian communities, with rates for child and infant mortality being much higher than the general population (2013-2014 Kosovo and Roma, Ashkali and Egyptian communities in Kosovo MICS). Life expectancy is about 5 years lower than the European Union average (UNDESA, 2015). While almost all children are born with skilled birth attendance, the coverage in post-natal care is not sustained (2013-2014 Kosovo MICS). According to the latest 2013-2014 Kosovo MICS data, about 60 percent of children under 6 months among general population are not exclusively breastfed (Figure. 22), while this percentage is 84 among children living in Roma, Ashkali and Egyptian communities. Evidence suggests that adequate investment to increase and sustain breastfeeding rates will provide financial return in investment within a very short period of time, as little as within a year. Low breastfeeding rates in United Kingdom were associated with increased incidence of illness and therefore higher expenses to the health services (UNICEF, 2012). Moreover, the immunization levels among children in Kosovo are generally high with 79 percent of children being fully vaccinated but these levels are still very low at only 30 percent among Roma, Ashkali and Egyptian communities (2013-2014 Kosovo MICS; 2013-2014 MICS with Roma, Ashkali and Egyptian communities in Kosovo). A high prevalence of stunting is also observed among children from Roma, Ashkali and Egyptian communities with 15 percent, with the prevalence being 4 percent among children from general population (2013-2014 Kosovo MICS; 2013-2014 MICS with Roma, Ashkali and Egyptian communities in Kosovo). Studies show that stunting have a negative impact in children's development, limiting growth, learning and future earnings for children (Devline, 2012)

There is a deficit of health personnel throughout Kosovo, with 1.2 doctors and 3.5 nurses per 1,000 population in 2011, which is lower than the average of 3.5 doctors and 8.3 nurses in European Union countries, and also lower than the distribution in neighbouring countries (World Bank, 2014). These challenges mostly relate to the financial accessibility of health services with high out of pocket expenditures for households as they are a barrier for poor households. Household out-of-pocket health spending has accounted for about 40 percent of total spending on health, which has contributed to the 7 percent increase in the poverty headcount in 2011. A World Banks analysis concludes that given the high costs of using care, the poor have "self-rationed" health care and use limited health care service. Drugs comprise approximately 85 percent of household out-of-pocket health spending (World Bank, 2015). Moreover, availability of health services is not sufficient to ensure utilization, in both rural and urban areas, health deprivation rates for young children are often more than double the size for the poorest quintiles than for the wealthiest quintiles (UNICEF 2015). Evidence has confirmed that improved health is a critical drive for economic

*Adequate health policy actions to expand the coverage of basic newborn, infant and child health services are very important.*

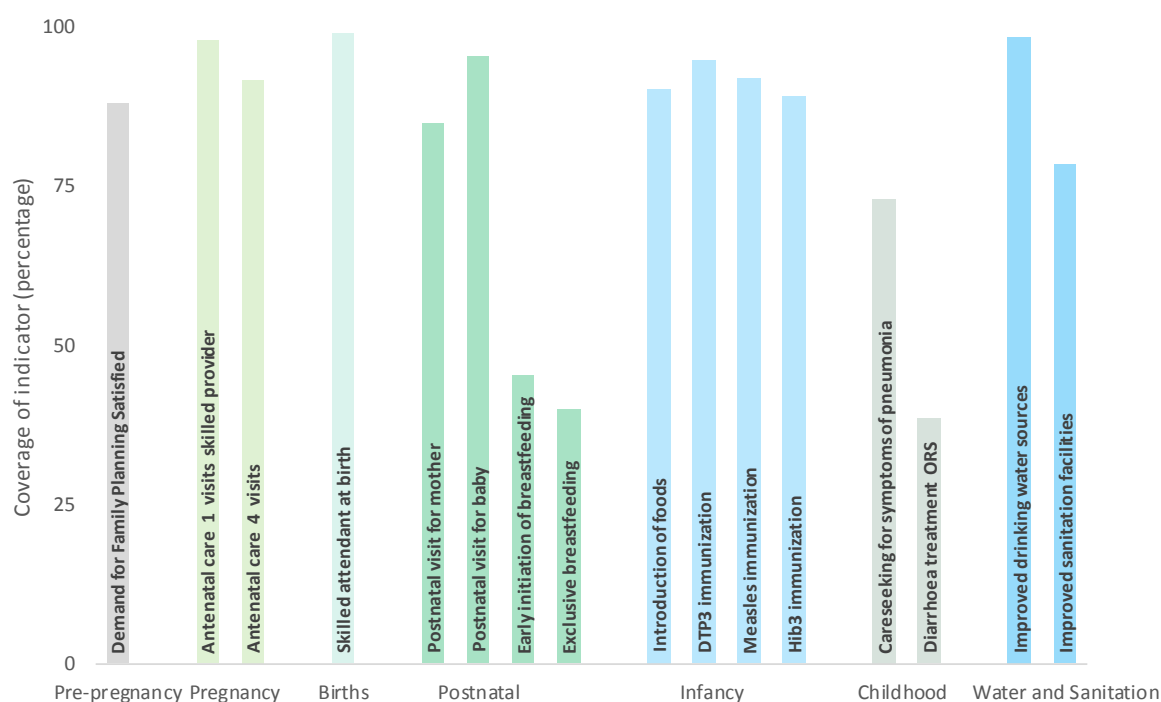
*Promotion and improvement of nutrition practices for children, including policy actions focusing on social norms and awareness raising on child care and healthy lifestyle.*

*Targeted policy actions with the focus to reaching out to the most disadvantaged groups, particularly Roma, Ashkali and Egyptian communities and poorer households.*

*Policies should focus on strengthening the community based services – expanding home visiting programme throughout Kosovo.*

growth (Quilici et al., 2015). Adequate health policy actions to expand the coverage of basic newborn, infant and child health services are very important. Improvements in health systems and programs can contribute to the development of a population that is healthy and capable to maximizing its contribution to economic growth (ECA and AUC, 2013). The Ministry of Health has endorsed and is supporting the implementation of home visiting package for improvement of mother and children health and wellbeing and road map in five selected municipalities in Kosovo which is also being supported by UNICEF. Home visiting is a very effective approach to reach out and provide support for families in many development and health aspects. Scaling up the home visiting implementation would therefore be very important to improvement of children's and mothers' health and creation of a better link among community and health (UNICEF and WHO, 2015). While programs addressing health issues are very important, systems must be strengthened so that the adequate combination of services are offered, with trained providers and with the necessary and available supplies (ECA and AUC, 2013). Ensuring free access to all essential preventive and treatment interventions along the continuum of care it is also essential (UNICEF and WHO 2015). Targeted policy actions with the aim to reduce the equity gaps are critical given that certain population groups are lagging far behind in numerous health indicators. The decrease of child mortality rates among Roma, Ashkali and Egyptian communities is critical and should be a priority. Out-reach programs targeting Roma, Ashkali and Egyptian communities should focus on increasing immunization rates and promoting good nutrition and exclusive breastfeeding among children living in these communities, which can be achieved through expanding home visiting program throughout Kosovo. Policy actions focusing on social norms towards nutrition and children's care would be of benefit to help increase awareness among the population on healthy lifestyle and child care. While births attended by skilled personnel are almost universal, actions to increase the coverage and quality of post-natal care are critical. In addition, specific health programs targeting adolescents need to focus on access to reproductive health information, services to avoid unplanned pregnancies, sexual transmitted infections, HIV prevention, prevention of smoking, alcohol, drugs, which can shape adolescents' lives and negatively affect their development (ECA and AUC, 2013).

Figure 22: Coverage on indicators for continuum of care for maternal, newborn and child health (MNCH), 2013-2014 Kosovo MICS



Source: 2013-2014 Kosovo MICS.

## *Domestic savings and investment: act now to benefit from the second opportunity in the near future*

**The second dividend is usually much longer than the first. Realization of the second dividend fully depends on the support provided for the elderly people. The success of East Asian countries on reaping the demographic dividend was also due to the implementation of adequate policies increasing savings and investments. The time is now - adequate mechanisms in place will help workers accumulate wealth and make them independent when they reach older ages.**

While the first dividend is usually short, the second dividend lasts longer and is larger than the first dividend (Lee and Mason, 2006). The realization of the second demographic dividend depends on the support mechanisms for elderly people. In Kosovo, only a reduced portion of residents can live solely from their work, among those aged 15-64 years, 44 percent of men reported work as a main source of income with the percentage being only 19 percent among women of the same age group. They have to rely mainly on the support of other persons and on other sources of income. Remittances are the main source of income for 10 percent of the 55-64 year olds, with pensions becoming the main source of income for population age 65 and above. According to Stiglitz and Yusuf (2001) the so called 'Asian miracle' on reaping the demographic dividend was also very much depended on specific policies that promoted savings and investments. For most East Asian countries, banking has played a tremendous role on channelling domestic savings into investments (Stiglitz and Yusuf, 2001). Productive investments in creating new jobs, promoting and strengthening savings programs for further greater and productive investments during the early stages of the demographic dividend, may help Kosovo to reap the second demographic dividend. A smaller number of children will translate into less expenses for households which will be in a better position to save and invest, it is therefore important that policies that encourage savings and access to financial markets for all people, not only the wealthy ones, are in place (Gribble and Bremner, 2012). Adequate policies and financial mechanisms should be put in place now to help workers accumulate wealth leading to more financial independency for people in older ages making them less depended in other family members or government in the future (ECA and AUC, 2013).

*Time for adequate mechanisms and policies in place is now to make workers independent when they reach older ages.*

*Productive investments in creating new jobs, promoting and strengthening savings programs are of crucial importance.*

*Policy actions that encourage savings and access to financial markets for all people – not only the wealthy ones are needed.*

### *Sustainability*

The demographic transition is associated with changing family and household structures. It can be expected that household sizes will further decline while the number of actual households will increase with the growth in the number of households being faster than the actual population growth. In 2011, 1.8 million Kosovars lived in 300,000 households, with an average of 5.9 persons per household. The number of households is of particular importance when it comes to energy-related consumption, the human impact on the environment, and sustainable development. An increased number of households will raise the demand for electricity and is often associated with higher per capita energy consumption and implies a larger demand for resources (Gu et al. 2015). Generally, energy consumption will be crucial for future economic growth in Kosovo. According to recent analysis of the World Bank, Kosovo's fragile electricity system cannot meet the current demand, jeopardizing future economic growth. A USAID study calculated that Kosovo's unreliable power supply was costing businesses approximately €260 million (5 percent of GDP) per year. Moreover, the 2009 Enterprise Survey identified lack of reliable electricity as the number 1 obstacle to doing business in Kosovo (World Bank, 2014). Adequate policies will be needed to ensure that there will be alternative mechanisms in place to meet the needs for increased demand for energy in Kosovo, while not jeopardizing Kosovo's future economic growth.

### *Brain gain through return*

There is a high number of return migrants to Kosovo but on the other hand there is a limited capacity of labour market to absorb them. It is therefore important for policies in place which would focus more on facilitating exchanges, regularizing status in host societies, and fostering investments, rather than on particularly attracting diaspora. For instance, there are efforts to create diaspora professional profiles and to establish networks that would support Kosovar immigrants to integrate well in their host societies (e.g. Lawyers networks now in Switzerland and Germany). (KNOMAD, 2015).

Various examples show how Kosovo Diaspora members have helped stimulate the 'brain gain' from abroad through different ways of engagement such as guest lectures given at the University of Pristina from Kosovo academics from abroad with several of them returning permanently to Kosovo who continued to teach at public and private universities in Kosovo or the example of professors and researchers from the University of Vienna who established the Department of Computer Sciences at a private college in Prishtina (UNDP, 2014). According to UNDP (2014) many students from Kosovo attend universities abroad, and those who have post-graduate degrees should be encouraged to return as academics or researchers in public and private universities. UNDP (2014) suggests that a web portal where all students from abroad could register and provide information on their subject of study and interests would help facilitate for establishment of jobs and engagement of these professionals. For young people with limited foreign language skills, exchange programmes might involve members of the Diaspora who could facilitate inter-cultural learning. Future investment projects could also be facilitated by establishing contacts between potential investors abroad and Kosovo vocational students.

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