

The emigration of Kosovo's labor force to Germany

A brief assessment of positive and negative returns

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Table of Contents

Introduction	4
The EU and national competence on legal migration	5
Germany’s liberal (but selective) labor migration policies	6
Bridges from Kosovo to Germany? Legal labor migration channels for Kosovo citizens	8
Potential gains and risks of legal migration pathways	8
Germany’s labor deficit	10
Labor migration to Germany from EU and non-EU countries	13
A boost for (skilled and unskilled) labor migration from the Western Balkans	15
Kosovo’s challenging labor market background	18
The sector-specific labor surplus in Kosovo	21
Kosovo’s labor force turns to the German market for job opportunities	23
Concluding remarks and recommendations	27
Appendices	30

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Introduction

Despite the rise in immigration from EU and non-EU countries, Germany's labor supply remains insufficient and is presently at a record low. Job vacancies were the highest in the last quarter of 2018 while the cost of unfilled jobs skyrocketed.¹ To combat this trend, Germany introduced various legal pathways to attract foreign labor, manage demographic decline, and reduce irregular migration. In 2015, Germany opened the labor market to the six Western Balkan countries in response to a new regulation passed that restricted unsubstantiated asylum seekers. This so-called Western Balkan Regulation (WBR), enshrined in section 26.2 of the Employment Ordinance (Beschäftigungsverordnung), did not specify any skill requirement, hence, inviting both skilled and unskilled workers to the German labor market on the basis of a valid job offer.

During 2015, the average unemployment rate in the six Western Balkan countries was about 21.2 percent.² From 2016 to 2018, the German Federal Employment Agency (FEA) examined over 200,000 employment applications from the Western Balkan (WB) countries with an approval rate of more than 80 percent.³ However, in less than one-third of these cases (44,093) was a working visa according to German residence law issued.

The WBR was criticized for being unilateral in nature - serving predominantly Germany's labor market needs.⁴ While the effect of the WBR on migration dynamics and labor market was extensively discussed among researchers and policy-makers in Germany,⁵ there was little to no communication about this regulation in the WB countries. Witnessing the exodus of workers, debates emerged within the target countries regarding the incurred social benefits and costs of labor migration. This is expected to intensify as the "Skilled Immigration Act" for non-EU citizens passed in Germany, is set to take effect in March 2020 as the most liberal immigration law to date.

Since 2015, Kosovo continues to have both the highest number of applications submitted to the FEA using the WBR and the highest number of issued visas. Despite the high migration, Kosovo has the highest unemployment rate and the lowest GDP per capita (PPP) of the six Western Balkan countries. This labor surplus coupled with increasing immigration prospects presents both a threat and an opportunity for Kosovo's economy. This paper will display the potential of complementary labor markets between Kosovo and Germany by analyzing sector- and skill-specific market needs and provide examples of legal pathways to benefit both parties.

The paper aims to answer the following questions: What are the effects of Germany's labor demand for Kosovo? How many people have left the country so far? What labor deficit are Kosovo immigrants filling in Germany? Will the new law fuel further labor migration from Kosovo? Is the wave of emigration good or bad for Kosovo's economy? And what should both governments do to manage the labor migration corridor between the countries in a beneficial and sustainable manner?

1 Valentina Romei. Unfilled job positions in Germany push eurozone figure to record. Financial Times (2019). Source: <https://on.ft.com/2TVpSB8>

2 Isilda Mara et al. Labor migration between Bosnia and Herzegovina and Austria. Center for Research and Studies (2019). Source: <https://bit.ly/2ZSZMiX>

3 Refer to Appendix 2.

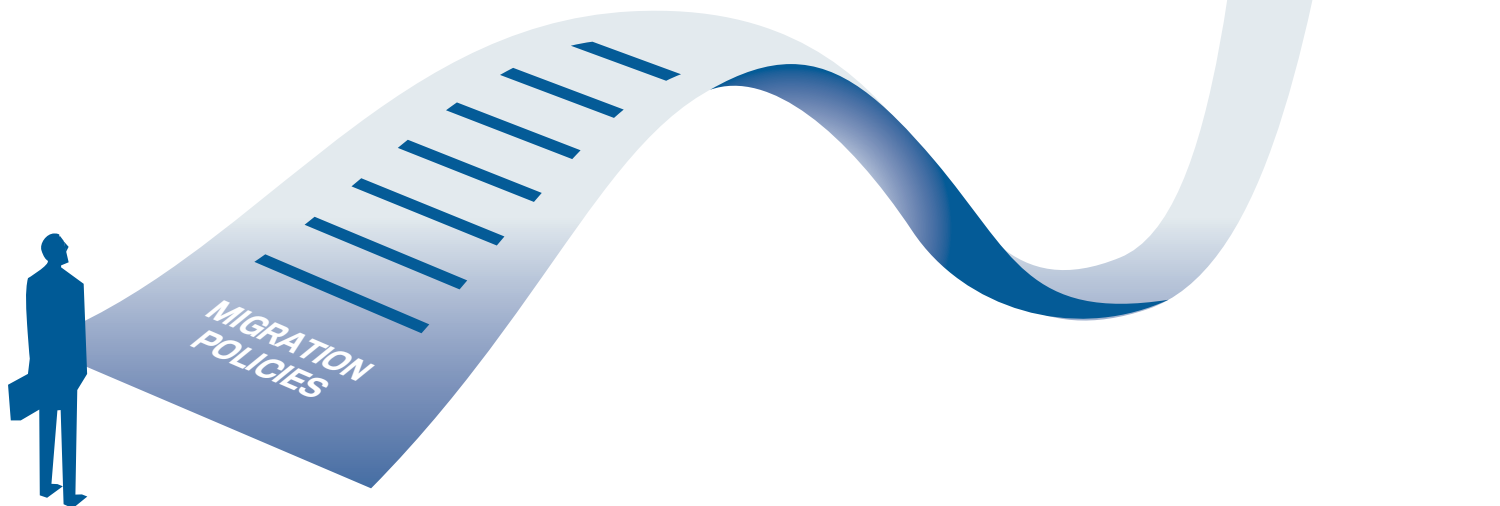
4 Jessica Bither and Astrid Ziebarth. Creating legal pathways to reduce irregular migration? What we can learn from Germany's "Western Balkan Regulation." Migration Strategy Group on International Cooperation and Development (2018). Source: <https://bit.ly/37eIBKT>

5 Ibid.

The EU and national competence on legal migration

The EU has continuously and gradually attempted to harmonize immigration policies among the Member States; however, the latter have been reluctant to relinquish control over the immigration of non-EU nationals, and particularly labor migration as it relates to their economic policies.⁶ Thus, for the most part, Member States remain the central authority in designing and implementing immigration policies.

A crucial rationale used to design labor migration policies is the response to labor market needs.⁷ Member states address labor market demands through various labor migration channels. Given that each member state has different needs, approaches regarding the design of migration policies vary among the EU Member States. Some states, like Sweden, use a liberal and ‘employer-driven’ approach which is ‘country-blind’.⁸ ‘Employer-driven’ indicates that the power to recruit workers lies with the employers without much government interference. ‘Country-blind’ refers to the notion that employers are free to recruit workers from anywhere in the world without government engagement in preferential agreements with specific non-EU nations. Hence, a ‘country-specific’ approach defines a privileged group of third countries from which labor should be recruited. Countries like Germany, Spain, Italy, and France, rely largely on ‘state-driven’ and ‘country-specific’ methods.⁹ These states use a combination of shortage occupation lists, labor market tests, and quotas to set conditions under which low- and medium-skilled foreign workers can be recruited. To accomplish this, some states enter into bilateral agreements with specific non-EU countries in order to recruit laborers.



6 Article 79(1) of the Treaty on the Functioning of the European Union (TFEU) calls for a common immigration policy to ensure the management of migration flows. Section 5 of the same article states that “[t]his Article shall not affect the right of Member States to determine volumes of admission of third-country nationals coming from third countries to their territory in order to seek work”. Source: <https://bit.ly/2St3jCV>

7 The Expert Council’s Research Unit (SVR Research Unit)/Migration Policy Institute Europe (MPI Europe). Legal migration for work and training: Mobility options to Europe for those not in need of protection (2019). Source: <https://bit.ly/354XNc2>

8 Ibid.

9 Ibid.

Germany's liberal (but selective) labor migration policies

According to the Organization for Economic Co-operation and Development (OECD), Germany has one of the most liberal labor migration policies among OECD countries, especially for highly-educated immigrants.¹⁰ The EU Blue Card Directive is an EU-wide legal migration opportunity for highly skilled migrants (with a higher professional qualification certificate) with job offers paying typically 1.5 times higher than the general average gross annual salary in the Member State.¹¹ Within this EU Directive, member states may develop their own Blue Card guidelines, such as the number of permits issued and length for which they are valid.¹² Besides this, German residence law, like that of many other EU Member States, provides for concurrent rules and procedures for other categories of highly-skilled workers, i.e. for researchers and teaching or scientific personnel in prominent positions, as well as for self-employed and skilled workers with either academic or vocational education.

Germany's labor migration policies for low- and medium-skilled non-EU workers consist of various country-specific policies, programs, and pilot projects, the most important of which is the so-called Western Balkan Regulation (WBR), introduced in 2015. It gives easier access to the German labor market to workers of all skill levels from the six Western Balkan countries.¹³ This regulation is set to expire in December 2020, however, while various German policymakers are evaluating this policy as a success, and therefore, make a strong case for extending the regulation beyond 2020.¹⁴ The primary rationale of the WBR was migration control, although some politicians identified the likely benefits of the WBR in addressing Germany's labor market needs.¹⁵ Prior to 2015, the high number of unsubstantiated asylum seekers from the WB countries created pressure to declare those countries "safe countries of origin",¹⁶ thus accelerating and shortening asylum procedures and reducing the chances of obtaining asylum status. As a compromise for restricting the flow of asylum migration, Germany opened the labor market for WB countries through the regulation known as section 26.2 of the "Employment Ordinance." The regulation is unique because no restriction was set regarding the skill or qualification level as long as there is a valid employment offer. The application is subject to a priority check where German employers need to prove that no local, EU, or recognized refugee worker can fill the vacancy (see box 1). Prior to the WBR, low- and mid-skilled workers had very limited access to the German labor market. Since the regulation was enacted, thousands of workers from the WB countries immigrated to Germany.

10 The Expert Council of German Foundations on Integration and Migration. Immigration Countries: Germany in an International Comparison (2015). Source: <https://bit.ly/39hRS6W>

11 Council Directive 2009/50/EC of 25 May 2009. On the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment. Official Journal of the European Union (2009). Source: <https://bit.ly/35Rkv8M>

12 Lorenz Böttcher. Act on the Residence, Economic Activity and Integration of Foreigners in the Federal Territory. German Law Archive (2018). Source: <https://bit.ly/2Mkis5x>

13 The six Western Balkan countries are Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Macedonia, and Serbia.

14 Jessica Bither and Astrid Ziebarth, Creating legal pathways to reduce irregular migration? What we can learn from Germany's "Western Balkan Regulation." Migration Strategy Group on International Cooperation and Development. (2018). Source: <https://bit.ly/37elBKT>

15 Ibid.

16 Office of the Commissioner General for Refugees and Stateless Persons says "a country of origin is considered to be safe if there is generally and consistently no persecution according to the Geneva Convention or risk of suffering serious harm according to the subsidiary protection definition". Office of the Commissioner General for Refugees, and Stateless Persons. Source: <https://bit.ly/2QpDsci>

In addition to the WBR, Germany offers work permits through several intergovernmental agreements. For instance, Germany has governmental agreements with Bosnia and Herzegovina (BiH), North Macedonia, Serbia, and Turkey regarding labor force migration. Workers based in these countries may be posted and employed in Germany with work contracts for a restricted period of time under fixed quotas.¹⁷ However, the annual number of workers posted is modest: In 2018 there were a total of 1,748 employees from BiH, 2,983 from Serbia, 139 from North Macedonia, and 926 from Turkey. The type of work they were recruited for includes: land, forestry, mining, metal production and processing, construction, etc.¹⁸

Another initiative to increase sector-specific workforces is an inter-organizational agreement between the Federal Employment Agency's International Placement Services (ZAV) and the German Corporation for International Cooperation GmbH (GIZ). In 2013, these two organizations began a pilot project called 'Triple Win', to alleviate the lack of skilled nurses in Germany with the surplus of nurses in participating countries and to stimulate the economy in the home countries by sending back remittances.¹⁹ The current partner countries are Serbia, BiH, the Philippines, and Tunisia. These countries have similar training as German nurses and many residents are already somewhat familiar with the language. ZAV and GIZ work together to prepare the nurses with intensive language and professional technical training to ensure a smooth transition when arriving in Germany.²⁰ Employers are expected to pay a 5,500 euro fee, along with transportation and certification fees for each nurse hired through this initiative.²¹ There are more than 2,600 'Triple Win' nurses in Germany and studies show that 92.6 percent of them are pleased with the outcome.²²

Box 1. Procedures for acquiring a work visa through the Western Balkan Regulation

The process begins with a German employment contract, followed by a visa appointment at a German Embassy to present paperwork for consideration of the credibility of the contract and conduction of background checks. Before the working visa is issued, the Federal Employment Agency conducts the labor market test, including a "priority check": i.e. investigating whether a German or EU citizen, a foreigner with a residence permit, an asylum seeker or an individual with a temporary suspension of deportation possessing a work permit might be available for the job before this applicant. Furthermore, the Embassy consults with other authorities in Germany, i.e. the Federal Office of Administration and the local Foreigner's authority, whether exclusion criteria are met (such as a security threat, a former asylum application or asylum seekers benefits received). Upon approval by the Federal Employment Agency and when all other prerequisites are met, the visa is issued.

17 Federal Employment Agency (BA) (2018). Source: <https://bit.ly/ztobqMJ>

18 Federal Employment Agency (BA). Consent and refusal to work for third-country nationals. Annual average workers in contracts for work based on intergovernmental agreements. Source: <https://bit.ly/2kywLJ3>

19 Sonja Alves Luciano et al. Recruiting nurses from abroad sustainably. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) (2019). Source: <https://bit.ly/2IG29WF>

20 Ibid.

21 Ibid.

22 Ibid.

Bridges from Kosovo to Germany? Legal labor migration channels for Kosovo citizens

In addition to the WBR, which includes Kosovo as one of the six WB countries, and the general provisions for skilled and highly skilled migration in the Residence Act, Kosovo and Germany have three intergovernmental agreements called the “Skills Partnership” program.²³ A Memorandum of Understanding (MoU) was signed between the Ministry of Labor and Social Welfare in Kosovo and the GIZ with the following three business associations in Germany:

- The first agreement was signed in 2015 with a business association called “Besa Foundation” that is mainly active in gastronomy and construction.
- The second agreement was signed in 2017 with “LBB - Bavarian Builders Association” (Landesverband Bayerische Bauinnungen) active only in construction.
- The latest agreement was signed in 2018 with “UB - German-Kosovar Business Association in Germany” covering many profiles: gastronomy, construction, woodworking, nursing, machinery. Through this project, young people from Kosovo are selected to pursue a dual vocational education and training system (Ausbildung) in various sectors in Germany. They have the opportunity to work as interns at the aforementioned associations’ member companies located throughout Germany.

Using those agreements, during the years 2015 to 2017, 84 people migrated to Germany to pursue vocational education, training and work in gastronomy and nursing. In 2018, an additional 30 people left Kosovo for employment purposes in construction, and during 2019, 27 more were employed in nursing and construction fields.²⁴

Recently, discussions have emerged regarding another bilateral agreement that will be negotiated in 2020 between Kosovo’s Employment Agency and Germany’s Federal Employment Agency regarding labor migration programs and qualifications. However, the terms of the negotiations have not yet been disclosed.²⁵

Potential gains and risks of legal migration pathways

Opening wider legal pathways for middle- and low-skilled migrants could, though not always, enable some migrants to avoid the risks of irregular migration, reduce poverty in households that receive remittances, and channel more migrants into orderly programs that fill labor shortages in destination countries.²⁶ This suggests benefits and improvements for both the country of origin and the destination country, as long as people can consistently access the legal pathways for legal migration. However, there is also a concern about the effects of the ‘brain drain’ i.e. (skilled) citizens leaving their country of origin. Typically thought of as inherently negative, studies have shown some positive impacts of brain drain. For example, Frederic Docquier’s key findings demonstrated that, under some assumptions, brain

²³ The content of the agreements was acquired from German Information Centre for Migration, Training and Career (DIMAK) in Kosovo.

²⁴ Ibid.

²⁵ According to the German Information Centre for Migration, Training and Career (DIMAK) in Kosovo.

²⁶ Kathleen Newland. Migration, Development, and Governance: From Crisis Towards Consolidation. Migration Policy Institute (2019). Source: <https://bit.ly/2sZ15Ra>

drain contributes to the increased inflow of remittances, stimulates education, and reduces international transaction costs.²⁷

However, the same study demonstrates that the negative effects of brain drain. It may induce fiscal losses and reduce the human capital in an origin country, causing occupational distortions.²⁸ It may also exceed the income-maximizing level of certain developing countries.²⁹ This suggests that brain drain is only beneficial to a certain extent – and that some brain drain is good, but that excessive brain drain can be economically harmful.

Similarly, remittances are typically thought of as inherently beneficial. Nevertheless, there may be some unrealized disadvantages of remittances. According to the European Parliament’s Policy Department studies, on a micro-level, remittances can lead to “an increase in pressure on remitters, a growing culture of dependency in developing countries that undermines recipients’ motivation to work, an increase in the consumptive expenses of recipients and a rise in inequalities (between recipients and non-recipients, rural and urban areas).”³⁰

However, this is contrasted with their positive benefits equally mentioned in the same study, such as increasing the incomes of the recipients and enabling them to invest in needs such as health and education.³¹ On the macro-level, a similar pattern presents itself: while remittances can contribute to a loss of national competitiveness and increase corruption, they also contributed to “increase[ing] the credit-worthiness of a country and deepen the local financial market.”³² In this sense, remittances entail significant trade-offs that must be weighed and considered when constructing policy.

From an economic standpoint, a common skepticism among the nationals receiving immigrants is that the influx may lead to fewer job opportunities and wage stagnation. In the meantime, public finances and the balance of payments may be affected due to various social safety nets and remittances. On the other hand, when people emigrate, the country of origin fears brain drain, a rise in wages making companies less competitive, a rise in reservation wage³³ leading to inactivity, etc.

Empirical studies suggest that the rise of immigrants does not have a persistent negative impact on wages.³⁴ In the case of Germany, data shows that despite the continuous increase in labor immigration, the country has experienced a record low unemployment rate and the highest job vacancy rate since 2006. During this time, both the real wage and real GDP has continuously increased. Labor shortage limits the expansion of the economy, presenting considerable costs to businesses seeking to increase production and stay competitive in the world market. Therefore, although Germany has created more legal pathways for immigrants to access its labor market, its economy has the potential to absorb an even greater number of immigrants in areas where job vacancies remain high.

27 Frédéric Docquier. The brain drain from developing countries. IZA World of Labor (2014). Source: <https://bit.ly/37z0zs4>

28 Ibid.

29 Ibid.

30 Karine Manyonga Kamuleta LUBAMBU. The Impacts of Remittances on Developing Countries. Directorate-General for External Policies, Policy Department (2014). Source: <https://bit.ly/2TYL6Og>

31 Ibid.

32 Ibid.

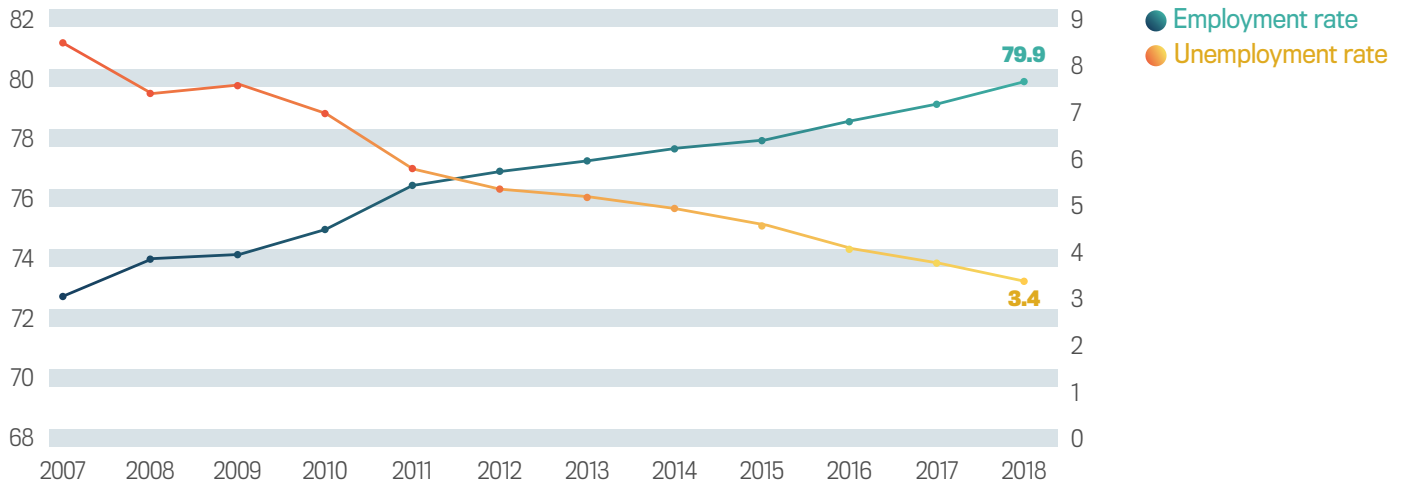
33 Market Business News defines reservation wage as follows: “[r]eservation wage refers to the least amount of money a person would consider working for in a particular position or type of employment.” Source: <https://bit.ly/2vl6zks>

34 Anthony Edo et al. The Effects of Immigration in Developed Countries: Insights from Recent Economic Research. CEPII (Centre d’Etudes Prospectives et d’Informations Internationales) (2018). Source: <https://bit.ly/2mFbMol>

Germany's labor deficit

Germany is Europe's largest national economy with economic growth continuing since 2010. During 2018, the real GDP grew by 1.5 percent compared to the previous year.³⁵ The continued increase in economic activity has fueled employment. In 2018, the employment rate reached its highest point since at least the 1990s³⁶ and the unemployment rate hit a record low. Figure 1 shows Germany's unemployment trend over the recent years. In July 2019, this rate dropped as low as three percent, making it the lowest joblessness in Germany since the 1980s.³⁷

Figure 1. Germany's employment and unemployment rates in recent years



Source: Eurostat³⁸

Besides the positive effect of low unemployment rates, a decrease below the natural rate of unemployment³⁹ may be detrimental to the economy as it may inflict wage inflation: companies competing for a limited amount of labor may cause wages to continuously increase. High wages are reflected in output prices, thus making German companies less competitive with the rest of the world.

In Germany, continued increases in employment drove the real earnings of employees up. According to the index of earnings, nominal wages in 2018 increased by 3.1 percent, while the Federal Statistical Office estimated that the Consumer Prices Index (CPI) rose by 1.3 percent during the same period. As a result, the real earning in 2018 grew by 1.8 percent. The blue line in Figure 2 displays the positive increase in real earnings over the years.

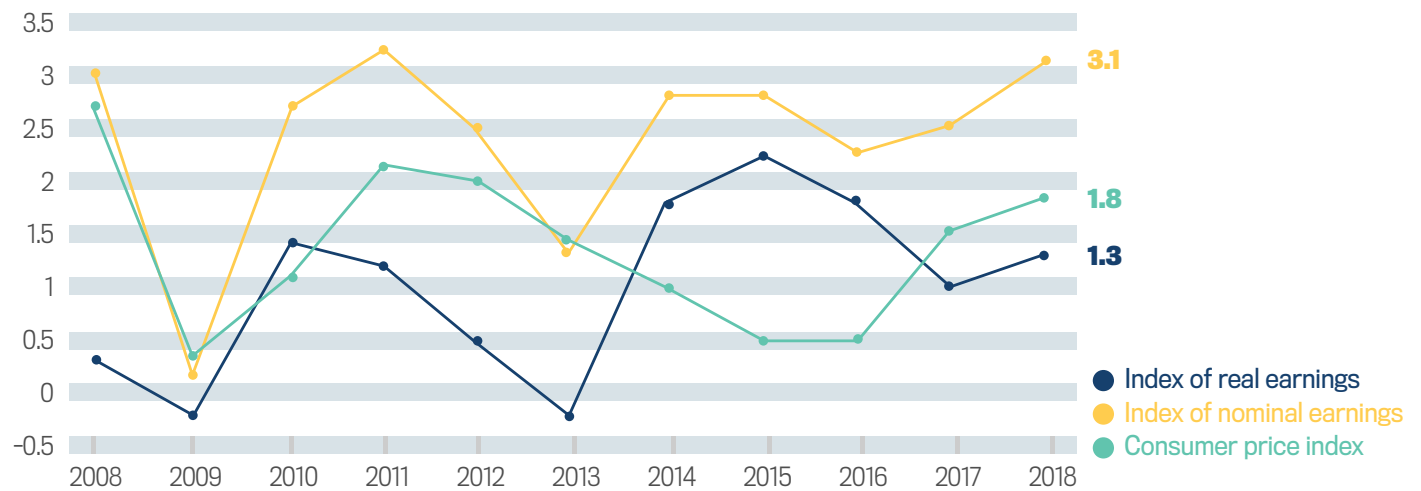
³⁵ Eurostat. Real GDP growth in Germany. Source: <https://bit.ly/39hXDBs>

³⁶ Federal Statistical Office (Destatis). Employment. Source: <https://bit.ly/3oVEzFq>

³⁷ Tradingeconomics. Germany. Source: <https://bit.ly/2tzPoxu>

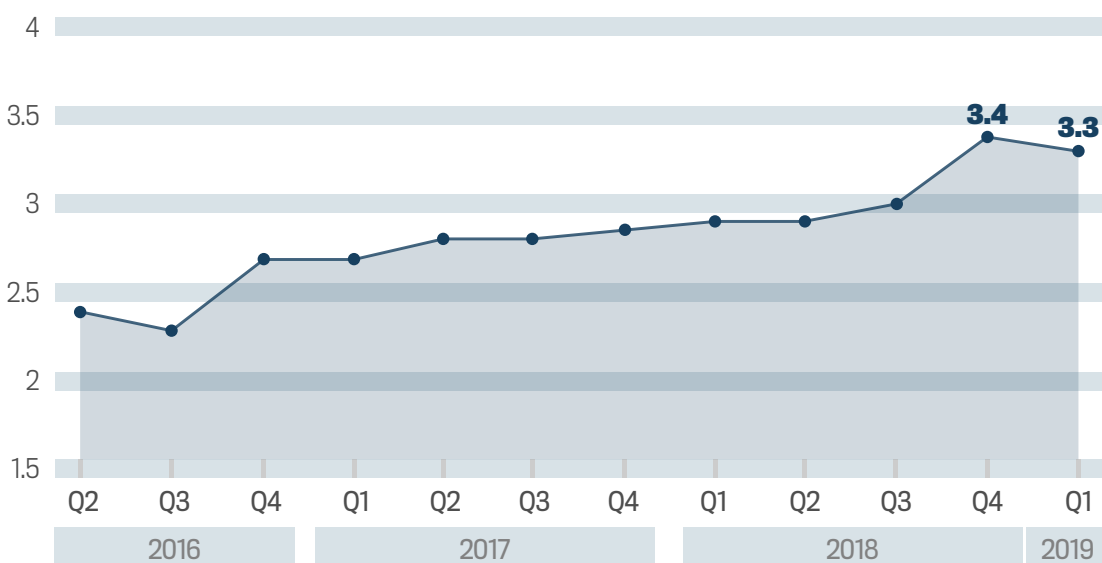
³⁸ Eurostat. Total unemployment rate. Source: <https://bit.ly/2TnnrVf>

³⁹ Julia Kagan defines the natural rate of unemployment as follows "[n]atural unemployment reflects the number of people that are unemployed due to the structure of the labor force such as those replaced by technology or those who lack certain skills to gain employment." Investopedia (2019). Source: <https://bit.ly/2VogWhi>

Figure 2. Percentage change in Germany's real and nominal earnings

Source: Federal Statistical Office (Destatis)⁴⁰

A plausible reason for the continued increase in real wage may be that too many companies are competing for a limited labor force. In recent years, various types of industries operating in Germany have expressed concerns regarding the lack of both a skilled⁴¹ and an unskilled⁴² labor force.⁴³ In the last quarter of 2018 and the first quarter of 2019, the job vacancy rate⁴⁴ increased by 3.4 and 3.3 percent respectively. This marks the highest rate since 2006.

Figure 3. Job vacancy rate in Germany for all professions

Source: Eurostat⁴⁵

Germany's increase in economic activity coupled with a limited labor supply

⁴⁰ Federal Statistical Office (Destatis). 1st quarter of 2019: real earnings up 1.2%, year after year. Source: <https://bit.ly/2IS23Lq>

⁴¹ A skilled laborer is considered an individual holding a university degree or those who have acquired a vocational training certificate equivalent to German standards.

⁴² A low-skilled laborer is considered an individual with no formal vocational qualifications or training, which is officially recognized Germany. However, the employee might still be skilled/trained in practice.

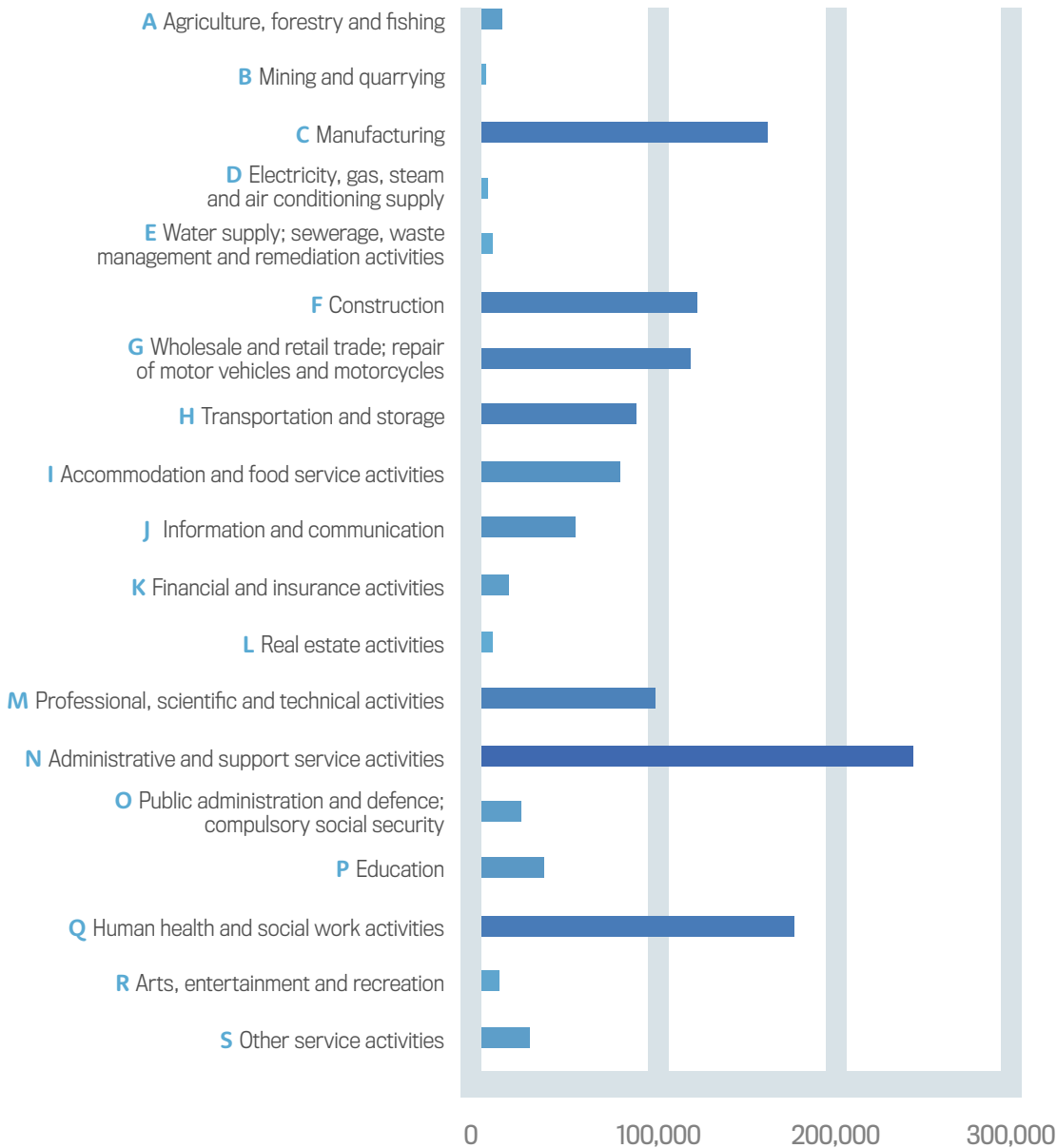
⁴³ Tobias Buck. Germany looks to foreign workers to tackle labour shortage. Financial Times (2018). Source: <https://on.ft.com/2t4kuA3>

⁴⁴ According to EUROSTAT, job statistics "provide information on unmet labour demand." The job vacancy rate is the proportion of total posts that are vacant to the total number of posts (occupied and vacant).

⁴⁵ Eurostat. Job vacancy statistics by NACE Rev. 2 activity - quarterly data. Source: <https://bit.ly/2lJND0z>

costs industry considerably. According to Germany's Economic Institute (IW), unfilled job positions cost Germany's economy about 30 billion euros every year.⁴⁶ Certain industries are having more difficulties filling positions than others. Figure 4 displays job vacancies for professions during 2018. Occupations such as administrative and support service activities, human health and social work, manufacturing and construction are among the professions in highest demand in Germany.

Figure 4. Average job vacancy numbers in 2018 by professions in Germany



Source: Eurostat⁴⁷

⁴⁶ Kate Connolly. Germany passes immigration law to lure non-EU skilled workers. The Guardian (2018).

Source: <https://bit.ly/2Sakt51>.

German companies lose business worth 300 bln euros to illegal work. Xinhua (2019). Source:

<https://bit.ly/2lh2Yoy>

⁴⁷ Job vacancy statistics by NACE Rev. 2 activity - quarterly data. Eurostat. Source: <https://bit.ly/2Rvz3X5>

In addition to the aforementioned professions, labor shortages in the health care sector will likely become even more problematic in the near future due to the aging population in Germany.⁴⁸ Currently, Germany has more residents over the age of 60 than under the age of 30.⁴⁹ With this trend, maintaining the current pension system and other social policies without increasing the country's debt will be a challenge. Given Germany's commitment to maintaining a balanced budget, increasing the country's debt is unfeasible. Alternatively, additional labor will be needed to maintain this balance. A recent study found that if the potential labor force was to cover projected labor market needs, annual net immigration of 146,000 migrants from non-EU countries would be needed between 2018 and 2060.⁵⁰

Labor migration to Germany from EU and non-EU countries

Job vacancies remain high despite the continued flow of immigrants to Germany. In 2018, the immigration to Germany was 1,585,000 while emigration was 1,185,000 with a net immigration of 400,000.⁵¹ Of the total immigration each year, Germany attracts more people from EU countries than it does non-EU nationals. Exceptions to this trend occurred in 2015 and 2016 due to the massive inflow of asylum seekers.

From the total EU immigrants that come to Germany for employment purposes through EU internal mobility, the majority are skilled workers. According to the Federal Statistical Office (Destatis), in 2017, 61 percent of Germany's EU immigrants had vocational qualifications.⁵²

While citizens from the European Economic Area⁵³ are exempted from applying for a residence title due to the free movement of person regime,⁵⁴ non-EU nationals are required to have a permit in the form of a visa in order to enter and stay in Germany. The main residence titles are visas, residence permits, settlement permits, long-term EU residence permits, and EU Blue Cards.⁵⁵ When immigrating for employment purposes, Germany has the Residence Act (Aufenthaltsgesetz or AufenthG),⁵⁶ specifically Sections 18, 19, and 20, that regulate labor migration (see Appendix 1). In order to obtain a residence permit for employment, the Federal Employment Agency has to grant approval. For some particular categories, employment or training is permitted through intergovernmental placement agreements.

48 Antje Schwinger et al. *Pflegepersonal heute und morgen*. In: Jacobs et al. *Pflege-Report 2019. Mehr Personal in der Langzeitpflege – aber woher?* Berlin: Springer (2020). Source: <https://bit.ly/2uEj8fP>

49 Jeff Desjardins. Germany will hit a significant demographic milestone over the next year. *World Economic Forum* (2018). Source: <https://bit.ly/2EIXnjQ>

50 Johann Fuchs et al. *Zuwanderung und Digitalisierung: Wie viel Migration aus Drittstaaten benötigt der deutsche Arbeitsmarkt künftig?* Bertelsmann Stiftung, Gütersloh (2019). Source: <https://bit.ly/3ajdObK>

51 Federal Statistical Office (Destatis). *Migration*. Source: <https://bit.ly/2NZt9el>

52 Matthias M. Mayer. *Skilled worker migration to Germany from third countries 2017*. Bertelsmann Stiftung, Gütersloh (2018). Source: <https://bit.ly/2Fjy4SQ>

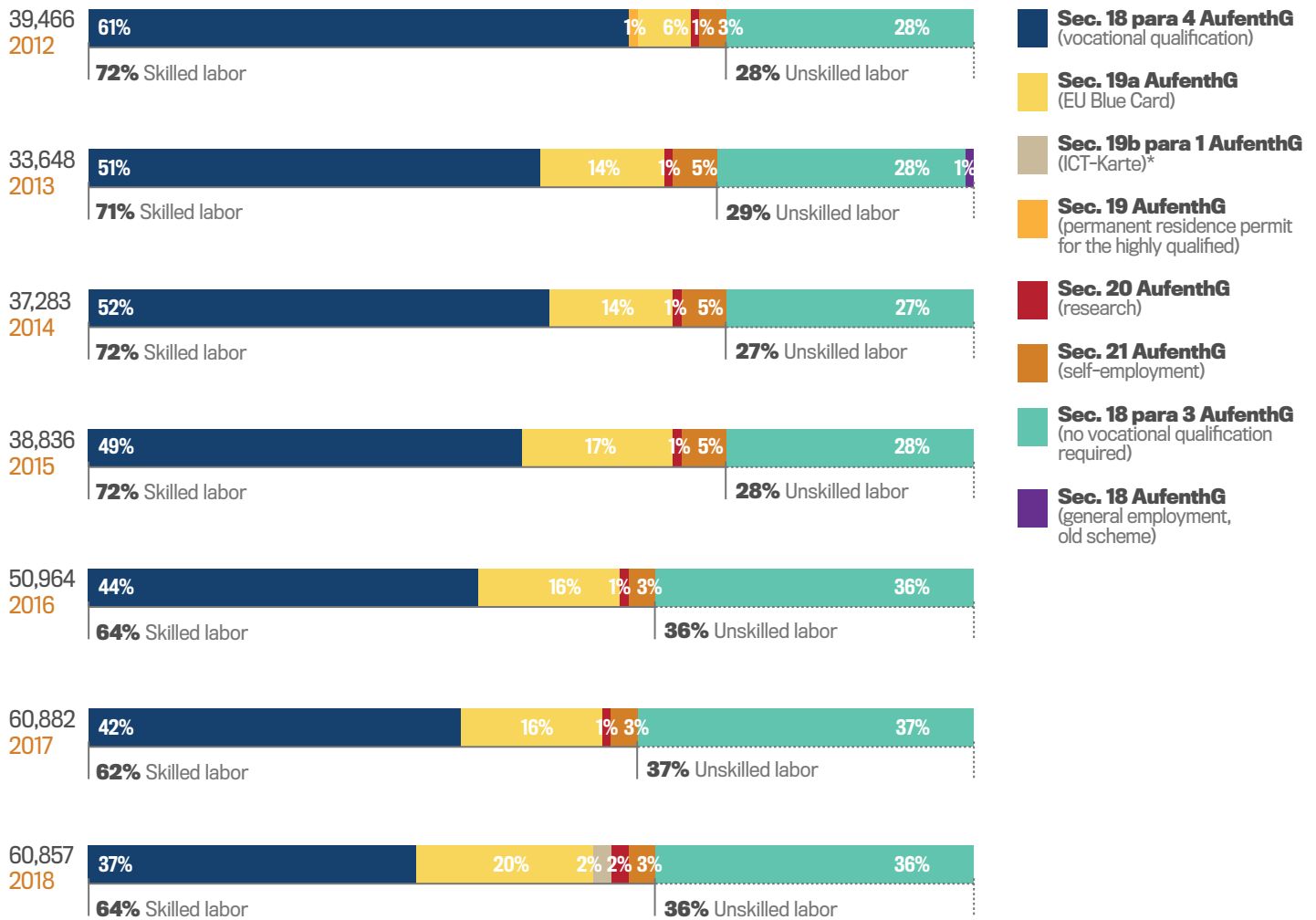
53 The EEA covers all EU Member States plus Iceland, Liechtenstein, and Norway.

54 Section 2, Right of entry and residence, of the Act on the General Freedom of Movement for EU Citizens (FreizügG/EU). Source: <https://bit.ly/38GNcWZ>

55 Janne Grote and Michael Vollmer. *Opportunities to change the [sic] residence title and the purpose of stay in Germany*. German National Contact Point for the European Migration Network (EMN) (2016). Source: <https://bit.ly/2lyy9vk>

56 Residence Act (AufenthG). Source: <https://bit.ly/2lSQrba>

Figure 5. Skilled and low-skilled labor immigrants from third countries to Germany with a firm job offer, by type of residence permit (2012-2018)



Source: Federal Office for Migration and Refugees – BAMF⁵⁷

Figure 5 shows that in 2018, out of 60,857 labor immigrants from non-EU countries, 64 percent were skilled laborers. Total migration and the number of skilled workers have increased over the years. Although the share of skilled compared to unskilled workers has decreased in the last three years, the most popular residence permit for skilled laborers continues to be the EU Blue Card.

The EU Blue Card includes both a residence permit and work authorization for non-EU or non-EEA citizens. It is also a document needed to later obtain permanent residence and EU citizenship. According to Germany's Federal Office for Migration and Refugees (BAMF), since the adoption of the EU Blue Card in 2012, Germany remains the main destination of highly skilled migrants compared to other EU countries, with 85 percent of total issuance coming from Germany.⁵⁸ In 2018, Germany issued 25 percent more EU Blue Cards than in 2017.⁵⁹

57 Hans-Eckhard Sommer. Brochure "The Federal Office in numbers. Federal Office for Migration and Refugees – BAMF, 2018" (2019). Source: <https://bit.ly/2Rv43Xi>

58 Germany-visa.org. Number of 'Blue Card' Holders in Germany Spikes Up for [sic] 25% in 2018 (2019). Source: <https://bit.ly/3ojUr3B>

59 Ibid.







A boost for (skilled and unskilled) labor migration from the Western Balkans

Although skilled labor outnumbers unskilled, the share of unskilled workers has been increasing over the years. From 2015 to 2016, the number of unskilled labor increased by almost 70 percent, but it has remained stable since.

A reason for the rapid increase of labor migration in 2016 could be the introduction of the WBR in 2015, which does not specify any skill requirement, allowing skilled and unskilled workers to enter the German labor market.

In a three-year period (2016 to 2018), the staggering number of 204,638 work contracts submitted by nationals of WB countries were subject to review by the FEA, about 80 percent (163,241) of which were pre-approved.⁶⁰ However, only 40 percent of the pre-approved cases passed all the criteria to get a working visa.⁶¹ Table 1 also shows that Kosovo had the largest number of both applications and visa approvals under Section 26.2, despite having the second smallest population in the Western Balkans: one third of all applications came from Kosovo, and around 24 percent of all working visa were issued for Kosovo citizens.

Table 1. Number of issued and denied pre-approvals and visas issued under section 26.2

	Year	Total	 ALB	 BiH	 KOS	 NMK	 MNE	 SRB
Work Contracts Submitted to Employment Agency for Review Under §26.2	2016	53,583	3,933	13,889	18,182	6,213	1,313	10,050
	2017	94,280	8,235	21,206	36,245	11,452	1,839	15,301
	2018	56,775	9,376	11,398	12,845	12,683	1,978	8,495
Pre-Approvals Granted	2016	42,546	2,977	11,330	14,419	4,746	1,012	8,059
	2017	74,577	6,053	17,220	28,816	8,918	1,433	12,135
	2018	46,118	7,052	9,684	10,693	10,059	1,476	7,154
Pre-Approvals Denied	2016	11,037	956	2,559	3,763	1,467	301	1,991
	2017	19,703	2,182	3,986	7,429	2,534	406	3,166
	2018	10,657	2,324	1,714	2,152	2,624	502	1,341
Visas Issued Per §26.2	2016	18,752	1,228	5,581	5,102	2,635	678	3,528
	2017	25,341	2,796	5,933	6,012	5,167	856	4,577
	2018	21,078	4,254	2,612	4,710	5,360	971	3,171

Source: Federal Employment Agency⁶² and Federal Foreign Office⁶³

⁶⁰ For procedures regarding the issuance of pre-approvals by FEA refer to Box 1.

⁶¹ Regarding the procedure of the Federal Employment Agency for visa approval or denial refer to Box 1.

⁶² Bundesagentur für Arbeit. Consents u. Refusal to work by third-country nationals - Germany, Länder and regional directorates (year and time series) - December 2018. Source: <https://bit.ly/2nlkrwE>.

⁶³ Andreas Michaelis. Work visas for the Western Balkans in 2018. Federal Foreign Office (2019). Source: <https://bit.ly/2niZDpx>

In 2015, before the introduction of the WBR, Germany declared Kosovo, Albania, and Montenegro safe countries of origin, joining the other three WB countries (Serbia, BiH, and North Macedonia) who received this status earlier. This measure, coupled with extensive media campaigns regarding the new status of the WB countries resulted in lower asylum claims. The number of asylum seekers fell by 72 percent, from 120,882 in 2015 to 34,360 in 2016.⁶⁴

The majority of pre-approvals granted by the FEA for applicants from WB countries were for work in the field of construction. The next categories that received a high number of approvals were the accommodation industry and food services as well as human health and social work sectors. Those same professions also had the highest number of applications denied (see Appendix 2).

While these liberal admission policies increased labor immigration in Germany, the WBR has been criticized for a slow processing time and tendency to be misused via fraudulent work contracts. After receiving work contracts, both employers in Germany and employees from non-EU countries had to wait long periods of time until work visas were approved (see Box 1 for the approval procedure). According to the German Embassy in Pristina, the waiting period for visa applications via section 26.2 of the Employment Ordinance is expected to be more than a year.⁶⁵ Many employers cannot wait this long to fill an open position. Additionally, many WBR applications that were denied by the Federal Employment Agency constituted fraudulent work contracts where a small company issued more work contracts than its employment capacity.⁶⁶ Another aspect of the WBR that galvanized debate in the target WB countries is the fact that this policy was unilaterally designed and approved. While the policy was discussed and analyzed in Germany regarding the implications for managing irregular migration and labor demand, there was little to no communication about this regulation in WB countries, nor how it would affect them.

Concerns of WB countries are expected to increase with the implementation of a new regulation in March 2020. Despite increases in skilled and unskilled migration to Germany through various regulations, as of 2019, labor shortages remained evident, which sparked a new dialogue among public, political, and academic circles regarding additional changes to the current migration laws to allow employers to recruit skilled workers even easier and faster. As a result, Germany introduced its most liberal immigration law to date: Fachkräfteeinwanderungsgesetz – FKEG (Skilled Immigration Act), which was passed on 7 June 2019.⁶⁷

64 Bither and Ziebarth. Creating legal pathways to Reduce Irregular Migration? What We Can Learn From Germany's "Western Balkan Regulation". The Geramn Marshall Fund of the United States. (2018). Source: <https://bit.ly/2MjzQAb>

65 German Embassy in Pristina. Frequently asked questions. How long is the wait for an appointment? (2018). Source: <https://bit.ly/2liNQa4>

66 Creating legal pathways to reduce irregular migration? What we can learn from Germany's "Western Balkan Regulation." Source: <https://bit.ly/37e1BKT>

67 The Federal Law Gazette. Skilled Immigration Act (2019). Source: <https://bit.ly/3oZo6jm>

The Skilled Immigration Act, which will enter into force in March 2020 will include the following major changes to the Residence Act:

- Employers will not be subject to previous restrictions on labor sectors with shortages when hiring workers with vocational education.
- Experienced IT professionals will be eligible for work permits even without a formal educational degree equivalent to German standards, while for all other occupations, this prerequisite remains in place; however, a residence title can be granted for updating programs.
- Employers will not be required to prove that there are other German residents or privileged candidates qualified for the position (abolishment of the priority check).
- Workers with qualified vocational training will have the same rights as highly skilled workers when applying for immigrant status.
- A visa for the purpose of searching for a proper job for skilled workers or a vocational training position for young adults is granted if several other conditions are met (e.g., ability to cover living expenses and no criminal record).
- After four years of work, skilled professionals will have the option of becoming permanent residents.

The new immigration law is expected to significantly expedite the process of acquiring a work permit. Furthermore, citizens of Western Balkan countries, just like other third country nationals, have the opportunity to receive a visa to go to Germany for six months to seek a job, provided that they have an academic degree or a recognized professional training certificate plus enough capital to support themselves during this period. If they find a job, they can receive work and residence permits almost immediately.

However, citizens of Kosovo aiming to work in Germany without fulfilling these prerequisites are still disadvantaged among the WB countries, since the visa requirement for short-term stays in the Schengen area remains in place. The advantage of the visa-free regime is that any potential labor migrant may travel in “tourist mode” for three months in order to secure a job in accordance with the Skilled Immigration Act or, in case he or she is without vetted skills, making use of section 26.2 of the Employment Ordinance.

Kosovo's challenging labor market background

Current and projected demographics are important components for assessing labor market potential. Table 2 shows that until 2051, Kosovo's population growth rate is expected to increase. Tied to this, the working-age population is expected to increase; however, a major decline in growth is projected to happen in the second phase of this forecast. The decline will likely result in a major structural change in the population where the youth will enter adulthood and the large group of current adults will move to the elderly group. Nevertheless, assuming a 75 percent EU target employment rate, Kosovo is expected to have about half a million working-age people unemployed by 2021.

Table 2. Population estimates from 2011-2051, by economic activity and gender

Demographic and labor market indicators	2011	2021	2031	2041	2051	% change 2011-2021	% change 2021-2031
Total population	1,780,021	1,883,805	1,931,957	1,923,157	1,859,447	5.8%	2.6%
Men	896,426	952,170	979,886	975,977	943,659	6.2%	2.9%
Women	883,595	931,635	952,071	947,198	915,788	5.4%	2.2%
6 years old	31,604	25,544	24,532	20,120	16,457	-19.2%	-4.0%
15 years old	35,313	29,985	24,413	23,263	18,838.0	-15.1%	-18.6%
18 years old	36,159	33,389	24,664	23,868	20,141	-7.7%	-26.1%
Working age 15-64	1,162,044	1,301,556	1,308,552	1,262,015	1,177,814	12.0%	0.5%
Active population	533,698	602,190	609,595	591,499	552,502	12.8%	1.2%
Total employment	378,808	427,997	412,007	392,206	393,276	13.0%	-3.7%
Target employment level (EU target employment rate 75%)	871,533	976,167	981,401	946,511	883,361	12.0%	0.5%
Gap between target and estimates	492,725	548,170	569,394	554,305	490,085	11.3%	3.9%

Source: Kosovo population projection 2011-2061, KAS, based on ALLED (2015), Labour Market Needs Assessment and Labour Market Needs Analysis in Kosovo⁶⁸

According to the World Bank, as of 2018, Kosovo has a per capita GDP of 4,302 dollars.⁶⁹ Compared to other countries in Europe, Kosovo is the fourth poorest country after Moldova, Ukraine, and Armenia. In 2018, the unemployment rate was 29.6 percent and youth unemployment (15-24 years old) reached as high as 55.4 percent, in a country where the median age is 29.6.⁷⁰ According to a Gallup survey, an individual's aspiration to migrate is strongly correlated to their age. Specifically, youth aged 15 to 24 are much more likely to migrate than other age groups.⁷¹ A similar conclusion was drawn in a survey with Kosovo citizens regarding the age of potential migrants.⁷²

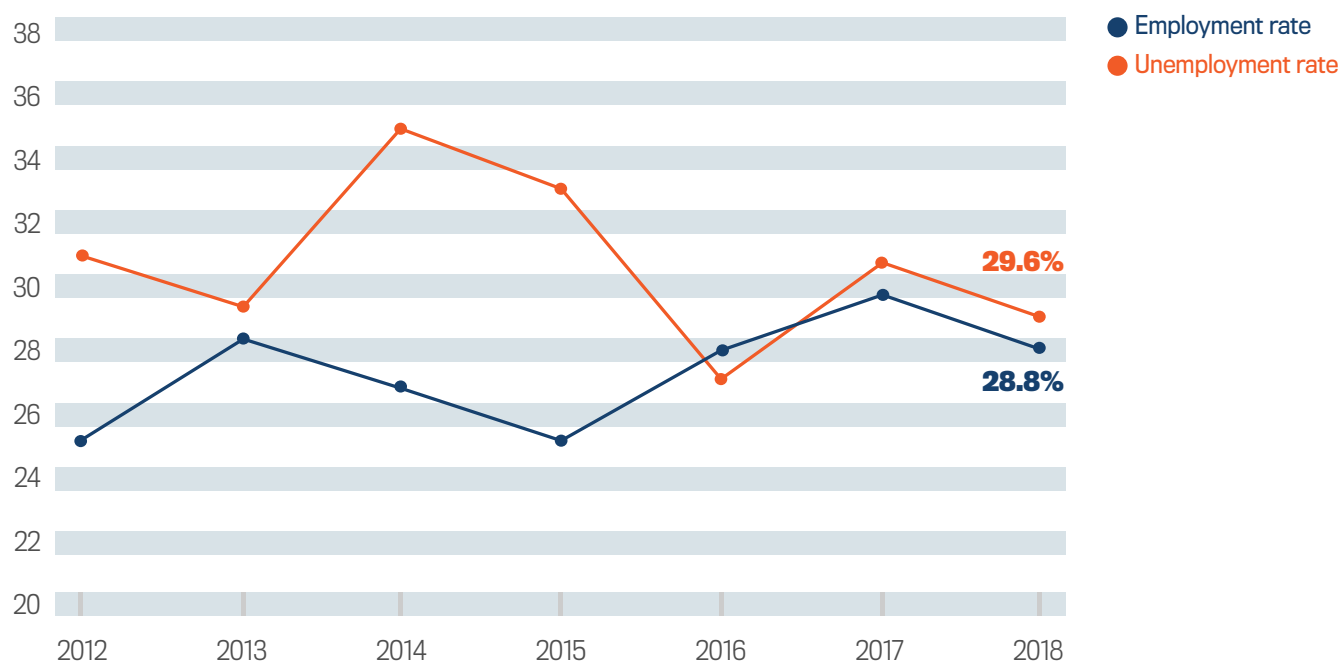
68 Avni Kastrati et al. Kosovo population projection 2011-2061. Kosovo Agency of Statistics (2017). Source: <https://bit.ly/2s1VfOE>. Besnik Krasniqi. Labour Market and Skills Needs Analysis in Kosovo: Perspective for the future. Research Gate (2019). Source: <https://bit.ly/2Fzc7Q1>

69 The World Bank. GDP per capita (current US dollar). Source: <https://bit.ly/3b6atnu>

70 Kosovo Agency of Statistics. Labor Force Survey in Kosovo 2018 (2019). Source: <https://bit.ly/36qZan3>

71 Julie Ray and Neli Esipova. World's Potential Migrants Are Often Young, Educated, Well-Off. Gallup poll (2011). Source: <https://bit.ly/2moHQwl>

72 Group for Legal and Political Studies. Potential Migrant's Profile most willing to Migrate? (2015). Source: <https://bit.ly/2SedUji>

Figure 6. Kosovo's recent employment and unemployment rates

Source: Kosovo Agency of Statistics –Labor force survey in Kosovo⁷³

The lack of employment prospects along with other factors may have inflicted high inactivity over the years. According to the Kosovo Agency of Statistics (KAS) as of 2018, 60 percent of the working-age population was inactive, 80 percent of which were women.⁷⁴ This level of insufficient use of labor resources presents a considerable cost to a developing economy such as Kosovo. In 2019, more than 80 percent of part-time workers in Kosovo stated that the reason for their part-time work was a lack of available full-time jobs.⁷⁵

Besides economic repercussions, long-term unemployment creates personal and societal costs. On an individual level, being unemployed for a long period of time may cause loss of skills, lack of economic independence, and depression.⁷⁶ High unemployment can unfold societal problems such as discrimination, violation of labor rights, etc. Representatives of the Private Sector Labor Union in Kosovo stated that 50 percent of employees work without a contract whereas KAS estimates this number to be about 20 percent.⁷⁷ Similarly, the Kosovo Country Report also noted the lack of enforcement of the Kosovo Labor Law and the increase in work-related fatalities in 2018 due to unsafe working conditions.⁷⁸ With the current high unemployment rate, employees may be reluctant to negotiate working conditions with their employers.

73 Kosovo Agency of Statistics –Labor Force Survey in Kosovo 2018 (2019). Source: <https://bit.ly/2lfOZ2d>
Index Mundi. Kosovo Demographics Profile 2019 (2019). Source: <https://bit.ly/2QOoRXZ>

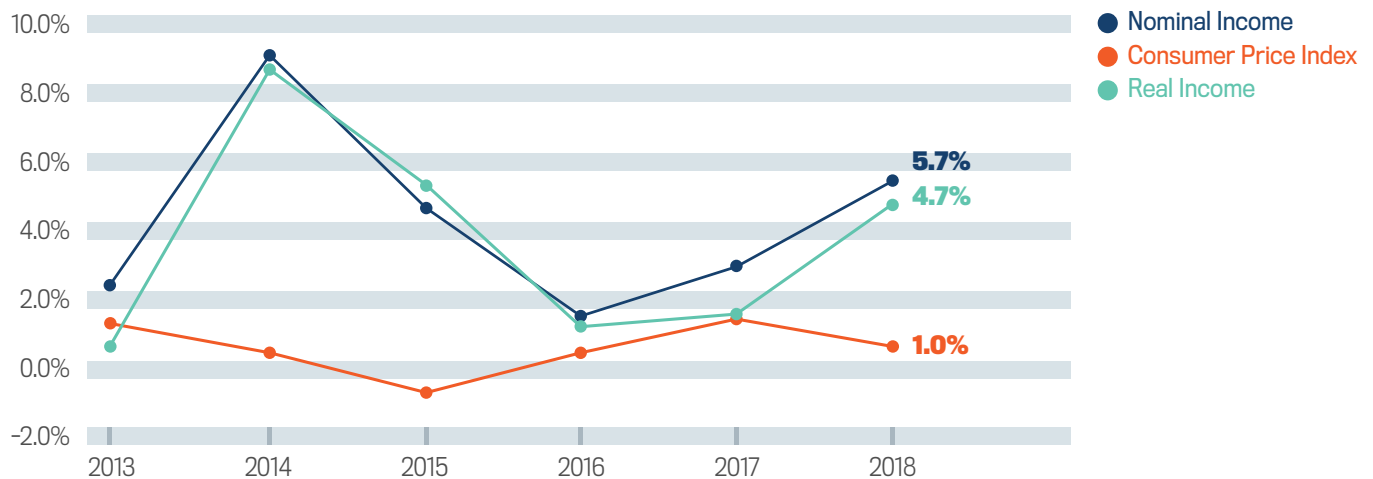
74 Kosovo Agency of Statistics –Labor Force Survey in Kosovo 2018

75 Kosovo Statistical Agency. Labor Force Survey Q2 2019 (2019). Source: <https://bit.ly/2m3Qlo4>

76 Kimberly Amadeo. Long-term Unemployment, its Causes, and Effects. The balance (2020). Source: <https://bit.ly/2MALuxS>

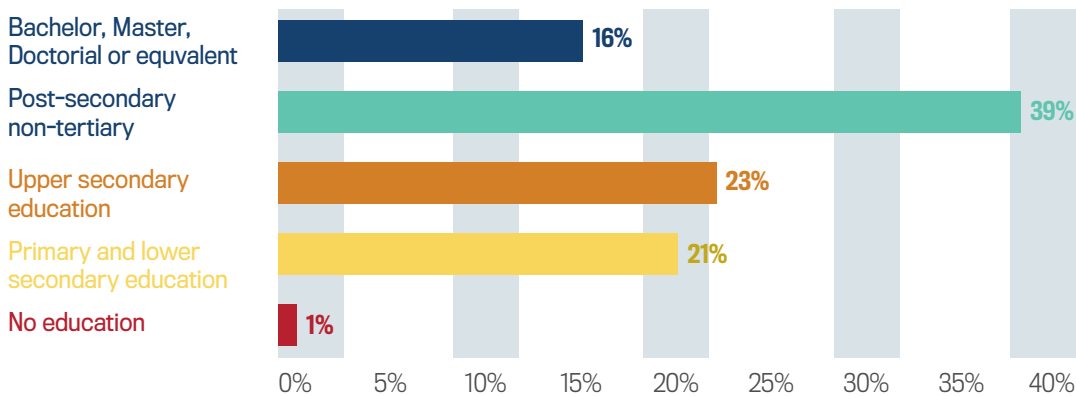
77 Koha Ditore. 2018, the year with the most deaths in the workplace (2018). Source: <https://bit.ly/2kuPHZd>
Kosovo Agency of Statistics. Labor Force Survey in Kosovo 2018

78 European Commission. Kosovo Progress Report 2019 (2019). Source: <https://bit.ly/2KckkwX>

Figure 7. Percentage change in Kosovo's real and nominal earnings

Source: Kosovo Agency of Statistics – The level of wages and Consumer Price Index⁷⁹

The average monthly salary in the public sector is 510 euros per month, whereas in the private sector it is 365 euros.⁸⁰ Figure 7 shows that real wages have increased lately, however, a major driver of this growth has been the public sector. The big spike in 2014 is due to the government's decision to increase public sector wages by 25 percent.⁸¹ Real earnings in the private sector have been modest with 0.8 percent average growth over the last six years.⁸²

Figure 8. 2018 unemployment according to educational level, based on ISCED 2011 classification methodology

Kosovo Agency of Statistics – Unemployment based on education level⁸³

In addition to age group, Gallup's findings suggest that education is also a dominant factor among the people who aspire to migrate. The higher a person's education, the more likely they are to migrate.⁸⁴ Among those unemployed in 2018, 16 percent (23,200) had higher education degrees while 39 percent (57,100) had post-secondary or non-tertiary degrees.

⁷⁹ Kosovo Agency of Statistics. The level of wages and Consumer Price Index. Source: <https://bit.ly/2LVZFmS>

⁸⁰ Ibid.

⁸¹ Municipality of Vushtrri. Annual Financial Report 2014 - Government Decision nr. 01/176 (2014). Source: <https://bit.ly/37DsmqY>

⁸² Kosovo Statistical Agency. The level of wages in Kosovo 2012-2017, Labor Force Survey (2018). <https://bit.ly/2mr4eWn>

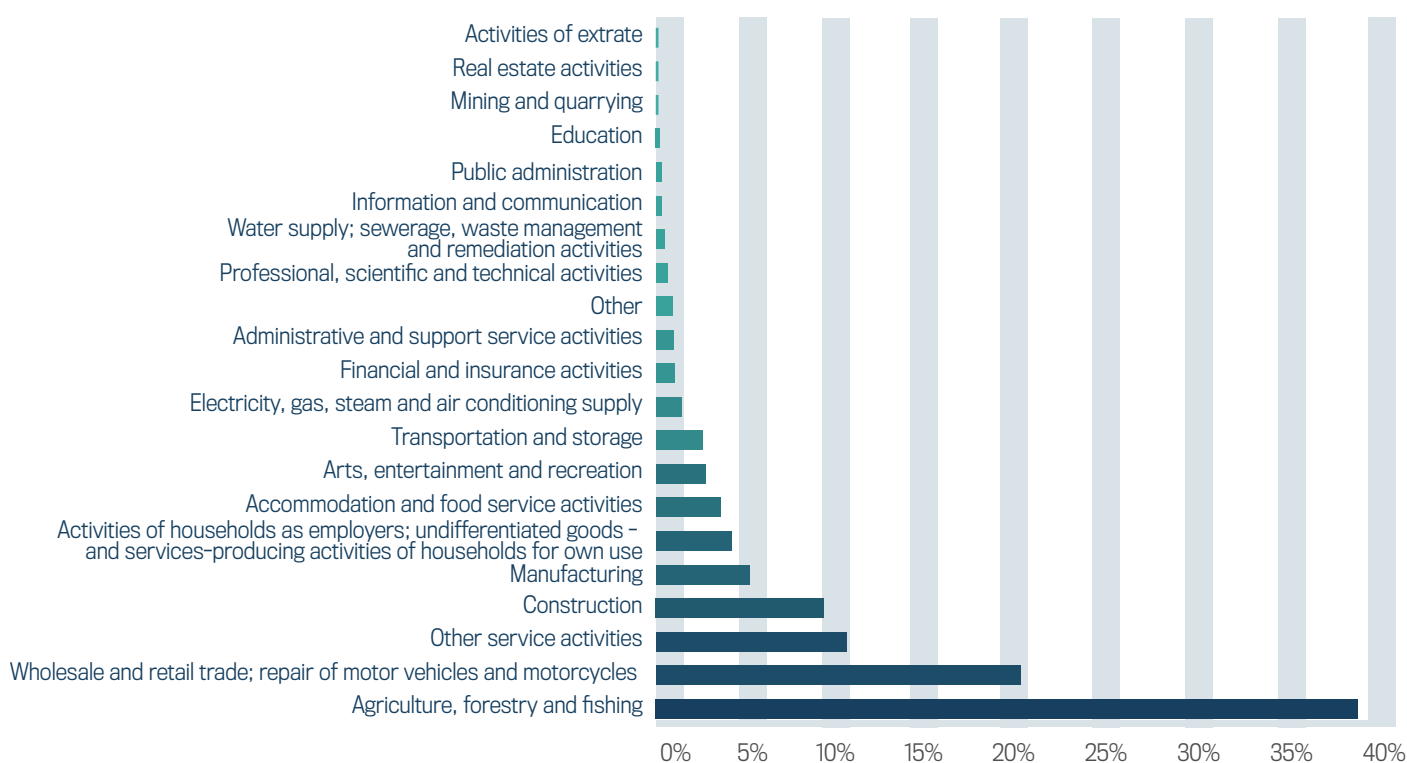
⁸³ Kosovo Agency of Statistics. Unemployment based on education level. Source: <https://bit.ly/2mUooGM>

⁸⁴ Ray and Esipova. World's Potential Migrants

The sector-specific labor surplus in Kosovo

In a 2018 Millennium Challenge Corporation report, “Kosovo Labor Force and Time Use Study Research Report”, unemployed individuals reported their most recent profession. Figure 9 shows that agriculture and forestry were the occupations of the largest groups of the unemployed in Kosovo, followed by wholesale and retail, other service activities, and construction workers. The top four professions altogether account for 76.5 percent of all unemployment in 2017.

Figure 9. Kosovo's unemployment rate by occupation in 2017



Source: Millennium Challenge Corporation - Kosovo Labor Force and Time Use Study Research Report⁸⁵

In addition to the aforementioned professions, the health care sector has more workers than it can accommodate. The chairman of the Federation of Health Unions of Kosovo (FSSHK) in an interview with GAP Institute declared that each year, about 350 nursing students graduate from the public education system and 4,000 from the private system. In 2018, less than 400 of those students were employed.⁸⁶ During the same year, 1,400 of those students competed for 100 vacant nursing positions. In a survey conducted by FSSHK in 2014, 60.6 percent of the nurses surveyed replied that they were inclined to emigrate, the main reasons being higher pay (29 percent) and professional development (27 percent).⁸⁷ According to the chairman, Kosovo needs to allocate more funds to create more health care positions. However, even with these actions, there would still be a surplus of students unemployed after graduation.

On the other hand, careers in the health industry, more specifically elderly care, are among the occupations that show the strongest growth in demand

85 Hira Siddiqui et al. Kosovo Labor Force and Time Use Study Research Report. Millennium Challenge Corporation (2018). Source: <https://bit.ly/2YSqx8U>

86 Blerim Sylja, chairman of the Trade Union Health Federation of Kosovo (FSSHK). Interview with GAP Institute 09.09.2019.

87 Ibid.

in Germany. According to the Institute for Employment Research (IAB), considering the current social and economic trends, the demand for health care employment will continue to rise in the future.⁸⁸ In July 2019, the German Federal Minister of Health, Jens Spahn, visited Kosovo where he announced that Germany needs 70,000 nurses.⁸⁹

The chairman of the FSSHK expressed concerns that those initially recruited for nursing jobs from Kosovo are not assigned typical nursing posts. Rather, those recruits provide care for the elderly and other similar tasks. They work in professions that underutilize their skills. This phenomenon, according to the chairman, happens partly because those positions are not easily filled in Germany, and partly because most of the qualifications that are awarded in Kosovo are not recognized in Germany. Indeed, the shortage of labor in the care and nursing fields refers to skilled workers in the sense that their degrees are considered equivalent to German standards. Thus, in 2017 there were 522 registered unemployed per 100 job offers for (unskilled or semi-skilled) geriatric care helpers, while the ratio for (fully skilled or specialized) geriatric caregivers was 29 unemployed per 100 openings (see German Bundestag Printed Paper 19/2455, p. 2).⁹⁰ This puts the issue of upgrading skills and the implementation of continuing training measures for the adaptation of vocational skills high on Germany's agenda as a labor-receiving country.

Despite the potentially complementary relationship in the health care sector, other sectors in Kosovo may suffer labor shortages from emigration. Besides the high unemployment rate in Kosovo, businesses express the lack of labor capacities as their main challenge in doing business. The findings of the Kosovo Chamber of Commerce survey with businesses show that over 80 percent of enterprises directly face the problem of an unqualified workforce.⁹¹ Businesses claimed that there is a sufficient supply of workers, but they are not professionally qualified for the task.

One field with this issue is the service sector. The service sector is an important component in Kosovo's economy contributing to GDP and job creation. In 2018, the service sector accounted for 73 percent of the total GDP with a three percent increase compared to 2017.⁹² In total, more than 85 percent of employment in Kosovo is in the service sector.⁹³ Information and Communication Technology (ICT) and financial services are among many fields that have been growing in exports over the last few years.

A prevailing diagnosis of the problem of Kosovo's labor market is a mismatch of skills. It is often argued that the educational institutions in Kosovo have not served the needs of the economy. Rather, they have produced more graduates in sectors with a low demand in Kosovo and fewer professionals in sectors that are in greater demand. This has led to a situation where graduates have

88 Michaela Fuchs and Birgit Fritzsche. Die Gesundheitswirtschaft in Sachsen-Anhalt: Eine Betrachtung des Arbeitsmarktes. Institute for Employment Research (IAB) (2019). Source: <https://bit.ly/2ktUSIK>

89 Koha.net. Officially formalized deal leading more Kosovo nurses to Germany (2019). Source: <https://bit.ly/2mmB4a5>

90 Antje Schwinger, Jürgen Klauber, and Chrysanthi Tsiasioti Pflegepersonal heute und morgen. In: Jacobs et al: Pflege-Report 2019. Mehr Personal in der Langzeitpflege – aber woher? Berlin: Springer (2020), pp. 3–21. Source: <https://bit.ly/2uEj8fP>

91 Kosovo Chamber of Commerce. The lack of qualified labor force – a challenge for businesses (2017). Source: <https://bit.ly/2kEvlgc>

92 Kosovo Statistical Agency. Gross Domestic Product (GDP) for Kosovo 2008-2018 (2019). Source: <https://bit.ly/2ZC7hKT>

93 Ibid.

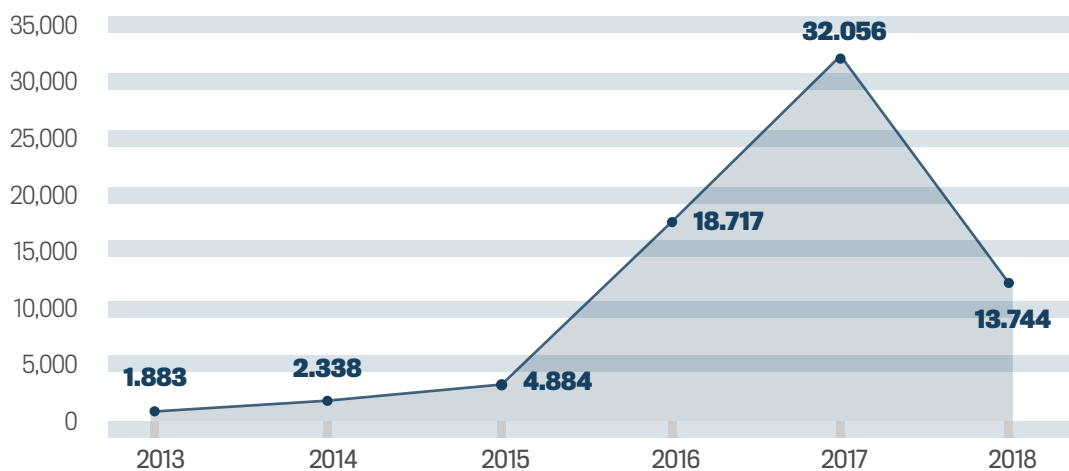
not been able to use their education and skills in the workplace despite their professional qualifications because they were steered toward different fields. This phenomenon is also known as ‘brain waste.’⁹⁴ It appears that ‘brain waste’ is also evident in labor emigration to Germany.

Thus, due to a weak education system that does not reflect market needs, Kosovo has both a deficit and a surplus of labor depending on the industry. High unemployment rates in Kosovo together with the prospect of increasing emigration present a threat to certain sectors and an opportunity in others. The next section analyzes the potential of a complementary relationship between the two labor markets – Germany and Kosovo – by sector.

Kosovo's labor force turns to the German market for job opportunities

Kosovo has a long tradition of migration to Germany, for both political and economic reasons. While there was a significant amount of “guest worker” and related family migration from the former Yugoslavia, particularly in the 1970s and 1980s, refugee migration became the dominant motive in the late 1990s and early 2000s. In recent years, labor migration became an even more important reason: the number of approvals by the Federal Employment Agency to take up employment in Germany based on a job offer has risen significantly since 2013.

Figure 10. Annual number of pre-approvals by the Federal Employment Agency for Kosovar labor migrants



Source: Federal Employment Agency

According to the World Bank as of 2013, an estimated 700,000 Kosovars lived in the diaspora.⁹⁵ Among the countries in which the diaspora lives, Germany is one of the most popular locales. 2017 census data from the German Federal Statistical Office, Destatis, displays that about 433,000 Kosovars live in Germany,⁹⁶ of whom around 66 percent are reported to be employed.⁹⁷ Because of this expectation of employment and a high quality of life, Germany receives a large volume of applications from Kosovo.

⁹⁴ European Commission, EU Migration and Home Affairs. Brain waste. Source: <https://bit.ly/3oWzIDW>

⁹⁵ World Bank. Republic of Kosovo, Systematic Country Diagnostics (2017). Source <https://bit.ly/37AYr39>

⁹⁶ Martin Dimitrov. Balkan Migrants in Germany Number 2.6 Million. Balkan Insight (2018). Source: <https://bit.ly/2MZte1c>

⁹⁷ Kushtrim Sheremeti et al. Diaspora Registration. Ministry of Diaspora et al (2017). Source: <https://bit.ly/2SWHUCm>

Table 3. Pre-approvals granted by FEA for Kosovar applications under Section 26.2 of the WBR and total pre-approvals from all sources (including WBR) classified by NACE economic activities

Occupations	Total pre-approvals using §26.2 of WBR (2016 - Sep.2019)	Total pre-approvals including WBR (2016 - Sep.2019)
Total approvals	64,170	77,092
A Agriculture, forestry and fishing	791	941
B Mining and quarrying	76	85
C Manufacturing	3,594	4,509
D Electricity, gas, steam and air conditioning supply	18	27
E Water supply; sewerage, waste management and remediation activities	233	277
F Construction	33,093	37,047
G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,476	3,094
H Transportation and storage	2,002	2,345
I Accommodation and food service activities	9,862	11,835
J Information and communication	117	271
K Financial and insurance activities	4	23
L Real estate activities	196	240
M Professional, scientific and technical activities	506	772
N Administrative and support service activities	9,366	11,602
O Public administration and defence; compulsory social security	36	74
P Education	29	63
Q Human health and social work activities	973	2,672
R Arts, entertainment and recreation	104	138
S Other service activities	629	795
T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	65	260
U Activities of extraterritorial organizations and bodies	-	3

Source: Federal Employment Agency (Bundesagentur für Arbeit)

Table 3 shows that from January 2016 until September 2019, Germany granted a total of 77,092 pre-approvals of Kosovar applications. The WBR accounts for 83 percent of those pre-approvals. Professions that received the highest number of application approvals using the WBR were construction, accommodation and food services, and administrative and support services, whereas professions receiving least approvals were finance and insurance, electricity, gas, steam and air, education, and public administration. A significant number of pre-approvals were granted to construction,

human health and social work using means other than the WBR. Note that not necessarily all of the applications that were pre-approved received a visa. The German Embassy in Kosovo does not publish the data on visa issuance by sector.

Is this a win-win arrangement for Germany and the Western Balkan countries? Or will Kosovo in particular experience a long-term brain drain?

Unilateral labor migration channels might be a threat to targeted countries' labor markets as they may serve mainly one party's needs. Bilateral agreements based on occupation and skill level have a higher potential to achieve the "triple win" concept where both countries plus the migrant can benefit. This concept, however, requires certain prerequisites, such as a professional assessment of market needs and workforce supply in both cooperating countries. The Federal Employment Agency in Germany continuously assesses and forecasts labor market needs by creating and updating an occupation shortage list and conducting market tests. For the most part, based on those needs, the FEA approves or denies migrants' applications. On the other hand, the Kosovo Employment Agency lacks a similar analysis. Kosovo is part of various labor migration policies with Germany without any specification of professions or skill levels that correspond to Kosovo's labor market needs. Kosovo does not have an occupation list by which to assess which professions can migrate without risking brain drain.

Table 4 displays Kosovo's labor market indicators, such as the estimated number of unemployed persons, labor productivity, total pre-approvals as a proxy measure for the tendency to migrate, and the number of job vacancies in Germany for all sectors. Each profession listed in the table has an estimated risk associated with it, which shows the chances of that profession being negatively impacted if laborers continue to migrate. The professions are ordered by the risk of labor migration calculated as the proportion between the tendency to migrate (total pre-approved) and the availability of labor (unemployment). In other words, if column two shows that for a particular profession, a high number of people receive pre-approvals to migrate to Germany and Kosovo has low unemployment in that sector (column one), then the risk of migration in that sector is high (column five) due to low chances of substituting the migrant from the pool of the unemployed. For instance, administrative and support services and construction are among the top five occupations with a low unemployment rate in Kosovo and high migration tendency. Assuming the current migration trends, the top five occupations listed in Table 4 can have a detrimental effect on those sectors' growth and hence are high risk. The potential effect on GDP if those sectors suffer a labor shortage is estimated by the labor productivity of that profession.

On the other hand, occupations such as forestry and fishing, finances and insurance, and agriculture are among the professions that have excessive unemployment rates with a low chance of employment in Kosovo in the near future. People with such professions can migrate to Germany through bilateral agreements with a triple win concept in mind. Ensuring this concept when formulating agreements means identifying complementary professions, safeguarding migrants' rights, sharing the cost of migration (travel, language classes, etc.), and designing fast and predictable migration procedures. Such migration channels can alleviate the unemployment rate in Kosovo without harming its labor-deficit sectors, serve German labor market needs, and offer a more prosperous opportunity for the migrant.

Table 4. Labor market data based on professions and ordered by the risk of migration to Kosovo⁹⁸

Occupations	Est. number of unemployed in Kosovo 2018	Total pre-approvals granted by FEA 2018 (per person)	Labor productivity in Kosovo 2018 (Euro)	Job vacancy numbers in Germany 2019	Risk of labor migration (higher %, higher the risk) ⁹⁸
1 Administrative and support service activities	925	2,071	4,489	260,212	224%
2 Mining and quarrying	0	12	47,457	789	100%
3 Real estate activities	0	47	1,256,586	7,560	100%
4 Construction	13,049	6,226	13,519	139,352	48%
5 Human health and social work activities	1,336	615	6,213	189,150	46%
6 Accommodation and food service activities	4,829	2,080	3,467	88,925	43%
7 Professional, scientific and technical activities	514	174	15,924	101,790	34%
8 Information and communication	411	92	10,150	55,706	22%
9 Education	103	16	6,455	41,970	16%
10 Water supply; sewerage, waste manag. and remediation activities	411	59	11,067	6,103	14%
11 Manufacturing	7,500	960	20,330	147,370	13%
12 Transportation and storage	3,699	422	21,526	92,265	11%
13 Public administration and defence; compulsory social security	411	19	21,572	24,042	5%
14 Wholesale and retail trade; repair of motor vehicles and motorcycles	28,255	595	14,615	140,946	2%
15 Other service activities	14,795	148	785	32,469	1%
16 Financial and insurance activities	1,233	7	32,767	20,232	1%
17 Activities of households as employers	5,856	66	0	0	1%
18 Arts, entertainment and recreation	3,904	16	5,868	11,059	0%
19 Agriculture, forestry and fishing	54,865	109	42,592	13,389	0%
20 Electricity, gas, steam and air conditioning supply	1,849	7	35,404	2,970	0%
21 Other	822	3	0	0	0%
Discrepancy	205	0			
Total	144,972	13,744			

Source: The number of unemployed persons in Kosovo 2018 was acquired from the KSA Labor Force Survey whereas the percentage of separation of the unemployed in NACE professions was calculated using data from the MCC survey.⁹⁹ Pre-approved work contracts under WBR 26.2 during 2018 were ordered according to the Federal Employment Agency (Bundesagentur für Arbeit). Labor productivity in Kosovo was calculated using KSA data on GDP and employment.¹⁰⁰ Job vacancy numbers in Germany 2019 refer to data from Eurostat.¹⁰¹

98 "Risk of labor migration" was calculated by dividing the "Number of unemployed in Kosovo 2017" column with the number of "Pre-approved work contract under 26.2 during 2018" column in Table 5.

99 Avni Kastrati et al. Labor Force Survey 2018. Kosovo Statistical Agency (KSA) (2019). Source:

<https://bit.ly/36yaiox>

Millennium Challenge Corporation (MCC). Kosovo- Labor Force and Time Use Survey. Sample size of the unemployed was 1,411, which is considered representative of the unemployed population. Source:

<https://bit.ly/2F2UwzI>

100 Fatmir Morina et al. Gross Domestic Product (GDP) for Kosovo 2008-2018. Kosovo Statistical Agency (KSA) (2019). Source: <https://bit.ly/2ZC7hKT>

101 Eurostat. Job vacancy statistics by NACE Rev. 2 activity - quarterly data. Source: <https://bit.ly/2SrAKW5>

An important distinction needs to be made in the category of human health and social work. According to Kosovo's Chamber of Doctors, more than 600 doctors are unemployed, 60 of whom are specialists,¹⁰² and yet they claimed that Kosovo needs to open 5,000 new positions in order to fulfill the current need. Thus, Kosovo may have a surplus of nurses but a deficit of doctors and specialists.

The labor market data shown in Table 4 illustrates the total unemployment during 2018 whereas the separation into NACE professions was estimated using MCC data from 2017. Recent data regarding the labor market are not properly collected in Kosovo and this often leads to delayed measurement. Therefore, this paper does not attempt to assess the risk of migration, but merely shows an overview where a potential risk and opportunity exists. In addition, Table 4 does not address the skill level of migrants. In other words, it is unable to display whether the people who migrate are skilled or if their potential substitution from the unemployed professional group matches the skill level of those who migrate. Appropriate assessments need to be made by the Kosovo Employment Agency.

Concluding remarks and recommendations

Germany has its lowest unemployment rate and highest number of job vacancies since the 1980s while the cost of unfilled job positions increased rapidly. In response, Germany introduced its most liberal immigration law to date and created a special regulation giving citizens of the six Western Balkan countries preferential access to the labor market, regardless of skill level. However, little analysis has been done on how Germany's demand for labor will affect the economy and the labor market in those countries.

Kosovo has the highest unemployment rate in the Western Balkans and the highest immigration through Germany's Western Balkan Regulation. Due to an education system that does not reflect market needs and has created a mismatch of skills, Kosovo has both a deficit of labor in some fields and a surplus in others. Unlike Germany, Kosovo does not have occupation lists of professions that are in high demand or professions with high unemployment. Despite this, Kosovo has been included in Germany's unilateral policies without skill/occupation specifications, such as the WBR and the Skills Partnership Program. Continuing with this trend of labor migration, Kosovo risks the growth of its sectoral labor deficit.

Kosovo is the only Western Balkan country without visa-free travel into the Schengen zone, however, there are indications that Kosovo will soon join other visa liberalized countries in Europe. When this occurs, migration should be further facilitated given the ease of travel and the increasing opportunity to find a job in Germany.

This paper attempted to shed light on which sectors would be complementary to both labor markets and which could pose a risk to Kosovo. It also explains the state of the current laws on migration from Kosovo to Germany, which does not necessarily uphold the triple win concept. The main issues include potential brain waste from the target countries, slow processing time which affects both the economy and the migrants, and expensive application costs.

¹⁰² Ariana Kasapolli - Selani. Unemployment boosts doctors' interest in leaving Kosovo. Radio Evropa e Lire (2020). Source: <https://bit.ly/3b5qBFJ>

The findings suggest that agriculture, forestry and fishing as well as finance and insurance are among the sectors that pose a low risk to stunt growth in Kosovo and are sought after by Germany. Migration of Kosovars within the fields of human health and social work pose a moderate risk for Kosovo and are in high demand in Germany. Within this category, doctors and specialists are more needed in Kosovo than nurses. Concurrently, administrative and support services and construction are among the sectors that could pose potential risks in Kosovo. Professional, scientific, and technological activities and the ICT sector are especially prone to migration risks given their high productivity in Kosovo, low labor supply, and the increasing prospects of migration through the new law, the Skilled Immigration Act.

Due to the lack of appropriate public data on the labor market in Kosovo, this paper relied on delayed measurements. Witnessing the high labor migration from Kosovo and the upcoming legal migration channels with Germany, the GAP Institute recommends:

The Kosovo Employment Agency (KEA) to properly assess and forecast Kosovo's labor market needs. To do this, KEA should collect comprehensive data on job vacancies and the professional and educational background of the unemployed. It needs to ensure regular/periodic surveys with businesses or business associations regarding current and projected labor needs. Cooperation with the Kosovo Agency of Statistics, local employment agencies, NGOs, and chambers of commerce is key to ensure swift and cost-effective results.

The **Ministry of Labor and Social Welfare (MLSW)** in Kosovo should use the data from the KEA to design labor migration policies in accordance with labor market needs. In addition, when entering into bilateral migration agreements, the MLSW should safeguard migrants' rights, share the cost of labor migration (travel, language courses, etc.), and design fast and predictable migration procedures. Seasonal work agreements could be explored as an option for professions where Kosovo has a low unemployment rate.

The **Government of Kosovo** should support Kosovo companies to establish branches in Germany and other EU countries to undertake work in those countries by hiring highly skilled or low-skilled people from Kosovo.¹⁰³ The so-called Van der Elst ruling would then allow for employees of these companies registered in an EU country to also work in other EU countries on a temporary basis ("posting").¹⁰⁴ Kosovo's labor surplus should be turned into an asset for Kosovo's businesses to take on projects in countries where there is a labor deficit or to attract Foreign Direct Investments (FDIs). Kosovo's government should draft a plan or a strategy to reduce the emigration of those from occupations that have labor deficits and high productivity. The strategy should entail various incentives such as start-up grants and/or other policy measures that will keep the labor force in Kosovo.

The **Government of Germany** should increase the capacity of its embassy in Prishtina. From 2017 to 2018, only two additional staff members have joined the embassy while the number of applications has increased rapidly.¹⁰⁵ Proper staffing and methodologies (to select and vet migrants) can reduce the processing time that is currently unsustainable. Further, it should be investigated whether and

¹⁰³ The hiring of the people from Kosovo could be accomplished on the basis of the regulations in the Residence Act and in the Employment Ordinance, i.e. section 26 para. 2.

¹⁰⁴ German Mission in the United Kingdom. Van der Elst visa (2017). Source: <https://bit.ly/2SgmhMy>

¹⁰⁵ Deutscher Bundestag. Work visas from the Western Balkans in 2018 (2019). Source: <https://bit.ly/35cp5x7>

to which degree the newly established Federal Office for Foreign Affairs in Berlin could have a role in relieving the overburdened German foreign representations in the region, by centrally taking over visa services.¹⁰⁶

In the course of 2020, Germany will have to decide on the extension of the WBR beyond its expiration date in December 2020. The government will take into account the results of the (yet unpublished) evaluation of the regulation, undertaken by the German Institute for Employment Research, regarding whether the regulation has led to significant labor immigration, including from Kosovo. Little is known yet regarding the repercussions of this policy in the WB labor markets and economic development of these countries. However, the German government should also take these effects into account. The results presented in this paper suggest that the WBR might be developed further by finding ways to prevent a bleeding of the workforce in sectors which are crucial for economic development, which could be achieved by applying it to particular sectors while excluding others. Another opportunity would be to enter into bilateral agreements with WB countries based on skills and professions benefiting both parties' labor markets – and saying farewell to the utmost liberal regulation. In any case, representatives of the German government and the Federal Employment Agency should coordinate their policies more closely with their counterparts in Kosovo and other WB countries in order to create a triple win situation.

¹⁰⁶ Auswärtiges Amt. A draft law foresees that the Federal Office for Foreign Affairs can be assigned Foreign Service tasks in the visa procedure. Source: <https://bit.ly/2UPxxBh>

Appendices

Appendix 1. Summary of the German Residence Act (AufenthG) for remunerated activities

Section 18 paragraph 3	A temporary residence permit for the purpose of employment. This permit does not require a vocational qualification.
Section 18 paragraph 4	A residence title for the purpose of employment which requires a vocational qualification may only be issued for employment in an occupation which has been approved by FEA.
Section 19	A highly qualified foreigner may be granted a permanent settlement permit in special cases if the FEA has granted approval or it has been determined by statutory instrument or by intergovernmental agreement that the permanent settlement permit may be granted without approval from the FEA.
Section 19a	EU Blue Card is issued pursuant to Council Directive 2009/50/EC of 25 May 2009 for non-EU citizens for the purpose of highly qualified employment where the applicant possesses a recognizable higher education qualification or is highly professional experienced and receives a salary equal to or exceeding the one paid to a national German citizen with similar position.
Section 19b paragraph 1	An ICT Card is for intra-corporate transferees. It is a residence title pursuant to Directive 2014/66/EU of the European Parliament and of the Council of 15 May 2014 on the conditions of entry and residence of non-EU nationals in the framework of an intra-corporate transfer. That is, employee transfer to a different office in another country.
Section 20	A foreigner shall be granted a temporary residence permit for research purposes in line with Directive (EU) 2016/801.
Section 21	A foreigner may be granted a temporary residence permit for the purpose of self-employment if (1) an economic interest or a regional need applies, (2) the activity is expected to have positive effects on the economy and (3) the foreigner has personal capital or an approved loan to realize the business idea.

Source: Residence Act (AufenthG)

Appendix 2. Granted and denied work permits on the admission of third-country nationals to work according to the regulation in Section § 26 para. 2 Employment Ordinance (BeschV): Employment of Western Balkan nationals)

	2016		2017		2018		2019 (Jan. - Sept.)		Total (2016- Sept.2019)	
	Granted	Denied	Granted	Denied	Granted	Denied	Granted	Denied	Granted	Denied
In total	42,546	11,037	74,577	19,703	46,118	10,657	46,273	9,714	209,514	51,111
A Agriculture, forestry and fishing	734	116	1,023	221	636	70	719	45	3,112	452
B Mining and quarrying	21	*	89	11	57	14	76	*	243	25
C Manufacturing	2,102	429	4,162	829	2,846	518	3,054	470	12,164	2,246
D Electricity, gas, steam and air conditioning supply	40	7	46	7	33	6	49	*	168	20
E Water supply; sewerage, waste management and remediation activities	118	26	221	55	177	42	180	30	696	153
F Construction	20,745	5,424	31,257	8,881	15,848	4,507	16,206	3,871	84,056	22,683
G Wholesale and retail trade; repair of motor vehicles and motorcycles	1,483	603	2,785	961	1,828	593	1,866	587	7,962	2,744
H Transportation and storage	1,963	478	5,130	1,378	4,217	739	5,376	837	16,686	3,432
I Accommodation and food service activities	5,786	1,578	11,934	2,528	8,592	1,692	8,184	1,577	34,496	7,375
J Information and communication	178	33	330	115	161	54	189	33	858	235
K Financial and insurance activities	22	7	26	*	82	10	155	8	285	25
L Real estate activities	169	93	252	131	149	81	126	56	696	361
M Professional, scientific and technical activities	421	103	856	266	615	149	603	182	2,495	700
N Administrative and support service activities	3,957	1,501	7,382	3,206	4,088	1,443	4,276	1,321	19,703	7,471
O Public administration and defence; compulsory social security	29	5	47	*	39	*	38	3	153	8
P Education	106	7	172	31	134	22	103	16	515	76
Q Human health and social work activities	3,898	405	7,692	739	5,874	490	4,355	461	21,819	2,095
R Arts, entertainment and recreation	141	36	220	57	139	45	138	48	638	186
S Other service activities	454	144	734	205	486	157	469	133	2,143	639
T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	175	36	209	71	114	21	106	27	604	155
U Activities of extraterritorial organisations and bodies	4	*	10	4	3	*	5	4	22	8



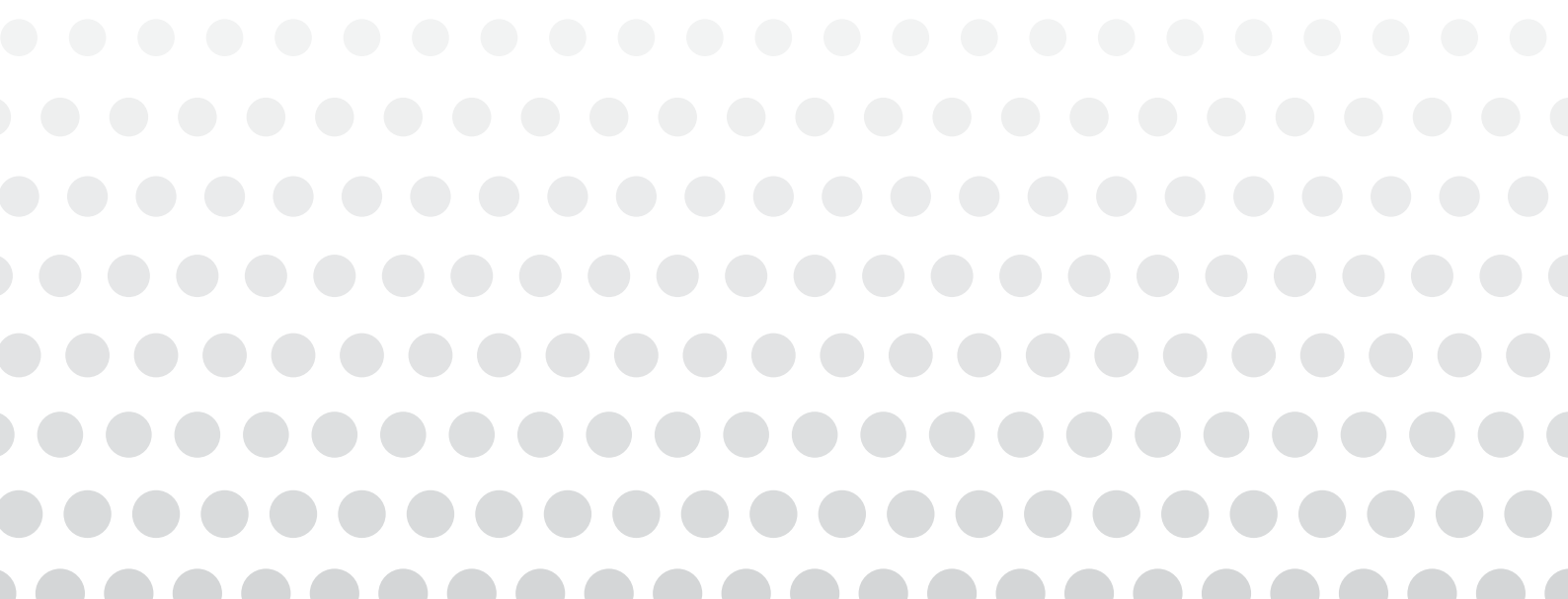
GAP Institute is a Think Tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this Institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

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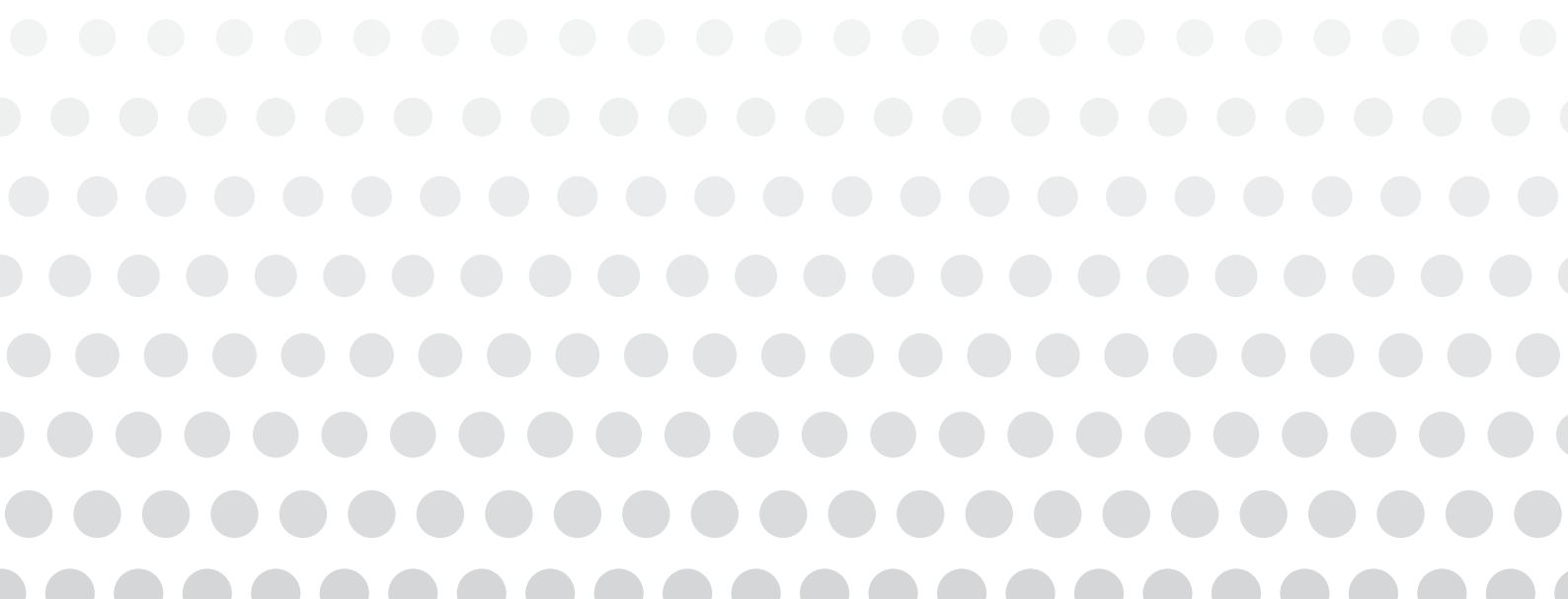
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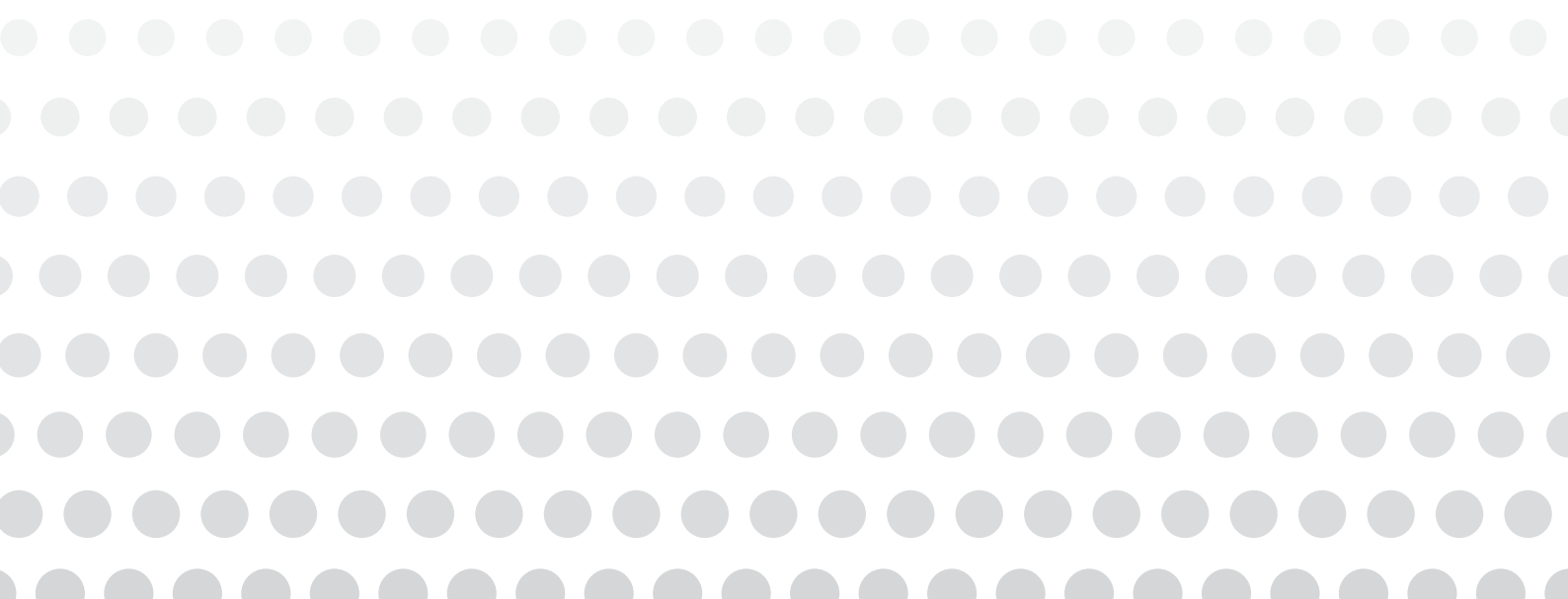
The Expert Council of German Foundations on Integration and Migration (SVR) is a non-partisan advisory council of nine experts and provides research-based and actionable policy advice. With its Annual Report the Expert Council shapes the public debate on integration and migration in Germany and beyond. The Expert Council's Research Unit conducts applied research with an emphasis on migrant education, forced migration, and labor migration. In doing so, the Research Unit cooperates with leading research institutes and think tanks in and outside of Germany. The research projects complement the work of the Expert Council.

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The emigration of Kosovo's labor force to Germany

A brief assessment of positive and negative returns

