

## **PICTURE STORY**

# **Cutting Kosovo's lifeline**

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## Why we wrote this report



Current policy debates in Kosovo fail to address what might well be the most important development issue facing Kosovo today: the impact of migration. As a result, one of the most destabilising changes to affect Kosovo society for generations – the end of the era of mass migration – risks being entirely overlooked by those responsible for promoting stability and prosperity in Kosovo.

This report<sup>\*</sup> seeks to put migration at the heart of debates about the future of Kosovo. It analyses the impact of the end of mass migration since 1999, taking two, typical villages in particular as illustrations for the forces that have been set in motion in rural Kosovo. Its core thesis is certain to be uncomfortable for European policy makers: if young Kosovars are no longer able to come to Europe as migrant workers, the current crisis in rural Kosovo is certain to deepen, and the outcome is likely to be serious instability.

The report also contains some uncomfortable messages for Kosovo's own policy makers. Migration and remittances have been a lifeline, but they have not brought about development. They have simply substituted for the lack of any effective development policies.

In doing so, they have helped to preserve one of Europe's oldest and most conservative institutions: the traditional, patriarchal household. Leaving rural Kosovo to depend on remittances for its survival has left it trapped in a vicious circle of underdevelopment.

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\* The full report “Cutting the lifeline” is available at [www.esiweb.org](http://www.esiweb.org).

### **The basic dilemma**



The basic dilemma of rural Kosovo is not new. In 1979 the World Bank wrote that poverty in Yugoslavia is "basically rural." While it held out hopes of employment growth in most of the less developed regions, it did not see much prospect of change in Kosovo.

"The exception is Kosovo, which cannot, even under optimistic assumptions and even if the plan's growth targets are achieved, be expected to absorb the increments to its labour force."

Since then Kosovo's population has continued to grow, but neither the number of jobs nor the amount of agricultural land has kept pace.

## Remittances: myth and reality



If there is one widely held belief about post-war Kosovo society, it is that the economy is fuelled by transfers from a generous diaspora. The diaspora and its wealth is one of the most powerful collective myths in Kosovo today, shared by foreigners and Kosovars alike.

When economists discuss remittances, it is usually as a variable beyond the control of policy makers, which is assumed to be a stable and dependable source of finance. Economists analyse remittances as a type of social transfer, providing an informal safety net for Kosovar households. They also see it as a form of balance of payments support, helping to plug the large gap in Kosovo's current account deficit. Together with international aid (declining) and foreign direct investment (never very significant), remittances supposedly explain how Kosovo is able to fund the difference between its imports and exports.

However, for a phenomenon acknowledged being central to the Kosovo economy, remittances have received remarkably little serious analysis. The moral economy behind remittances (who is under an obligation to whom) is rarely examined. The issue of remittances is curiously divorced from any discussion of migration, although it is fairly evident that there must be a causal link between the two. As a result, one of the most destabilising changes in Kosovo society for generations – the end of mass migration – risks being entirely overlooked by those who think about and plan for Kosovo's economic development.

## What are remittances?



The IMF and the World Bank have only recently (2005) hammered out a common definition to be used by central banks around the world. It covers two elements:

- **Worker remittances** are current transfers by migrants who are resident and employed in foreign countries. A 'migrant' is someone who stays (or can be expected to stay) a year or more in a country, provided they have not been naturalised.
- **Employee compensation** comprises wages and benefits earned by individuals from economies in which they are not resident. This includes wages earned by seasonal workers abroad. In Kosovo's case, it would also include salaries and other benefits paid to Kosovo Serbs by the Government of Serbia.

### Estimated volume of remittances



€166 million in 2003

€123 million in 2004

(see: Cutting the Lifeline p. 18)

While in 1999 around 30% of all Kosovar households received remittances in cash or in kind from relatives abroad, this number has dropped to 15% in 2006.

### Europe's largest families



Kosovo has Europe's largest households. The average household in Kosovo today has 6.4 members. The average household in the village of Cerrce has 6.6 members. The average household in Lubishte has 9.5 members.

In rural areas in 2003: 6.8 household members

In urban areas in 2003: 5.5 household members

### **How many people live in Kosovo?**



According to The Kosovo General Government 2003 Budget, 1,860,000 citizens live in Kosovo.

The most recent Household Budget Survey 2003-2004 assumed that 1.397 million Kosovars live in rural areas.

### **What do rural Kosovars earn?**



The income of the average household in rural areas dropped from €324 in 2002/03 to €253 in 2003/04 – a fall of 25 percent in a single year. This is a dramatic decline.

*Source: SOK Household Budget Surveys*

## Women and employment



Female employment is very low, leading together with many children to extraordinarily high dependency rates

"while almost 46 percent of the Kosovo males of working age actually were employed in 2004, the corresponding figure for females was just 10 percent ... on average 100 employed persons in Kosovo had to support 478 not working persons"

*Source: SOK Labour Force Survey 2004*

## Education



On average, the population of Kosovo has about 10 years of education with almost a two year gap between urban and rural areas.

In addition, gender differences in attainment are large, with gaps for women of more than two years among Albanians in rural areas.

Not even 30 percent of rural Albanian girls finish 8 classes.

*Source: World Bank, Kosovo Poverty Assessment 2001*

## Poverty



At the end of the year 2000, 50.5 percent of the population of Kosovo lived in poverty and over 12 percent lived in extreme poverty.

The majority of the extremely poor live in rural areas but the incidence of extreme poverty is higher in urban areas.

*Source: World Bank, Kosovo Poverty Assessment 2001*

## Emigration



There have been three waves of Albanian emigration to Western Europe.

- The first wave, during the late 60s and early 70s, consisted mostly of unskilled guest workers from rural areas;
- the second wave, during the 80s and early 90s, consisted mostly of better educated professionals from urban areas; and
- the third wave, during the 1998 and 1999 conflict, consisted mostly of refugees and asylum-seekers from a variety of backgrounds.

*Source: World Bank, Kosovo Poverty Assessment 2001*

**May God never give him peace!**



The prospect of migration serves an essential social function: in the minds of people, it provides the only hope of escaping poverty. Certain areas have been known for their migrant workers for centuries. But it is not a welcome prospect:

"It is understood that we have to become migrants. The prospect of migrating is a weight on everyone's shoulders. We don't like the idea, but for most families it is reality. Migration is the tradition established by our forefathers. It has always been this way."

Migration is equated to suffering in sayings, songs and poems. "He who first went out on the migrant trail, may God never give him peace!" As one poem puts it:

*The father is a stranger in his own house,  
Damn the black migration!  
Child after child is born,  
And the father is not there to call.*

### **The size of the Diaspora**



It is difficult to establish how many Kosovars live outside Kosovo. The obvious problem is that Kosovo Albanians are not distinguished in administrative statistics from other citizens of Serbia and Montenegro.

It is estimated that 550,000 people make up the Kosovo Diaspora. Almost three-quarters of them live in three countries: Germany, Switzerland, and Serbia.

## Towards a new Era



Kosovo urgently needs continued migration to maintain social stability. However, a society that resolves its labour surplus problems solely through migration, as Kosovo has done for decades, reverts to instability once the safety valve of migration is shut off. Kosovo therefore also needs a social and institutional revolution in its countryside.

There is much loose rhetoric about the *Europeanisation* of Kosovo as the way forward after resolving its status. But unless such Europeanisation includes at least some focus on migration and some access to European labour markets, it will remain no more than a slogan. Unless its benefits can be seen by citizens in Lubishte and Cerrce, in Isniq and Opoja, it will be no more substantial than the promise of communism. Current EU policy – to continue to invest tens of millions of Euro to stabilize Kosovo and South Eastern Europe without a credible development policy – is incoherent. So is the practice of Kosovo authorities of relying on remittances to keep the rural economy afloat.

Both the citizens of rural Kosovo and European tax-payers deserve better than a set of policies that are failing and bound to fail in the future. It is only by reconsidering current policies that a worthy goal – to stabilise once and for all the Southern Balkans after a decade of wars – will be reached.

### **Annex: Village research methodology**



Our goal in these detailed case studies was to estimate sources and types of cash income in one relatively prosperous and in one relatively poor rural area. Another was to understand the kind of jobs that have emerged in post-war Kosovo, the prospects for job creation for the rural population, and the size, nature and impact of migration. In the course of the research, changing household structures came ever more sharply into focus as central to understanding the plight of the countryside. To obtain hard data, a house-by-house survey was undertaken in two villages, in close cooperation with members of the respective village councils. The survey was launched in spring 2004, and analysed and completed in 2005.

The ESI questionnaire had 44 questions (see below). Both villages were visited several times by teams of ESI researchers. In Cerrce and Lubishte, detailed maps of the village were drawn, and data was collected house-by-house.

In early 2005, the responses were analysed for consistency, and used to identify additional research questions. ESI researchers then visited many individual families and the village leaders, making corrections to the survey data and collecting additional qualitative information. The data was presented to local leaders to check for obvious mistakes and to obtain feedback. Co-operation from the villagers was high. In the case of Lubishte, the leader of the village council and an activist visited each family to support them in completing the forms. In the case of Cerrce, the village leader called a session of the village council and distributed the forms to the representative of each neighbourhood (*mahalla*). Nobody was paid for participating in the research, and there were no additional motivating mechanisms beyond the moral influence of village council members.

Obtaining answers to 44 questions for over 4,000 individuals (1,980 in Cerrce and 2,134 in Lubishte) was obviously a challenge. Where a complete household was absent, neighbours and members of the village council would supply basic information (number of household members, names, place of residence).

There are gaps in data where entire families were abroad. In Cerrce, we did not obtain the gender of 27 people, the first name of 109, the birthplace of 142 or the education level of 534. In Lubishte, on the other hand, much less information was missing: the age was missing in only 3 cases, while 202 chose not to answer the question on their level of education. Contradictions were checked and questions asked again. One reason for missing data was the absence of whole families, for which people did not know all answers. In most cases, the gaps in the data are not statistically significant. The only area where full information was not

forthcoming was on the level of regular remittances, which some households were reluctant to disclose.

The questionnaire had 44 questions:

Questions related to the family relations, names and surnames, birth place, age and place of living:

- which mahalla
- which houses
- which relation to the household head
- birthplace
- residence
- age

Questions related to education, employment and local incomes:

- Schooling, literacy
- profession
- place of employment
- monthly income from work
- seasonal work income per month
- income from sales of farm products
- monthly local pension
- social aid
- pensions

Questions related to migration:

- year of emigration
- possession of regular work permit
- other residency statuses (refugee, asylum, illegal)
- year of voluntary return
- year of forced return

Questions related to transfers and remittances from diaspora (and IC):

- start-up capital for entrepreneurs
- foreign pensions
- current remittances
- level of remittances in comparison to year before
- level of remittance in comparison before war
- transfers for the purchase of automobiles
- transfers for the purchase of tractors
- transfers for the construction of houses
- transfers for the reconstruction of houses
- international aid for reconstruction of houses
- transfers for investments into agriculture

Questions related to property, ownership, infrastructure:

- company
- automobile
- tractor
- house
- house in other places
- size of land
- ownership of land
- cows
- chicken
- sheep
- stall
- infrastructure