

# SEER

JOURNAL FOR LABOUR AND SOCIAL AFFAIRS IN EASTERN EUROPE

**Journal of the**  
European Trade  
Union Institute

**1 2025**

Volume 28

pages 1 – 141

ISSN 1435-2869

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**JOURNAL OF THE EUROPEAN TRADE UNION INSTITUTE**

**SEER**

**Journal for Labour and Social Affairs in Eastern Europe**

The European integration perspectives of the western Balkans

Volume 28 · Number 1

## **What is the European Trade Union Institute (ETUI)?**

The ETUI conducts research in areas of relevance to the trade unions, including the labour market and industrial relations, and produces European comparative studies in these and related areas. It also provides trade union educational and training activities and technical support in the field of occupational health and safety. Through its expertise, scientific publications, specialist journals and training programmes, the ETUI provides European trade unions with the tools to participate in the European debate and to contribute actively to achieving Social Europe. Its current work programme is built around the following five priorities: worker participation, social dialogue, the Lisbon/sustainable development strategies and their follow-up, trade union renewal and the economic and financial crisis.

The European Trade Union Institute is supported by the European Union. For more detailed information on the ETUI please see the homepage [www.etui.org](http://www.etui.org)

## **Aims and objectives of the SEER Journal for Labour and Social Affairs in Eastern Europe**

SEER aims to stimulate an exchange of information between researchers, trade unionists and people who have a special interest in the political, social and economic development of the region of eastern Europe.

It seeks to draw attention to new research results and the latest analysis about the ongoing process of political and social changes in the broader eastern European region, and tries to create deeper understanding of the importance of the elaboration of democratic structures within industrial relations.

SEER combines contributions from different disciplines and schools of thought into an information package intended to be of interest to policy-makers, researchers, academics and trade unionists from various backgrounds.

The editors would like to point out that it is the authors who are responsible for the content of their own articles and that neither the editors nor the publisher, the European Trade Union Institute, necessarily share the opinions of the authors whose work is featured in the SEER.

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Production: Nomos Verlag  
ISSN 1435-2869

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## Editorial

This first issue of the *SEER Journal for Labour and Social Affairs in Eastern Europe* for 2025 focuses on ‘The European integration perspectives of the western Balkans’ in its first part; while continuing to report on access for domestic workers to labour and social protection, a theme explored in our previous issue, with three more country case studies included in its second part.

Acknowledging that the accession of western Balkan countries has gained new momentum and that the region is gaining greater attention at EU level, in May 2025 the *SEER* held in Belgrade a symposium devoted to this topic. The two panels of the symposium highlighted particular issues that have been examined in these pages in the past, as indeed they will be in the future. Čedanka Andrić, vice-president of the European Trade Union Confederation (ETUC), kindly introduced the symposium for us.

The first panel of the event delivered a good discussion on the EU Minimum Wage Directive and its possible effects on the region. Tea Jarc, ETUC confederal secretary, gave a presentation on the impact of the Directive on the region, reflecting also on the articles *SEER* published in its first issue of 2024, while offering insight into the documentary work being undertaken within the ETUC.

Bart Vanhercke, director of the research department of the European Trade Union Institute (the publisher of this journal), underlined why the increased attention on the region makes the *SEER* an important platform for the European trade union movement as well as academic audiences, both in the EU and in the western Balkans.

The second panel concerned EU integration and the political climate in Serbia. Christophe Solioz provided a panorama of the accession process, putting it also in a historical and geopolitical perspective. Nicola Burazer, from the Centre for Contemporary Politics, Belgrade, delivered a critical account of Serbia’s political system and the lack of willingness of the current government to comply with EU accession criteria.

This issue of the journal thus picks up the thread of the symposium, starting with an article by Christophe Solioz under the conceptual title ‘Central Europe: the very idea. Riding the wave of the Age of Uncertainty’.

The author takes a critical approach to the very idea of the ‘western Balkans’ which he finds misleading. With the purpose of avoiding the legacy of Yugoslavia, it defines ‘the region’ by its relationship to the European Union, more specifically including those countries that have not joined the European Union but are supposed to. He argues that, as the integration process progressed (Slovenia and Croatia becoming EU member countries), fewer were left to be targeted by the concept. He also sees this approach as one that introduces a counterproductive split between the former Yugoslav republics and that also contradicts the Union’s own regional cooperation narrative. Further, it acknowledges neither that the EU integration process has lost most of its pull effect and its credibility, nor that the broader central European regional level should be taken seriously, not as an alternative but as a complementary level. The author stresses that the Union’s centre of gravity is shifting eastwards

and that Central Europe is back – reversing, at a political level, the core-periphery divide. Acknowledging, first, ‘the Balkans’ as an obsolete political concept and, second, that the regional initiatives limited to the western Balkans have, so far, failed to produce the expected transformative effects, Central Europe presents the nearest regional framework that – geographically, politically and culturally – makes sense for the former Yugoslav republics, independently of whether or not they are part of the Union.

Suela Spahija and Shqipe Xhaferri examine the impact of European integration on the labour market in Albania with a view to the main challenges, opportunities and perspectives. In a comparative analysis, the authors look at western Balkan countries and current EU member states, focusing on unemployment, the employment structure, the impact of digital technology and migration.

Eva Hyna and Ela Golemi analyse how adapting the EU Farm to Fork Strategy would affect Albania as regards the opportunities and challenges for sustainable agricultural transformation.

The article by Besiana Elezi and Alma Zisi reports on a study examining the impact of remittances on economic development and the labour market structure in Albania, with both the short-term and the long-term effects in mind. The authors follow a quantitative approach, utilising data from the Bank of Albania, INSTAT and international organisations for the period 2015-2024.

Sanja Paunović and Rajko Kosanović take a critical look at the pension system in the Republic of Serbia. Mandatory pension and disability insurance is based on the pay-as-you-go financing model, where pensions are funded through contributions made by the current generation of workers supplemented by voluntary schemes. The authors show that the average pension remains well below 50% of the average gross wage in Serbia, raising concerns about pensioners’ standard of living. Therefore, they propose the introduction of an extraordinary pension adjustment mechanism, triggered in cases where the average pension falls below 50% of the national gross average wage.

The second part of this issue is based on the report *Access for domestic workers to labour and social protection*, concluding the publication of country studies from within the region started in our issue 2024/2.

Nikolina Obradović reports on access for domestic workers to labour and social protection in Bosnia and Herzegovina being conditional on the payment of social insurance contributions. However, these rights are not always ensured for all employees and, while most domestic workers work unregistered, this means they are left mostly without access.

Elira Jorgoni, Enkelejd Musabelliu and Ada Shima examine the case of Albania. While the labour code does not provide any reference to domestic workers and nor does the specific legislation on social and health insurance, if domestic workers have a regular working contract, then their social and healthcare contributions are paid and they are covered from these particular schemes. However, they remain excluded from other social insurance benefits. The authors argue that, in order to improve social protection and labour rights for domestic workers, it is essential to extend

social insurance coverage to all branches, while contributions should be indexed to the official minimum wage.

Jadranka Kaluđerović and Iva Vukčević provide an insight into the situation of domestic workers in Montenegro, pointing to the high incidence of undeclared work and its implication that a large part of these workers are in a precarious situation.

In the open section of this issue, Rati Ratiani describes an emerging new labour landscape in Georgia based on social movement unionism and independent labour organising. The author provides a review of the current situation in the country through the specific lens of trade unionism and the role of new independent unions in the street protests that took place during 2024 in relation to the country's controversial 'foreign agent' law, and then later in the year against the outcome of the general elections.

We hope that, following the new momentum in Brussels around the accession of the countries of the region covered in this publication that are not already member states, you find something to inspire, challenge or encourage you. There is plenty of new thinking in this volume about the accession process and about what it means to ordinary working people and pensioners, as well as in terms of the political processes that governments engage in to further, or otherwise in some cases to delay, their own accession processes. Within the space provided by the *SEER*, we are thinking of additional ways to monitor these developments and provide information which helps deliver our core aims of providing a platform for discussion about what is going on within the region and to help shine a light on the direction of those developments. We will be reporting further on that – so, watch this space! – but, in the meantime, if you have been inspired to write something for us about what you see going on around you, do get in touch: we'd love to hear from you.

July 2025

Béla Galgóczi  
Calvin Allen



## Central Europe: the very idea. Riding the wave of the Age of Uncertainty

### Abstract

This article constitutes the formal paper presented by the author to the SEER Journal symposium 'The European integration of the western Balkans' which took place in Belgrade on 19 May 2025. The article seeks to centralise a revised Central Europe as a contextualisation for our understanding of the current state of convergence, in conditions not least of the slowing of integration processes and the return of war to Europe. Drawing on philosophical traditions contemplating the meaning of democracy, and in particular a thoughtful and focused review of the importance of the writings of Jan Patočka, the Czech essayist, philosopher and Charter 77 spokesperson, as well as on fresh research and contemporary political developments, the author seeks to develop a novel approach to comprehending the widening divides within Europe and addressing them via a rethinking of the notion of 'Europe'. The author concludes that the way forward might lie in a combination of Patočka's philosophical writings and a consideration of the meaning of 'care' which, in turn, might allow reflection on the correct multifold approach.

**Keywords:** Central Europe, European integration, western Balkans, convergence, autocratisation, de-democratisation, Europeanisation, post-colonialism

### Introduction

Since 2014, the slowdown of the European integration process of the former Yugoslav republics is taking place in a dramatically different geopolitical context and in another Age.<sup>1</sup> An Age that started, as did the previous one, the Age of Extremes,<sup>2</sup> with a war; again a 'war of positions', but this time on the Eastern Front, in Ukraine. Once more Heraclitus's dictum proves its veracity: '*Polemos* is the father of all...'<sup>3</sup> whose 'wavefront bears the world of humans toward its new destiny' (de Chardin 1965: 210).

This new Age almost impossible to capture as historical rhythms are characterised by instants, by facts that are incalculable and unpredictable in their own singularity. Today more so than in past 'history is nothing other than the shaken

- 1 This article relates to previous analyses presented in Sofia at the SEER anniversary symposium on 8 May 2018, published later in the *SEER Journal* (Solioz 2018a, Solioz 2018b) and then as further elaborated by the author (Solioz 2020, 2024).
- 2 Eric Hobsbawm distinguished the Age of Revolution (1789-1848), the Age of Capital (1848-1875), the Age of Empire (1875-1914) and the Age of Extremes (1914-1991).
- 3 In Greek mythology, the personified spirit of war and battle.

certitude of pre-given meaning' (Patočka 1996). How, then, can we predict the path of history in the making? Most certainly, this new Age cannot be understood in the same terms as the previous one – similar to the revolution introduced by quantum physics that cannot be properly understood through the lens of classical physics (Kojève 2025 [1932]).<sup>4</sup>

What is the resistance that we are facing?

Again and again it has been shown that society's attachment to its familiar and long-since-forfeited life is so rigid as to nullify the genuinely human application of intellect, forethought, even in dire peril. (Benjamin 1979 [1928]: 55)

Echoing Walter Benjamin's thought, Jan Patočka (1907-1977) pinpointed in the philosophical manifesto of Charter 77,<sup>5</sup> written during the 'normalisation period' after the Prague Spring was put down (in 1968):

Today the danger is that knowing so many particulars we are losing the ability to see the questions and that which is their foundation. (Patočka 1996: 118)

Particularly nowadays, we have to dare to ask questions to which we do not have the answers and raise issues whose solution has yet to be found. 'To the depths of the Unknown to find something new!' (Baudelaire 1857). At stake: developing a new approach; saying things that would be radically different from anything said before – something that might seem impossible except that:

... in our time, as in every time, the impossible is the least that one can demand. (Baldwin 1993: 104)

Three driving ideas are followed in this article. First, that we are facing an Age of Uncertainty – or, 'Indeterminacy', being the proper term Werner Heisenberg intended in 1927 when he introduced the principle of uncertainty. Uncertainty is omnipresent in today's world on many levels and in science as an impetus towards reducing it as much as possible. The Age of Uncertainty is an era marked by indeterminacy, instability, movement, mutations, alterations and ruptures prefigured by the fate of transitional societies in Central Europe (Solioz 2024: 13, 208). This approach considers regime trajectories as well as the social fabric of a region and/or country as multidimensional meanderings rather than linear movements between autocracy and democracy and back.

Second, the very notion of 'western Balkans' is misleading. With the purpose of avoiding the legacy of Yugoslavia, it defines 'the region' by its relationship to the European Union, more specifically including those countries that have not joined the

- 4 In which Kojève explores the idea of determinism in classical and modern (quantum) physics.  
5 Charter 77 was a civic initiative in the Czechoslovak Socialist Republic from 1976 to 1992, named after the document Charter 77 from January 1977. Among the leading figures: Jiří Němec, Václav Benda, Ladislav Hejdránek, Václav Havel, Jan Patočka, Zdeněk Mlynář, Jiří Hájek, Martin Palouš, Pavel Kohout and Ladislav Lis. Patočka served as spokesperson (see Krapfl 2013).

European Union but are supposed to. As the integration process progressed (Slovenia and Croatia becoming EU member countries), fewer were left to be targeted by the concept. This approach introduces a counterproductive split between the former Yugoslav republics and contradicts the Union's own regional cooperation narrative. Further, it acknowledges neither that the EU integration process has lost most of its pull effect and its credibility, nor that the broader Central European regional level should be taken seriously, not as an alternative but as a complementary level.<sup>6</sup>

And third, the Union's centre of gravity is shifting eastwards and Central Europe is back – reversing, at a political level, the core-periphery divide. Acknowledging, first, 'the Balkans' as an obsolete political concept (Todorova 2009) and, second, that the regional initiatives limited to the western Balkans have, so far, failed to produce the expected transformative effects (Mitrović 2025), Central Europe presents the nearest regional framework that – geographically, politically and culturally – makes sense for the former Yugoslav republics, independently of whether or not they are part of the Union.

Last but not least, many scholars and experts have convincingly adopted for almost twenty years this broader regional framework that tends to impose itself as a new promising way in which to understand the area and envision its future. Such a regional approach could be significantly boosted by studies on regionalism. Very unfortunately, these have been poorly acknowledged by both scholars, experts and politicians working on the Balkans and or Central Europe, producing studies that mostly remained entrapped in a narrative limited to the level of the nation state (Solioz 2017).<sup>7</sup>

### Central Europe back on the map

Milan Kundera's question, "Is Central Europe Europe's central question?" (Kundera 1983) receives today a clear answer as Europe's centre of gravity is unquestionably shifting eastwards, to the centre. As pinpointed by Jacques Rupnik:

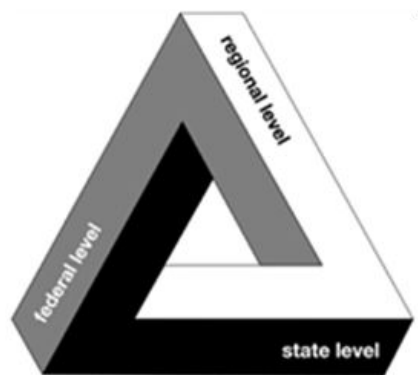
As the war redefines political borders and identities, we are being reminded that Lviv used to be Lvov before the second world war and Lemberg before the first world war, and part of Ukraine used to be in central Europe as Kundera understood it. Today, not just Lviv but the whole of Ukraine is leaning westwards, and its nearest west is central Europe. The irony of history is that by including Ukraine, central Europe – once Kundera's "kidnapped west" – is reinventing itself by expanding eastwards. (Rupnik 2023)

Of course, in some central European countries politics is shaped nowadays by the grip of autocratisation – a notion coined by the V-Dem Institute in the late 2010s (V-Dem 2021) – although this should nevertheless not be assumed to be a regional trend (see further below). More than ever, *staying with the trouble* – Donna Haraway's

- 6 As further discussed in Solioz (2024), autocratisation processes in the 'western Balkans' absolutely needs to be analysed taking into account similar or at least comparable developments in Central Europe.
- 7 My contribution to conceptualising the region and regionalism is contained in this reference – a book that also refers to the key publications on regionalism.

catchy title (2016) – offers us a watchword for the times ahead. But Central Europe cannot be reduced to that grip alone; a shared past and a set of common features link these countries, however different they may be. Additionally to the oft-mentioned six common denominators (Solioz 2024: 52-53), the involvement of central European regions and states in various regional-based cooperation programmes contributes to a significant intra-regional convergence and invites an acknowledgement of the in-betweenness of the regional, state and federal levels (see Figure 1).<sup>8</sup>

Figure 1 – The inbetweenness of the multiplicity of regional, state and federal levels



© Christophe Solioz

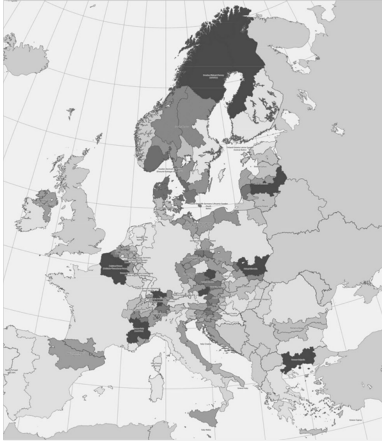
While the Visegrád Group (Czechia, Hungary, Poland and Slovakia), established in 1991, plays at state level a key role beyond the Union's accession process and tends, for decades now, to impose itself at the core of Central Europe (Balasz and Griessler 2020), a multitude of programmes stand for a similar dynamism at regional level as cross-border cooperation programmes (see Figure 2, map 1). Combining the region and the state levels, the transnational cooperation Interreg Central Europe programme illustrates their in-betweenness (see Figure 2, map 2).

In addition, Central Europe's intra-regional convergence may be illustrated by various indexes such as nominal labour productivity (see Figure 3, map 3) and, beyond a GDP-based approach, the EU regional Social Progress Index (see Figure 3, map 4). Studies published in 2025 focusing on the orthodox sphere (Dérens 2025) and on changing demography (Judah 2025) have also adopted this broader regional approach that is becoming an increasingly productive and convincing framework able to capture the convergences and divergences in Central Europe. One example will suffice here out of many: Tim Judah's investigation recalls the demographic trends that characterise Central Europe: a high emigration rate, a low birth rate and an ageing population, resulting in significant population decline. The Czech Republic, Slovenia and, to a lesser extent, Montenegro are the exceptions, Hungary is a case in point and Poland illustrates significant changes. The interest of this study

8 For a discussion of these different levels and their in-betweenness, see Solioz (2017).

lies precisely in the presentation of the demographic changes underway, considering both the common trends and the specific situation of each country.

Figure 2 – Maps 1 and 2

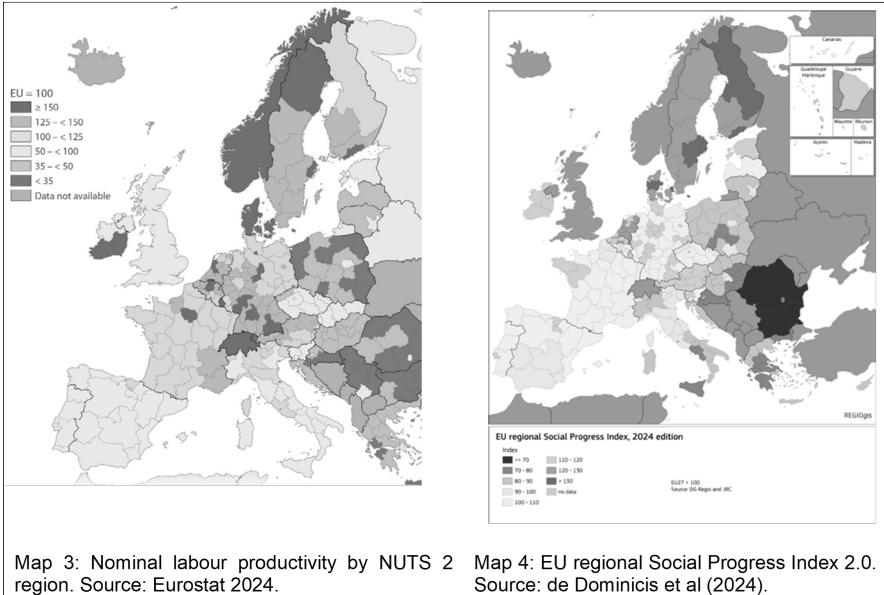


Map 1: Interreg VI A. Cross-border cooperation programmes, 2021-2022. © Eurostat



Map 2: Map of the area covered by the transnational cooperation programme Interreg Central Europe © DG Region, interact

Figure 3 – Maps 3 and 4

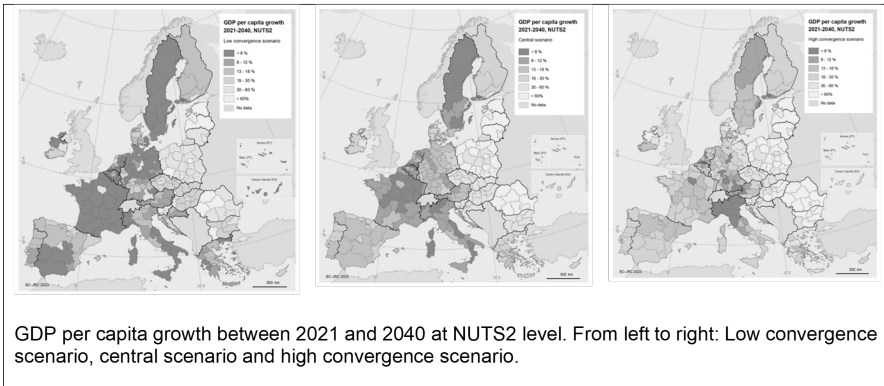


### The widening east-west divide

Reviewing post-Wall Europe (1989-2008) in my extended essay *An Uncharted Transition* (Solioz 2024), I analysed how European integration produced a fragmented Europe and how the post-accession crisis of the 2000s further augmented the east-west divide and the core-periphery gap, and deepened divergence instead of augmenting convergence.<sup>9</sup> Furthermore, the European Union cohesion policy has not shown any progress: regional economic convergence has stalled since 2009. Worse, projections suggest a moderate increase in regional economic disparities by 2040, with a significant amount of uncertainty. The report produced in 2024 by the Joint Research Centre on territorial cohesion (JRC 2024) presents three scenarios examined at the level of basic regions for regional policies (NUTS 2). Based on estimated GDP per capita growth in the period 2021-2040, three maps illustrate several scenarios highlighting substantial difference (see Figure 4).

9 Convergence and de-convergence, also beyond the 1989-2008 period, are extensively discussed throughout Solioz (2024).

Figure 4 – Maps 5-7



Source: JRC (2024: 23).

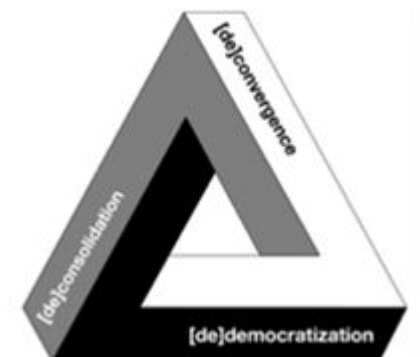
The high convergence scenario, the best case scenario:

... results in much more similar GDP per capita growth rates across regions within each country, and often with capital and more developed regions growing at slower pace than national average growth. (JRC 2024: 19)

How regional development policies will resume the convergence path is an open question as a result of the uncertainty in this outlook for economic convergence across the Union. These predictions clearly advocate the necessity to envision a reasonable degrowth. Considering the increase expenditures related to the war in Ukraine and the digital and green transitions, only economic degrowth combined with political growth might enable the Union to overcome the economic disparities.

The indeterminacy characterising convergence versus de-convergence also brands two other key polarisations: consolidation versus de-consolidation; and democratisation versus de-democratisation (see Figure 5). All three should be viewed as intertwined and as particularly sensitive to the crisis of the 2020s (Àgh 2021), to the Ukrainian war and, last but not least, to the third wave of autocratisation in Central Europe (Àgh 2022). Indeed in his earlier, 2021, work Àgh identifies three periods driven respectively by de-democratisation (early 2010s), autocratisation (mid-2010s) and de-Europeanisation (late 2010s), analysing how they have contributed to the deepening of the core-periphery gap. As others have also concluded, such a study can only point to Central Europe emerging as one of the world regions with the highest levels of democratic decline (V-Dem 2022).

Figure 5 – Europe’s political entanglement: the inbetweenness of convergence versus de-convergence, consolidation versus de-consolidation and democratization versus de-democratization



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This reloads the complex question of Europeanisation understood as a process of the construction, diffusion and institutionalisation of formal and informal rules, procedures, etc. Claudio Radaelli draws a line between notions that are often confused: first, ‘Europeanisation’ is not ‘convergence’, although it can produce it; second, nor necessarily does Europeanisation produce ‘harmonisation’, as regulatory diversity may be targeted; and third, Europeanisation is not ‘integration’. In the case of the latter, the focus of Europeanisation:

... brings us to other, more specific, questions such as the role of domestic institutions in the process of adaptation to Europe. (Radaelli 2003: 33)

Further, ‘Europeanisation’ should not be mixed with the consequences related to modernisation, democratisation, liberalisation and globalisation. Last, but not least, neither should it be mixed with the transition from command, centrally planned economies to the market economy and from communism to democracy.

### Waves of autocratisation in Central Europe

Only thirty years has passed since the fall of the Berlin Wall, but at this point it seems to be ‘game over’ for the ‘victory’ of democracy. Among the Union’s paradoxes are that its resources are feeding the sustainability of autocratic elites in some Central European countries who are thus able to cement their hold on power and finance their patronage networks. The same ‘strategy’ can be recognised in former Yugoslavia, especially Croatia (an EU member country since 2013) as well as in Serbia (an EU candidate country since 2012), at the expense of stability in Kosovo and in Bosnia and Herzegovina. Briefly put, the wave of autocratisation that the Union has confronted in Central Europe since the 2010s is also affecting forthcoming may-be new member states.

There are of course various reasons why the Union turns a blind eye to the serious violations of its rules and values. Among many, here are some:

- the autocrats have proved loyal servants of the neoliberal economic Europe of the North
- the short-sighted interests of multinationals (benefiting from the economic extension of the EU) became predominant
- the ‘international community’ considered autocracies as stabilising and adaptable rather than cronyist and corrupt
- the EU wanted to secure support for Ukraine (including sanctions against Russia) that required unanimity
- the Union has tended towards avoiding any possible new exit, thus preserving Union integrity
- the power of the status quo and therefore the pursuit of a ‘conciliatory approach’ in a predictable institutional and political environment.

The issue is sufficiently critical to require being taken seriously and, therefore, a conceptual clarification is first needed. Here, the definition proposed by *The Routledge Handbook of Autocratization* is very welcome, in which the editors of the volume conceive autocratization:

... as the process of change toward autocracy and away from democracy within a political regime or between political regimes, which includes sub-categories such as democratic erosion or regression, democratic breakdown or collapse, and autocratic consolidation or hardening[.] [At the same time], the focus of the individual chapters rests naturally on more specific aspects – be it the modes or types of autocratization (e.g., democratic erosion, democratic breakdown, or autocratic hardening), its causes (structures, institutions, or values), the actors involved (e.g., social classes, civil society, or civilian and military bureaucracies), its implications for different social and policy outcomes, or its regional manifestations. (Croissant and Tomini 2024: 3)

Of course, autocratization is not bound by the East-West divide: it is also highly present in various forms in ‘western Europe’, not least in Germany where in May 2025 the Bundesamt für Verfassungsschutz (Federal Office for the Protection of the Constitution) classified the entirety of Alternative for Germany (AfD) as a ‘right-wing extremist organisation’.

To complete the picture, it is also worth mentioning that autocratisation is a global trend. As democratisation waves are followed by autocratisation ones, it seems that the world is facing democratic retreat.

This trend can, in part, be relativised by focusing on the democratisation, de-democratisation and re-democratisation processes (Solioz 2024). The recent evolution in Poland confirms such an approach – based as it is notably on Charles Tilly’s study (Tilly 2007). After a period of severe backsliding, Poland returned to liberal democracy with the election of Donald Tusk in the October 2023 parliamentary elections. Since then, the prime minister has engaged his country on the way back to democracy but Poland remains, nevertheless, deeply divided: the government is a liberal centre-right coalition, but the presidency continued to lay in the hands of

Andrzej Duda,<sup>10</sup> close to the conservative nationalists of Law and Justice (PiS). He used two weapons to block reform: the right of veto; and, more subtly, preventing their entry into force until conformity with the fundamental law had been verified by the PiS-dominated Polish Constitutional Tribunal.

However, this did not prevent Tusk from playing a leading role at European level, inasmuch as we can speak of a ‘moment polonais’, as the French former diplomat Pierre Buhler (2025) argues. As previously, Poland is the ‘eastern shield of Europe’, but nowadays in a completely different geopolitical context and in a totally different position: as a fully-fledged member country of the European Union. No-one can despise Poland, as was too often the case in the past.

This does not in any way subtract from Tusk’s homework – to start with, the restoration of the independence of the Constitutional Tribunal – amounting to a Sisyphean task, not least in that the populist, Karol Nawrocki, backed by the Law and Justice party, won the 2025 presidential elections on 1 June 2025. This might well pave the way to creating a new right-wing coalition in parliament.

As Zselyke Csaky highlights:

Poland’s restoration of democracy does not offer a straightforward success story, but the EU should nevertheless pay close attention. What it offers is valuable lessons for countries at risk of backsliding. (Csaky 2024)

Despite Poland’s globally positive results, and Nicușor Dan’s win in the Romanian presidential election in May 2025, the ‘third wave’ of autocratisation is still rising (V-Dem 2025). How should this be viewed?

Licia Cianetti and Seán Hanley highlight the necessity of moving beyond a backsliding paradigm when considering countries whose dynamics follow ambiguous and intermediate patterns characterised as:

(1) bumpy, dynamic sequences of episodic crisis and confrontation falling short of the clash between authoritarian-minded illiberals and “prodemocracy” forces envisaged in accounts of backsliding (akin to what Slater has called ‘careening’); and (2) cases marked by tradeoffs between distinct democratic values, whose complex dynamics defy the ‘all good things go together’ logic that often informs thinking about democratization, backsliding, and the quality of democracy. (Cianetti and Hanley 2021: 73)

Consequently:

... if intermediate syndromes are more than mere stepping-stones on the way to paradigmatic backsliding, then different strategies of democracy promotion will be needed to address these cases – strategies that openly recognize the uncomfortable normative and political choices between stability, inclusivity, and contestation that practitioners may encounter on the ground. (Cianetti and Hanley 2021: 78)

10 President of Poland from August 2015 until May 2025.

In their 2024 contribution to *The Routledge Handbook of Autocratization*, the same authors relatedly conclude:

Although understanding its causes and potential spillover effects remains vital, Hungarian-style executive aggrandizement driving a transition to autocracy [is] still the exception. Other forms of partial or on-off democratic decline characterized by ‘hollowing’ or ‘swerving’ are more prevalent. (Cianetti and Hanley 2024: 484)

More nuanced scenarios, in which multiple trajectories coexist, must thus be envisioned. As indeed the Tillyian approach also provided an early opportunity to highlight, the prevalent pattern is that oscillation in democratic quality rarely translates into outright autocratisation processes. Cianetti and Hanley, however, also invite an additional consideration of the importance of temporalities:

... corruption-led and technocracy-led democratic patterns of degradation, for example, highlight temporalities that are both longer and less linear than conventional party-oriented perspectives, which see elections as triggers and turning points. (Cianetti and Hanley 2024: 484)

Long timescales and multiplex approaches matter!

This also corroborates the analyses in Solioz (2024) as it precisely points to the direction of the in-betweenness of democratisation versus de-democratisation and thus its indeterminacy. Compared to previous traditional types of autocracy, the ‘third-generation autocracy’ has produced hybrid regimes with the parallel development of formally democratic, but informally autocratic, forms of institution-building. Further thought needs to be given in this direction, including the often-neglected subnational dimension of autocratisation, as well as the multifaceted roles of civil society that can either inhibit or deter autocratisation, or otherwise sustain and feed it.

While the surge of anti-liberal populist ideas favours autocratisation processes, how can these be countered? A look in the rearview mirror provided by Herbert Marcuse (1898-1979) might surprise with some very timely notes extracted here from his lecture at the Free University of West Berlin in July 1967:

The new fascism – if it comes – will be very different from the old fascism. History does not repeat itself so easily. When I speak of the rise of fascism I mean, with regard to America, for example, that the strength of those who support the cutback of existing civil and political liberties will grow to the point where the Congress can institute repressive legislation that is very effective. That is, the mass basis does not have to consist of masses of people going out into the streets and beating people up, it can also mean that the masses support increasingly actively a tendency that confines whatever scope still exists in democracy, thus increasingly weakening the opposition. (Marcuse 1970 [1967]: 100)

Already in his 1942 article ‘The New German Mentality’, inspired by his friend’s book *Behemoth* (1942),<sup>11</sup> Marcuse had explained why the traditional methods of counter-propaganda and education are obsolete. He first insisted on the necessity of:

... a thorough knowledge of the new mentality and the new language [as] a prerequisite for the effective psychological and ideological offensive against National Socialism. (Marcuse 1998 [1942]: 141)

He then characterises this mentality by integral politicalisation, integral debunking, cynical matter-of-factness, neopaganism, the shift of traditional taboos and catastrophic fatalism, before highlighting that:

... there is no warranted conclusion that the new mentality will disappear with the disappearance of the National Socialist regime. For the new mentality is bound up with a pattern of social organization that is not identical with National Socialism, although National Socialism has given it its most aggressive form. (Marcuse 1998 [1942]: 145)

Having discussed the novelty of national socialist logic and language, the psychological foundation of the new mentality, and the transformation of morale into technology, Marcuse goes on to address three effective counter-propaganda measures, three forms which dissolve the criticised mentality by responding to it: using first the language of facts; second, the language of recollection; and third, the language of re-education. To sum up:

The content and language of an effective counter-propaganda can neither be that of the New Order nor of the status quo but must develop a content and language of its own. They must respond, but not correspond, to the new mentality. (Marcuse 1998 [1942]: 147)

Marcuse picked up this argument again in the conclusion of *Counterrevolution and Revolt*, focusing on the role of the young generation:

Strategies must be developed which are adapted to combat the counterrevolution. The outcome depends, to a great extent, on the ability of the young generation – not to drop out and not to accommodate, but to learn how to regroup after defeat, how to develop, with the new sensibility a new rationality, to sustain the long process of education – the indispensable prerequisite for the transition to large-scale political action. For the next revolution will be the concern of generations, and ‘the final crisis of capitalism’ may take all but a century. (Marcuse 1972: 133-134)

Without giving in to the sirens of anachronism, it is important to take away from Marcuse’s contributions some useful insights and to retain the necessity to formulate new narratives of counter-propaganda in order to oppose and formulate an alternative to the new forms of control developed by post-disciplinary societies and/or control societies. The last section of this article turns to an exploration of how Jan Patočka’s ‘return to Europe’ offers thoughts that undo pretence and reopen a universe of

11 By Franz Leopold Neumann, a German lawyer and political scientist.

possibilities insofar as he reflects on Europe as a project coined by indeterminacy while being both constantly endangered and never-ending. This is a way of thinking yet to be discovered but whose significance for Europe's self-understanding is only now becoming apparent.

### Looking for the new ground of Europe after Europe

Inspired by Edmund Husserl's philosophy, Patočka looks at Europe from a deep perspective which invites a contemplation of the subject from a more complex angle. While his *Plato and Europe* (2002) and *Heretical Essays in the Philosophy of History* (1996) are renowned and often quoted, not so much his thoughts on post-Europe which, until now, are only available in French, German and Czech.<sup>12</sup> The collective volume *Thinking After Europe. Jan Patočka and Politics* (Tava and Meacham 2016), however, shares insights into his views on the questions and challenges related to Europe. Against a background of the discussion of the fate of Europe in an Age of Uncertainty, it makes sense to integrate Patočka's thoughts on Europe after Europe. His sharp reflections can today reorient the question of Europe, philosophically and politically.

In a different context from that of the 1970s, Europe is nowadays once again at stake. What is more, many believe that Europe – between Sarajevo and Kyiv – has lost its soul. This is precisely the key issue of Patočka's farsighted analysis that stems from a critical, postcolonial turn towards Europe.

In order to avoid simplifications or misunderstanding concerning 'post-Europe', Tava and Meacham offer a clarification:

... thinking after Europe does not mean, neither for Patočka nor for ourselves, thinking without Europe. [Accordingly, post-Europe should be understood] as a new historical perspective, which humankind has to apprehend in order to face the ongoing crisis. (Tava and Meacham 2016: x and xii)

In this sense, post-Europe is still Europe, 'an unfinished adventure' (Bauman 2004), a Europe which is yet to come.

12 Editor's note: the English language quotes that follow are, as a result, as translated by the author.

Figure 6 – Map 8



Note: in dark blue: European countries that had colonial empires, the others being – if so – only marginally involved in colonisation such as was Austria briefly in the Nicobar Islands in 1778.

Stressing that Europe had lost its political primacy and its position as a world power, and was being relegated to the waiting room of history, Patočka anticipated the postcolonial narrative back in the 1970s, acknowledging sharply:

... the end of Europe as a historical power, the end of the entity which, rising above the rest of the world, had tried in vain to establish its domination over the entire surface of the planet. (Patočka 2007: 42)

In his writings which focus on the post-European historical era, Patočka distinguishes three levels:

1. the European principle (the reflection that grounds action and thought by insight)
2. Europe as a united political, social and spiritual reality
3. the European heritage (science, technology, rational economic and social organisations).

It is the generalisation of the latter that paved the way to the end of Europe as a historical world power – a process Patočka further elaborated based on Geoffrey Barradough (1956, 1967).<sup>13</sup>

Patočka sees during World War II and in the immediate post-war period the shift towards a scientific-technological rationality and the emergence of:

... a postcolonial world, formally Europeanised, but with new, non-European content. A world in which Europe has ceased to play a decisive role as a political and spiritual force. (Patočka 2007: 46)

A catastrophe? Not at all, inasmuch as:

... the post-European era is marked by a great possibility for humanity, one that could lead off into a future not only of technical understanding but also that of self-reflecting reason itself. (Patočka 2007: 53)

This presupposes a framework in which the European, the non-European and the post-European can all relate to and differentiate from one another.

What might characterise humanity in this post-European era? In Patočka's view, humanity must remain that which it was if it is to be capable of spirituality:

... an existing being, which does not close itself up but rather whose openness is its strength. (Patočka 1999: 28)

As Karel Novotný pinpoints, Patočka seeks to save the dimension of openness from the reductionism of techno-scientific rationality (Novotný 2016: 304). This openness necessitates a distancing of oneself from one's own spiritual tradition:

One cannot advance to make progress on the sketched problems [in *L'Europe et après*] of today's historical epoch without undertaking the attempt of a very radical distancing from the traditional, European ways of viewing world history. (Patočka 1999: 243)

Michel Agier's anthropology of the cosmopolitan condition, focused on 'decentring', can illustrate what Patočka alludes to in generic terms:

The challenge posed to us all now is thus not only to 'de-Westernize' universalism, to 'de-nationalize' or 'de-ethnicize' thought and action in a decentred world. It is above all to succeed in conceiving a common world, in which the programme of equality must be reinvented, with a cosmopolitan narrative on the first page. (Agier 2016: 157)

Patočka considers the complementarity of multiple traditions as a prerequisite:

... the possibility of an accumulation of cultural achievements depends essentially on the existence of contacts between traditions of different types, and the probability of such an

13 Patočka notes that neither Barradough nor Herbert Marcuse fail to escape a certain Eurocentrism.

accumulation presupposes the maintenance of this diversity of fundamental perspectives in which people realize their lives and give shape to their history. (Patočka 1990: 213)

When it comes to the break with one-dimensional society, thus the dominance of scientific-technological rationality, non-European cultures are better equipped. Consequently, Patočka advocates:

... a debate with the cultural traditions that provide an indispensable factual foundation for the European idea, traditions hitherto considered dead and insignificant but which we must learn to take seriously. (Patočka 1990: 212)

To sum up with the philosopher's own words:

A new, extended, much less naïve Socratism would then be required, a new asceticism and an entirely new courage cultivated from the battles, the labour and the blood of the most abominable time of war, to escape the threat of meaninglessness. At the bottom this would be the very same meaning historical mankind has always been striving for by breaking away from the twilight of the prehistoric acquiescence of meaning and embarking on an adventure where infinitely much could be lost but where enough could be gained so that it was worth the effort: the life in truth, the life of spirit.<sup>14</sup>

Herein, one of the key issues which Patočka develops is the Socratic motif of 'care for the soul' – the key concept coined by Plato in the *Phaedo*. The ancient Greek philosopher discovered that:

... metaphysics is essentially *practical*, and therefore linked to a possibility of *life in common*, and that concern for the soul is ultimately concern for human life *within a state*. Not of course in any old state; indeed, in a state that does not yet (actually) exist, a state of justice, where, consequently, the political function is specialized. (Patočka 2007: 273; emphasis by Patočka)

## Conclusions

It is time to draw a line under our analysis, with some (unavoidable) simplification. 'Care for the soul' might be expressed in more general terms as the 'care' that proposes a different ontology, a different epistemology and a different account of social theory (Tronto 1993; Care Collective 2020). For the sake of brevity, the very global definition formulated by Joan Tronto and Berenice Fisher will suffice:

On the most general level, we suggest that caring be viewed as a species activity that includes everything that we do to maintain, continue, and repair our 'world' so that we can live in it as well as possible. That world includes our bodies, our selves, and our environment, all of which we seek to interweave in a complex, life-sustaining web. (Tronto 1993: 103)

14 This quotation is taken from the partial German translation of the *Heretical Essays* that Patočka (2016) himself realised. The quoted passage replaces the conclusion of the original version of his essay 'Does history have a meaning'. Quoted after Novotný (2016: 311).

This opens new perspectives to be further investigated – with the added value of overcoming the intrinsic threat of Eurocentrism, a risk of which Patočka was consciously aware.

The structural indeterminacy characterising politics, the current slowdown of the Union accession process, the ‘Balkan Malaise’, the autocratisation waves and the return of high intensity war in Europe, not to forget the magnitude of the ecological threat – all of these things require a multifold qualitative approach. Enabling Europeans to live in ‘problematicity’, to ‘stay with the trouble’ and in ‘being-with’ – in learning to do this some inspiration might well be found in a combination of Patočka’s political philosophy and the care approach.<sup>15</sup>

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# The impact of European integration on the labour market in Albania: challenges, opportunities and perspectives<sup>1</sup>

## Abstract

*This article analyses the effects of the European integration process on the labour market in Albania. It provides a summary analysis of a much deeper body of research examining the processes of European integration which have brought with them a series of labour market reforms, including the alignment of employment policies, increased labour mobility and adaptation to the demands of an increasingly digitalised economy. The comparative analysis includes western Balkan countries and current EU member states, focusing on unemployment, employment structure, the impact of digital technology and migration. The aim of the research programme is to analyse the key trends, challenges and opportunities brought by European integration, as well as to evaluate the policies and reforms being undertaken in Albania to meet EU standards. The challenges facing the country's labour market remain deep and multifaceted, but a solid foundation for informed and actionable policymaking would bring the country closer to a successful integration and would establish long-term benefits for its citizens.*

**Keywords:** labour market, European integration, Albania, unemployment, employment structure, digitalization, migration

## Introduction

The European Union (EU) integration process has had a significant impact on the dynamics of labour markets in candidate countries. Albania, as a potential new member state, has undertaken considerable reforms to align its employment policies with the European *acquis* (the legal and institutional framework that comprises the EU system), one of the main tasks that candidate countries must undertake in harmonising their legislatures with that of the EU during the accession process. However, challenges such as high informality, skill mismatch and migration continue to pose serious obstacles. This article aims to analyse these dynamics and assess the broader impact of European integration on the development of the labour market in Albania, based on comparative facts and recent institutional developments.

1 The authors would like to thank the academic and research institutions that supported this article. Special appreciation goes to colleagues within the Faculty of Economics at 'Aleksandër Moisiu' University for their insights.

Its specific objectives are as follows:

1. to assess Albania's institutional and legal progress in compliance with the *acquis communautaire* in the field of employment
2. to analyse the structural challenges hindering the Albanian labour market from functioning according to EU standards (such as unemployment, informality, migration and skill mismatch)
3. to compare Albania's performance with other western Balkan countries and EU member states in terms of key employment indicators
4. to highlight the role of EU financial instruments (IPA, Erasmus+, the Cohesion Fund) in strengthening capacities for labour market development
5. to provide data-based recommendations for effective policies supporting the integration of the Albanian labour market into the European space.

### Labour market: framework for analysis

Research on the impact of European integration on the labour market highlights both opportunities and challenges.

According to Galgóczi et al. (2011), the integration process promotes labour mobility, increases productivity and develops employment institutions in transition countries. However, Böhning and Schloeter-Paredes (2014) note that 'brain drain' and transitional unemployment remain common in countries in the early stages of integration. Within the western Balkans, Bartlett and Oruc (2020) emphasise that structural reforms often remain slow and fragmented, which has a negative effect on labour markets and alignment with European employment standards. The series of regular progress reports by the European Commission (2023b), however, suggest that integration can offer a strong institutional framework for labour market reform by promoting formalisation, social security and employment equality.

In summary, European integration holds significant potential for improving labour markets in aspiring countries like Albania, but success in this area does depend on the depth of the reforms undertaken alongside the presence of institutional capacity for effective implementation.

### Labour market challenges in Albania

Albania's labour market faces several deep and complex challenges that make it fragile as well as inefficient at providing sustainable employment opportunities. These structural problems have a direct impact on the functioning of the market economy and social welfare within the country, and also in terms of the smoothness of the process of approximation with European standards.

One of the most prominent challenges affects young people in particular. According to INSTAT data (2023a), unemployment among the 18-29 age group is around 21.5%, one of the highest in the region. This results from a mismatch between the qualifications provided by the education system and actual labour market needs (Rama 2022).

Another major challenge is the high level of informality. More than 30% of employed people in Albania are engaged in the informal sector, primarily in agriculture

and trade; i.e. are without employment contracts and existing outside the system of social security (INSTAT 2023). This phenomenon is damaging the state's revenue collection capacity, affects access to social services and increases individuals' economic insecurity (ILO 2022).

The emigration of the working age population is also a challenge which is having long-term consequences. About 1.4 million Albanians live abroad (King and Gëdeshi 2023), most of whom are of working age and often highly educated. This phenomenon, known as the 'brain drain', reduces the country's talent pool and weakens the development capacity of strategic sectors.

Marginalised groups, including women and rural populations, face additional obstacles in labour market inclusion. The employment rate for women in Albania in 2022 was 52.1% compared to 68.5% for men (INSTAT 2023b). These differences are linked to the lack of gender equality policies in employment, childcare responsibilities and, in the latter case, the lack of a supportive infrastructure not least in rural areas.

All these challenges highlight the need for deep structural interventions in the labour market to enable Albania to meet the conditions of a functional market economy and integrate successfully into the European Union.

### Reforms undertaken in Albania (2018-2023)

Over the past five years, Albania has undertaken a series of important reforms to meet the standards of European Union membership. These reforms have included in the areas of the justice system, public administration, the economy, education and institutional capacity building in the labour market to assist with the more effective use of EU funds.

#### *Justice system reform*

Reform of the system of justice has been one of the main priorities of European integration, aiming to build an independent, transparent and trustworthy judiciary. A vetting process, which began systematically after 2018, involved an evaluation of the integrity, assets and professional skills of judges and prosecutors. In 2019, around 30% of the judiciary had undergone vetting while, by 2022, this number had surpassed 85%, contributing to the cleansing of the system of corrupt elements (Balliu 2020).

#### *Public administration reform*

In this important area, Albania has implemented reforms to increase transparency, accountability and service access for citizens. In 2018, the first e-services systems were implemented, with these being expanded significantly in subsequent years. By 2022, over 95% of public services were accessible online through the e-Albania platform (IDM 2020).

### *Economic reform*

Albania has focused its efforts on improving the business climate and has targeted sustainable, year-on-year economic growth. Improving the legal infrastructure for investments, simplifying procedures for business registration and digitalising tax services are among the measures that have had a positive influence on the economic environment (IDM 2020).

According to the World Bank, economic growth during this period of reform has been along the lines of the following:

- 2018: Albania recorded GDP growth of 3.7%, driven primarily by the construction and services sectors (Trading Economics 2024)
- 2019: growth fell back to 2.1% due to a slowdown in foreign direct investment and the impact of the earthquake at the end of the year (BTI Transformation Economics 2024)
- 2020: the economy contracted by -3.3% as a result of the global Covid-19 pandemic and restrictions on economic activity (World Bank nd)
- 2021: saw strong recovery with the economy growing by 9.0%, thanks to fiscal measures and support for key economic sectors (European Commission 2023)
- 2022: growth stabilised at 4.8%, reflecting a consolidation of the economic recovery and an increase in domestic consumption (World Bank nd)
- 2023: again, growth was a steady state 3.9% (World Bank nd).

This data shows a positive trend towards sustainable growth but also highlights the need to deepen structural reforms, especially in diversifying the economy and supporting those sectors with long-term potential.

### *Pre-university education reform*

Another key component of EU standards approximation has been improving the quality of basic education. In this regard, Albania took a major step in 2019 by participating for the first time in the TIMSS (Trends in International Mathematics and Science Study) – an international assessment testing students' knowledge in mathematics and science based on global standards (TIMSS 2019). This participation represented an effort to measure the performance of the education system in comparison with EU countries. In 2023, Albania participated for the second time, demonstrating continued commitment to transparency and quality improvement in education (TIMSS 2023). The 2023 TIMSS results have been used by policymakers as a basis for new reforms in the school curriculum, as well as improving teaching methodologies and the professional development of teachers (Ministria e Arsimit dhe Sportit 2024).

This progress is especially important for the labour market, since aligning the education system with real economic needs is a core criterion for EU integration.

### *The role of EU financial instruments*

Programmes such as IPA, Erasmus+ and the Cohesion Fund provide essential financial support for employment projects and institutional strengthening. These funds

have helped improve training systems and public employment services, although the capacity for absorption remains limited (OECD 2021).

One of the most concrete aspects of the assistance that the EU provides for aspiring countries like Albania is access to financial programmes and funds aimed at strengthening institutional capacities and improving the labour market. Through IPA II and IPA III, Albania has been able to run projects related to skills development, the equipment of vocational training centres, the establishment of labour market information systems and the training of public administration employees in the management of employment policy. Erasmus+ has also helped increase academic and professional mobility for young Albanians and also improve the curricula of higher education institutions (European Commission 2023a).

However, the main challenge remains the limited institutional capacity to absorb and manage these funds. According to the OECD (2021), the lack of qualified human resources and the weaknesses in inter-institutional coordination continue to limit the effectiveness of EU fund use in Albania.

### Research approach

The core analysis of the research on which this article draws is based on a combined methodological approach, integrating both qualitative and quantitative techniques to assess the impact of European integration on the labour market in Albania. The use of statistical data from official international sources such as Eurostat, the OECD, the World Bank and INSTAT – the statistical authority in Albania – forms the basis for a comparative evaluation both with other countries in the region and with EU member states.

The qualitative aspects of the research were conducted through structured interviews held with Albanian policymakers and labour market experts to gain deeper perspectives on the institutional challenges, barriers to reform implementation and the successful practices that can be adapted from EU countries.

From a comparative standpoint, Albania's position was evaluated against other western Balkan countries – including North Macedonia, Kosovo, Bosnia and Herzegovina, Serbia and Montenegro – in indicators such as unemployment, employment structure by sector, digital transformation and labour force migration.

The combination of quantitative data and qualitative analyses has enabled the construction of a clear overview of Albania's current position and the strategic needs required to improve it towards approximation with the European labour market development model.

### Findings

The comparative analysis developed between other western Balkan countries and EU member states provides a clear framework for understanding Albania's structural differences and specific needs in terms of the development of the labour market. Despite the progress that has been made, Albania still lags behind EU countries in several key indicators, while the continuing similarities with the rest of the region highlight shared challenges that require coordinated responses.

Unemployment in Albania, which stood at 11.2% in 2022 according to Eurostat data, is higher than the European average of 6.2% but lower than in some regional countries such as North Macedonia (14.4%), Kosovo (20.3%), Bosnia and Herzegovina (15.4%) and Serbia (9.5%). This indicates an intermediate position where Albania still has much to do to meet EU standards in employment; while also suggesting that Albania remains closer to the other countries of the region than to the EU labour market.

Employment structure represents another essential element in this analysis. The dominance of the agricultural sector is evident in that, according to Eurostat data, it still accounts for 32% of total employment in Albania (INSTAT 2023a). This reflects an economy still oriented towards low value-added, low productivity activities. Compared to the level of below 5% in EU countries, this signals a strong need for economic transformation and diversification, as well as the development of higher value-added sectors such as technology, manufacturing and modern services.

Digital transformation is another component that strongly affects labour market competitiveness, with the digital skills gap another aspect that is likely to risk hindering integration. Eurostat databases and publications contain no data on overall digital skills in Albania, while there is no digital skills strategy in place despite revisions to the country's digital agenda (Regional Cooperation Council 2021). This requires systematic investments in professional training and technology-oriented education. The digital skills gap that is likely to result from the lack of such a target, and the strong focus that this would provide, reflects the continued lack of investment and requires a review of policies for the development of human capital.

Finally, migration remains a significant factor in regional analysis. Migration remains a multidimensional issue. With over 1.4 million Albanian citizens living abroad (King and Gëdeshi 2023), Albania is among the European countries with the highest percentage of a diaspora in Europe and, therefore, one which is among those most strongly affected by the 'brain drain'. Comparisons with other regional countries show this is a common phenomenon – this situation is comparable to Bosnia and Herzegovina and Kosovo, but is significantly more pronounced than in countries like Serbia or Montenegro. The emigration of young and qualified professionals creates major gaps in the domestic labour market and also undermines the country's long-term development capacity (World Bank 2023). Its sheer existence reflects a lack of confidence in the domestic labour market and also a shortage of opportunities for personal and professional development.

In conclusion, the analysis clearly shows that Albania must intensify its efforts to improve its labour market through deep structural reforms, investments in education and skills, increased labour market inclusion and the development of policies which manage migration better. Only in this way can the country move sustainably toward meeting EU standards and establish a functional, inclusive and competitive labour market.

## Discussion

Based on the analysis of structural indicators and Albania's performance compared to the European Union and other western Balkan countries, several key recom-

recommendations emerge for improving the labour market and accelerating the European integration process. These recommendations should be seen as part of a long-term national strategy for the full integration of Albania into the European Union and the development of a sustainable, inclusive, and growth-oriented labor market.

### *Reforming the education and vocational training system*

The Albanian education system does not align with the dynamic demands of the labour market. Developing competence-based curricula, integrating information technology and fostering close cooperation with the private sector are essential to boost the employability of young people and reduce structural unemployment. Vocational education should be focused on the development of practical skills and more closely connected to sectors which have development potential such as tourism, technology and energy.

### *Strengthening employment services and active labour market policies*

Public employment services should be modernised to play a more proactive role in mediating between jobseekers and employers. This includes digitalising services, training staff and creating interactive databases to profile labour demand and supply. Active labour market policies – such as employment subsidies, investment in public employment services and administration, and targeted training to upskill young people in critical skills areas – should be reinforced to integrate vulnerable groups into the labour market.

### *Strategies for managing migration and the ‘brain drain’*

In seeking to face up to the phenomenon of the ‘brain drain’, a national strategy is needed to promote the return of Albanian professionals in the diaspora through financial and professional incentives. This could be achieved by creating specialised employment platforms, supporting the creation of new businesses and fostering collaborations with universities and companies in the diaspora.

### *Greater inclusion of women and rural areas in the labour market*

Women and rural populations are often marginalised in respect of the formal labour market. Policies for gender equality and access to work should be supported through improved care infrastructure (nurseries, public transport), training for women entrepreneurs, the promotion of employment in the social economy and the formalisation of informal sectors.

### *Structured social dialogue and partnerships among actors*

Promoting social dialogue between the government, trade unions and employer organisations is essential for building a European model of labour relations. This dialogue should be institutionalised through equal representation mechanisms and regular consultations on employment policies and social reforms.

## Effective use of EU funds (IPA, Erasmus+, Cohesion Fund)

Albania has great potential to benefit from EU financial instruments, but absorption capacity remains limited. Strengthening the capacity of the public administration to design, manage and monitor EU-funded projects is needed. Increased cooperation with international organisations and civil society would facilitate the implementation of projects supporting labour market development.

## Conclusion

Albania has made significant progress in aligning with European standards when it comes to the labour market, undertaking institutional, legal and social reforms aimed at increasing formality, improving workforce skills and expanding labour market inclusion. However, the challenges remain deep and multifaceted.

The dominance of the agricultural sector, the high level of informality, skills mismatch and the emigration of young people and qualified professionals limit the potential for sustainable development. At the same time, the digital skills gap and the exclusion of vulnerable groups, such as women and the rural population, from the formal labour market further undermine the effectiveness of current policies.

To accelerate European integration and build an inclusive and competitive labour market, Albania must focus on deep structural reforms, sustainable investment in human capital and stronger institutional cooperation. Effective use of EU programmes and the development of an efficient administration to increase capacity are key factors in this direction.

This article aims to contribute to the academic and policy discourse on integrating the Albanian labour market into the European space, offering a solid foundation for informed and actionable policymaking that would bring the country closer to a successful integration prospect which would have long-term benefits for its citizens.

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## Adapting the EU Farm to Fork Strategy to Albania: opportunities and challenges for sustainable agricultural transformation

### Abstract

The EU's 'From Farm to Fork' Strategy, a central pillar of the European Green Deal, seeks to reshape the EU food system into one that is fair, healthy and environmentally sustainable. Spanning the entire food chain, it incorporates environmental, social and economic objectives to promote sustainability as a competitive advantage. This article explores the multifaceted challenges in implementing the Strategy, including the economic burdens, social equity, political feasibility and environmental constraints, with a particular focus on Albania. By analysing Albania's 'Agriculture, Rural Development, and Fisheries Strategy 2021-2027', the study outlines the pathways for harmonising national agricultural policy with the EU's sustainability agenda. Emphasis is placed on the potential benefits for small-scale producers, who stand to gain from improved access to sustainable practices, market opportunities and fair value chains. The findings underline the importance of strategic alignment, institutional capacity building and stakeholder involvement in successfully adapting the Strategy to Albania's agricultural context.

**Keywords:** Farm to Fork Strategy, sustainable agriculture, food systems, agricultural policy, EU integration

### Introduction

In recent years, the transformation of agri-food systems has emerged as a top priority in global, regional and national policy agendas. In 2020, the European Union (EU), recognising the interdependence of health, environment and the economy, launched the European Green Deal as a blueprint for sustainable growth. At the heart of this Green Deal lies the 'Farm to Fork' Strategy – an ambitious roadmap aiming to ensure fair, healthy and environmentally sustainable food systems. It spans the entire value chain, seeking to reduce the environmental and climate footprint of food production while promoting food security, animal welfare and equitable access to nutritious food.

The 'Farm to Fork' Strategy is particularly relevant for candidate countries like Albania, which are working to align domestic policies and practices with EU norms as part of the accession process. Agriculture in Albania plays a vital role in rural livelihoods and contributes significantly to employment and food supply chains. However, it also faces multiple challenges: land fragmentation, weak infrastructure, low levels of mechanisation and limited access to sustainable technologies. Against

this backdrop, adapting the EU's Strategy to the local context represents an opportunity while, at the same time, being a complex task. Albania must not only adopt the principles and regulatory frameworks of the EU but also address capacity gaps, social equity concerns and long-term environmental risks.

The research on which this article is based investigates how Albania can effectively align its agricultural and food policies with the EU's sustainability goals. It provides a contextual analysis of Albania's Agriculture, Rural Development and Fisheries Strategy (2021-2027), examining the compatibility of its objectives with those outlined in the EU's 'Farm to Fork' framework. Furthermore, the study evaluates institutional readiness, funding mechanisms and stakeholder inclusion, with particular attention to small-scale producers. The findings are intended to support policymakers, practitioners and researchers in identifying practical pathways for transforming Albania's agri-food system in line with EU priorities.

### The policy framework and its challenges

Farm to Fork has attracted extensive scholarly interest as a transformative framework guiding the EU's transition to a climate-neutral and resilient food system. Scholars such as Lang et al. (2009) and Allen and Prosperi (2016) laid the early groundwork by articulating the systemic nature of food challenges, emphasising the interconnectedness of agriculture, health and environmental sustainability. More recently, an important study by Pe'er et al. (2020) has examined the Strategy's operational feasibility and its alignment with the Common Agricultural Policy (CAP), drawing attention to the trade-offs between environmental goals and economic viability.

Matthews (2020) lays stress on the need for coherence across EU instruments, warning that the Farm to Fork objectives may risk dilution without binding commitments or coordinated implementation. In turn, Mie et al. (2020), in analysing the health impacts of organic and sustainable diets advocated by the Strategy, find substantial evidence for their benefits but also note significant barriers to their widespread adoption, particularly among small-scale farmers.

In the context of non-EU countries and accession candidates, a thread in the literature highlights an additional layer of complexity. According to Bogdanov (2020) and Volk et al. (2021), western Balkan states, including Albania, face structural and institutional gaps that hinder full alignment with EU agri-environmental policy. These include limited absorption capacity for EU funds, insufficient institutional coordination and a lack of data and monitoring systems. The UN's Food and Agriculture Organization (FAO) signed a country programming framework (CPF) with Albania in 2023 specifically in relation to establishing sustainable and resilient agrifood systems and rural development.<sup>1</sup> The CPF underlines the vulnerability of

1 See: 'FAO partners with Albania for sustainable and resilient agrifood systems and rural development' (press release), accessed 4 April 2025 at: <https://www.fao.org/europe/news/detail/fao-albania-partner-for-sustainable-and-resilient-agrifood-systems-and-rural-development/en>.

Albania's food systems to climate change and market disruption, noting that sustainability reforms require both top-down regulation and bottom-up innovation.

Despite these challenges, comparative policy reviews show promising trends. Serbia and North Macedonia, for example, have launched targeted reforms to align their pesticide use regulations, organic farming support and agri-food certification systems with EU standards. Such cases provide important potential learning models for Albania. Yet, there is a paucity of empirical studies assessing how the specific instruments of Farm to Fork – such as fair value chains, sustainable labelling and the reduction of food loss – can be localised in countries outside the EU.

This article seeks to fill that gap by situating Albania within the broader regional and policy transformation narrative.

## Methodology

The study reported in this article is part of a much broader work programme which adopts a qualitative case study methodology complemented by document analysis, expert consultation and comparative policy assessment. The objective is to evaluate Albania's institutional readiness, policy coherence and capacity to adopt the 'Farm to Fork' Strategy within its domestic context. Given the policy-oriented nature of this research, the methodological framework focuses on three main components.

First, a detailed review of EU documents related to Farm to Fork and the European Green Deal was conducted to extract priority objectives, benchmarks and indicators. Second, Albania's Agriculture, Rural Development and Fisheries Strategy 2021-2027 was analysed for consistency with EU standards. Third, qualitative insights were collected from existing FAO, Eurostat and INSTAT<sup>2</sup> data to contextualise Albania's agri-food transformation trajectory. The analysis includes a SWOT framework to map Albania's structural strengths and weaknesses, institutional constraints and strategic opportunities in terms of adapting the EU framework.

Additionally, a comparative alignment table has been created to visualise the policy gaps between Albania and the EU's key sustainability indicators – particularly in areas like pesticide use reduction, organic farming promotion and food waste mitigation. This triangulated approach strengthens the analytical validity of the study by combining normative policy benchmarks with real-world national data.

To complement the qualitative review, a mixed-methods approach was applied including semi-structured interviews with five national policy stakeholders and two independent agricultural economists. These interviews focused on implementation barriers, policy gaps and administrative experience with the support programmes set down under IPARD III (the EU's Instrument for Pre-accession Assistance Rural Development Programmes). Additionally, the monitoring reports of the Ministry of Agriculture, EU Progress Reports (2021-2023) and technical evaluations by the World Bank and FAO were also reviewed. To contextualise Albania's policy alignment, a policy alignment matrix was constructed assessing progress across Farm to Fork thematic areas (e.g. pesticide use, soil health, waste reduction and rural

2 INSTAT is Albania's statistical authority (Republika e Shqipërisë Instituti i Statistikave).

development) relative to five selected EU member states (including Greece) and two western Balkan neighbours (North Macedonia and Serbia).

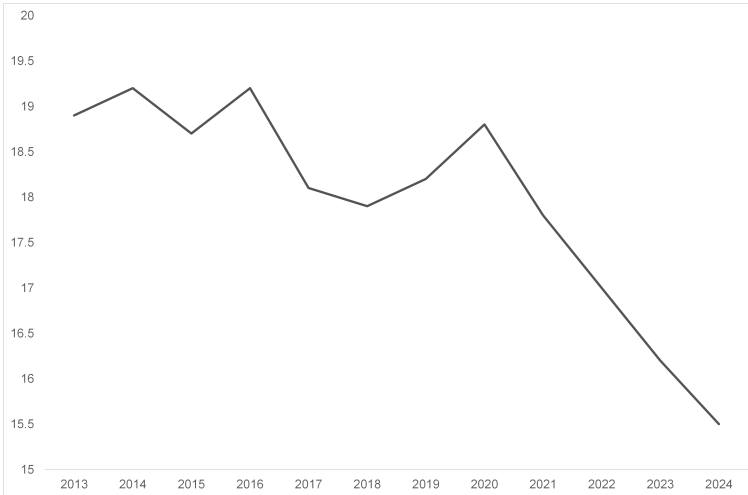
The triangulation of these data sources provided a robust framework for identifying convergence zones, policy inertia and institutional readiness indicators. All qualitative responses were coded using thematic analysis, while document review results were categorised according to compliance and adaptation levels. The combination of these tools ensures a holistic view of Albania's positioning within the European sustainability framework.

## Analysis

The analysis maps the strategic objectives of the 'Farm to Fork' strategy against Albania's current agricultural policy. The EU strategy prioritises the reduction of pesticide use, sustainable food production, enhanced animal welfare and fair economic returns across the value chain. Albania's national strategy reflects parallel goals but lacks binding environmental targets and robust enforcement mechanisms. The SWOT analysis reveals strengths in agricultural diversity and EU approximation commitments, alongside weaknesses such as fragmented land ownership, poor irrigation and weak extension services. The comparative matrix highlights partial alignment, with gaps in areas such as the digitalisation of farms, traceability systems and public-private coordination.

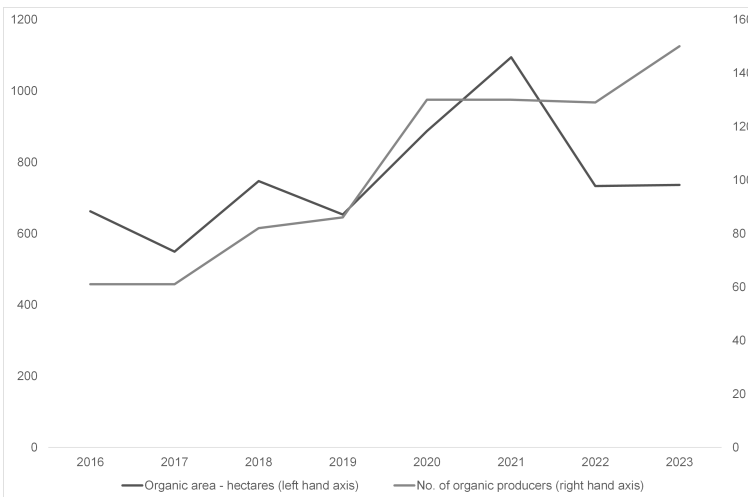
The analysis highlights the substantial potential for Albania in terms of converging with the EU's agri-food sustainability framework, but it also exposes several systemic challenges. The declining contribution of agriculture to GDP from 19.2% in 2014 to 15.5% in 2024 (see Figure 1) reflects structural transition but also rural vulnerabilities. At the same time, while there is a trend of growth in organic agriculture (Figure 2), there are ups and downs. Furthermore, particularly in terms of the number of hectares given over to organic agriculture, the growth is both modest and extremely low, amounting to no more than 0.1% of total agriculture land, while the number of producers, while growing more strongly, is also extremely low. Nevertheless, this does indicate increased sustainability awareness.

Figure 1 – Agriculture, forestry and fishing, value added (% of GDP) in Albania (2013-2024)



Source: World Bank Open Data.

Figure 2 – Growth of organic farming area in Albania (2015-2022)



Source: Research Institutes of Organic Agriculture FiBL (various).

Further analysis reveals that Albania’s IPARD programme absorption remains limited due to administrative complexity and a lack of awareness among rural beneficiaries. Institutional fragmentation also hinders coordination between ministries,

municipalities and producer associations. Nevertheless, stakeholder interviews suggest increasing demand for sustainability training, especially among younger farmers.<sup>3</sup>

## Results and discussion

The results demonstrate a mixed landscape of institutional readiness. On the positive side, Albania's strategic documents reflect growing convergence with EU priorities. The 2021-2027 agricultural strategy explicitly references sustainable development, the modernisation of farms and digital monitoring. However, practical implementation remains weak. For example, pesticide regulation is outdated and national organic standards are only partially harmonised with EU guidelines.

One critical issue is the accessibility of EU funds. While Albania is eligible for IPARD III, disbursement has been slow and many local actors lack the capacity to apply for or manage these funds. This represents a key bottleneck in translating strategic intentions into measurable sustainability outcomes. Furthermore, the analysis underscores the importance of expanding traceability, labelling systems and consumer education to align with the EU's vision of responsible consumption and fair food systems.

Further findings suggest that one of the most underutilised channels of EU support is technical training and advisory services. Interviews confirm that farmers and small producers and processors lack access to tailored knowledge on certification, regenerative practices and compliance with traceability systems. Policymakers cite the need to integrate Farm to Fork principles directly into school curricula and national research funding priorities. In addition, gender equity in access to grants and land ownership is not currently a focus, despite its importance for inclusive sustainability.

The regional context also matters: compared to North Macedonia, Albania has lagged in piloting pesticide-free zones or rolling out climate-smart agriculture pilots. However, Albania has outperformed Serbia in enforcing animal welfare protocols and is seen as a regional leader in integrating food safety labs into agricultural policy. Similarly, Greece has implemented decentralised advisory services for organic farming certification. Albania could benefit from adopting a peer-learning model by collaborating with neighbouring countries through regional knowledge-sharing platforms and joint sustainability pilots.

These findings support the argument that a more tailored, sector-specific approach – rather than a generic alignment process – will be essential to make Farm to Fork truly operational in Albania.

To support sustainable transformation, Albania should consider incorporating innovative financing instruments such as green bonds, results-based payments and blended finance schemes. These mechanisms can attract private investment while

3 See also: 'FAO – The Ministry of Agriculture and the Agriculture University of Tirana join forces to support youth driving towards the digital transformation of agriculture' (press release), accessed 4 April 2025 at: <https://albania.un.org/en/219129-fao-ministry-agriculture-and-agriculture-university-tirana-join-forces-support-youth-driving>

tying funding to measurable sustainability outcomes. IPARD disbursement protocols should also be redesigned to favour applicants proposing regenerative, climate-smart or biodiversity-enhancing practices.

## Conclusions and policy recommendations

This study on which this article is based provides a comprehensive overview of how Albania can adapt and internalise the EU's Farm to Fork Strategy to modernise its agricultural sector while advancing sustainability. Although policy convergence has begun, much remains to be done in terms of implementation, monitoring and stakeholder empowerment.

The study's key recommendations include:

- developing a national roadmap for full alignment with EU sustainability indicators
- creating technical support units for smallholders to access IPARD and implement best practice
- reforming pesticide regulations and harmonising organic certification standards with the EU
- expanding agri-digital tools and traceability systems
- promoting inter-ministerial task forces for sustainability policy coherence
- launching consumer awareness campaigns to support sustainable consumption patterns.

In conclusion, Albania's agricultural transition is not only feasible but strategically vital for EU integration and long-term food system resilience. With the right investments and governance reforms, the Farm to Fork vision can be meaningfully localised to support inclusive, competitive and sustainable development.

In the medium term, Albania should prioritise policy coherence by linking rural development objectives with climate action and public health initiatives. Scenario analysis suggests that, without accelerated investment and governance reform, the country may meet only 50% of EU sustainability benchmarks by 2030. Conversely, if properly guided, Albania could serve as a regional model for Farm to Fork adaptation by building on local innovation and diaspora investment.

Policymakers must also consider the role of consumer behaviour. Evidence shows that awareness of sustainability standards is low and labelling schemes poorly understood. Effective communications campaigns that promote local, certified and environmentally responsible food could create bottom-up demand for reform. Finally, regular monitoring using EU-aligned key performance indicators and the introduction of performance-based grants would boost transparency and trust in the transition process.

The active participation of civil society organisations, farmer cooperatives and grassroots networks can amplify the impact of Farm to Fork reforms. Community-led food initiatives, participatory policy forums and multi-stakeholder roundtables will ensure that reform is inclusive, transparent and responsive to local needs. Promoting local food festivals, sustainability labelling campaigns and school gardening

programmes can all help to anchor sustainable practices further in the public consciousness.

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# The impact of remittances on economic development and the labour market structure in Albania

## Abstract

*This article reports on a study examining the impact of remittances on economic development and the labour market structure in Albania, focusing on both short-term and long-term effects. The methodology follows a quantitative approach, utilising data from the Bank of Albania, INSTAT and international organisations for the period 2015-2024. Analysis of this data was conducted using multiple regression models to assess the correlation between remittances, economic growth and shifts in the labour market. Remittances do have a positive influence on consumption and investment but they may also contribute to the participation rate being lower than what it might otherwise be as a result of economic dependency, while also creating other market and socioeconomic distortions. The study adds to the existing literature by providing policy recommendations to enhance the productive use of remittances and strengthen labour market participation in Albania so that remittances can move beyond their short-term welfare benefits towards being the foundation of a more resilient and dynamic economic model.*

**Keywords:** remittances, Albania, labour market, EU integration, GDP growth, participation rate, structural transformation

## Introduction

The phenomenon of remittances has gained significant attention in recent decades as a vital component of economic and social development in many low and middle income countries. In Albania, remittances constitute a crucial source of external income and have consistently played a stabilising role throughout periods of economic transition and political upheaval. Following the fall of communism in the early 1990s, Albania experienced a massive wave of emigration, leading to the formation of a widespread diaspora, particularly in countries such as Greece, Italy, Germany, the United States and, more recently, the United Kingdom. As a result, remittance flows have begun to account for a substantial share of the country's GDP – at times reaching up to 15% – and have become a key factor in household economic survival, consumption smoothing and investment decisions.

Despite the clear fiscal and social benefits, the implications of this increasing dependence on remittances are far from unambiguous. While these inflows ease immediate financial constraints and promote improved standards of living, they also raise concerns about long-term sustainability, labour market engagement and the emergence of economic dependency. Households that receive remittances may

deprioritise participation in the formal labour market, thereby reducing the country's productive capacity. At macroeconomic level, a reliance on remittances may distort economic incentives and reduce the urgency for structural reforms and employment generation strategies.

In the Albanian context, these dynamics are particularly salient. The country continues to face persistent labour market challenges including high youth unemployment, informality, skill mismatches and regional inequalities. At the same time, Albania is actively pursuing integration into the European Union, a process that necessitates greater alignment with EU labour standards, productivity benchmarks and social inclusion measures. Therefore, understanding the multifaceted impact of remittances on Albania's economic development and labour market structure is not only academically relevant but also critically important for national policy planning and international cooperation.

The study on which this brief article is based aims to contribute to this discourse by analysing the short and long-term effects of remittances on key economic indicators and labour market participation in Albania over the period from 2015 to 2024. The goal is to unpack the dual nature of remittances – as both a stabilising force and a potential source of labour disengagement – and to offer policy recommendations for maximising their developmental impact.

## Shaping the research

The academic discourse on remittances encompasses a broad array of perspectives, ranging from their impact on household welfare and economic stability to their role in shaping migration cycles and labour markets. Studies consistently identify remittances as a significant contributor to financial security in recipient economies, particularly where institutional support systems are limited. This article narrows the focus to examine two particular themes within this discourse which are addressed by the broader research study.

### *Remittances and economic growth*

One of the dominant narratives in the literature highlights the positive contribution of remittances to macroeconomic growth. Ratha (2013) frames remittances as a consistent and resilient inflow that often surpasses official development assistance and foreign direct investment. These funds are shown to support consumption, facilitate access to education and healthcare, and provide the capital needed for small-scale enterprise development. Giuliano and Ruiz-Arranz (2009) note that, in environments with limited financial services, remittances function as de facto credit mechanisms, enabling investments that might not otherwise occur.

### *Remittances and labour market participation*

Conversely, a more cautious body of literature warns of the potential for remittances to undermine labour force participation. Chami et al. (2005) argue that, because remittances are non-labour income, they can reduce recipients' incentives to engage in the labour force. This argument is particularly relevant in settings where

remittances are regular and predictable, leading to behavioural shifts toward economic inactivity. These dynamics may be further exacerbated in cases where education and job opportunities are either inadequate or misaligned with labour market needs.

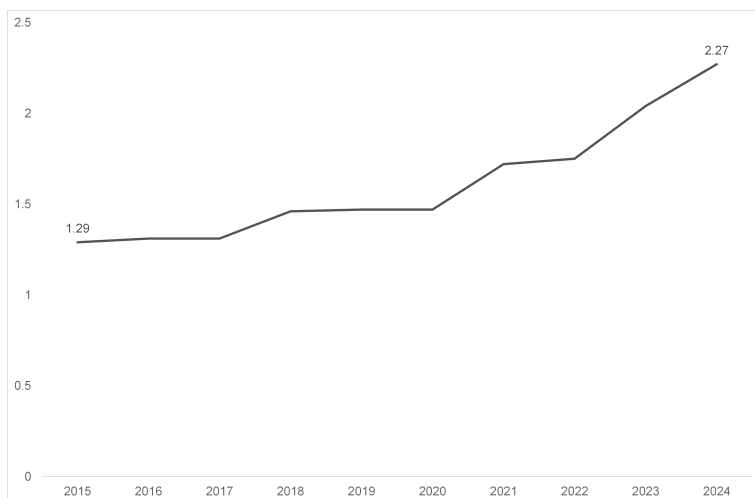
Other scholars offer a more nuanced perspective, suggesting that remittances can promote self-employment and micro-enterprise formation. For instance, Woodruff and Zenteno (2007) found that, in Mexico, remittances often serve as seed capital for businesses in migrant-sending communities. This indicates that the effects of remittances are not monolithic but are variable depending on local economic conditions, the structure of remittance flows and household-level decision-making.

### The Albanian context

In the Albanian context, remittances have historically played a stabilising role during periods of national crisis and transition. According to Barjaba and Barjaba (2015), the Albanian diaspora's financial contributions were vital in supporting families during the post-socialist economic collapse and subsequent regional instabilities. More recently, reports from INSTAT (2022) suggest that remittance-receiving households enjoy higher consumption levels but tend to invest less in long-term economic activities such as education or entrepreneurship. These findings raise questions about the sustainability of remittance-driven growth in the absence of complementary domestic reforms.

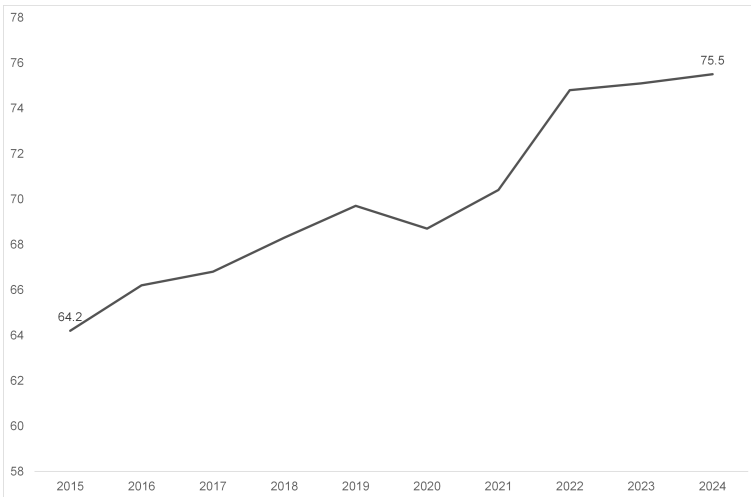
Further complexity arises in that a substantial portion of remittances continues to flow through informal channels, limiting their visibility and integration into national economic planning. The OECD (2021) and Plaza and Ratha (2011) have emphasised the importance of formalising remittance transfers through digital and banking infrastructure which could enable better monitoring, taxation and policy alignment.

Figure 1 – Remittance inflows in Albania (2015-2024)



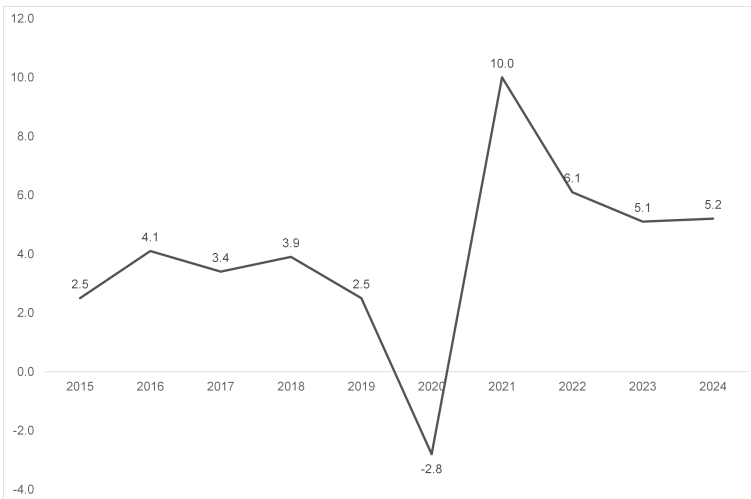
Source: World Bank data.

Figure 2 – Labour participation rate, workforce aged 15-64 (2015-2024)



Source: INSTAT (nd).

Figure 3 – GDP per capita growth in Albania



Source: World Bank data.

### Comparative regional insights

Comparative insights from Kosovo, Moldova and the Philippines highlight both the universality and context-specificity of remittance dynamics. In Kosovo, remit-

tances support household income but are rarely reinvested. Moldova faces similar challenges with labour force participation, while the Philippines – despite having an advanced labour export model – struggles with the social costs of long-term migration.

These examples reinforce the notion that the benefits of remittances depend heavily on institutional frameworks, policy choices and the strategic orientation of both senders and recipients.

### *Emerging trends and theoretical perspectives*

Theoretical approaches such as the new economics of labour migration (Stark and Bloom 1985) provide a useful analytical lens, viewing remittances as part of household strategies to manage risk and overcome credit constraints rather than mere altruistic transfers. According to Taylor (1999), households may send members abroad specifically to diversify income sources and gain access to capital that can support domestic investments. This perspective contrasts with classical migration theories which focus predominantly on wage differentials and mismatches in labour supply and demand.

In summary, the literature converges on a central insight: remittances are neither inherently beneficial nor harmful. Their impact depends on how they are used, the environment in which they circulate and the policies that guide their integration into national development agendas. In Albania, where remittances remain a cornerstone of household finance, the challenge is to amplify their developmental potential while minimising the risks of economic dependency and labour disengagement.

### *Methodology*

This study employs a quantitative research design using secondary data from the Bank of Albania, INSTAT, Eurostat and World Bank databases. The analysis covers the period from 2015 to 2024, focusing on the most recent trends and dynamics. Data were analysed on an annual basis. The statistical analysis was performed using SPSS software, applying a multiple linear regression model to explore the relationships between remittance inflows, economic development and labour market participation. The variables are structured as follows:

- dependent variable: GDP per capita at constant prices (as an indicator of economic growth)
- independent variables: remittance inflows (expressed in euros); labour force participation rate; gross capital formation
- control variables: inflation rate; education index; and employment rate.

Descriptive statistics and correlation matrices were first produced to understand the distribution and initial relationships between the variables. To address the temporal effects of remittances on the economy, time-lagged variables were introduced into the regression model. The issue of multicollinearity between the predictors was evaluated using Variance Inflation Factor (VIF) analysis within SPSS, ensuring the robustness of the model.

Additionally, a time series chart was developed to represent visually the trends between remittance inflows and labour force participation over the study period. This graphical representation aided in identifying the patterns and possible structural shifts over time.

## Results and discussion

The empirical findings indicate that remittances contribute positively to GDP growth by increasing consumption and investment in key sectors such as real estate and small enterprises. These financial transfers have allowed households to meet their basic needs, improve housing quality and afford better healthcare and education services. In several cases, remittances have facilitated the start-up of small businesses, thereby promoting local entrepreneurship and community-level economic development. For many families, remittances function as a form of social insurance, providing financial stability during times of crisis or unemployment. Moreover, by relieving immediate income pressures, they may enable recipients to invest in long-term assets such as the education of children or agricultural equipment in rural areas.

Despite these advantages, remittances are not without drawbacks. One of the most cited concerns is the reduction in labour market participation among recipients of working age. In Albania, as labour force participation has grown, according to LFS data, the concern is more that remittances may lower the participation rate below what it might otherwise be. As remittances represent a non-labour source of income, they can discourage active job-seeking behaviour, particularly when transfers are regular and substantial. This phenomenon is especially pronounced among younger populations, where remittances may delay entry into the workforce or reduce the incentive to pursue formal employment. Over time, this can lead to a dependency culture in which households are reliant on external income rather than engaging in productive economic activities domestically.

Additionally, the large volume of remittance inflows into sectors like housing has led to price inflation in real estate markets, making it more difficult for non-recipient households to afford homes. An over-reliance on remittances can also distort local labour markets, leading to skill mismatches and the underutilisation of domestic human capital. When remittance income substitutes rather than complements labour income, it may weaken productivity growth and deter innovation, especially if recipients do not invest in business creation or professional development.

Therefore, while remittances are an indispensable financial resource for many households, their broader economic implications must be carefully managed. Effective policy must balance the short-term welfare gains they offer with the long-term need to increase the labour participation rate and productive economic engagement.

## Policy implications

Addressing the complex effects of remittances in Albania requires a multi-dimensional policy approach that simultaneously nurtures their developmental potential and mitigates their unintended socioeconomic consequences.

First, there is a clear need to enhance financial literacy among remittance-receiving households. Many families use remittances primarily for consumption or housing which, while beneficial in the short term, may not lead to sustained economic gains. By promoting financial education and awareness, especially in rural and semi-urban areas, policymakers can help households understand the value of saving, investing and diversifying income sources. Targeted programmes that teach budgeting, savings management and investment planning could empower families to channel remittances into productive ventures.

Second, the government should establish and strengthen institutional frameworks that encourage the use of remittances for entrepreneurship and job creation. This could include tax incentives for small business development, microcredit schemes for return migrants and the creation of community-based investment funds. These measures would not only stimulate local economies but also offer employment opportunities, reducing reliance on migration as a livelihood strategy. Encouraging the diaspora to invest in local startups, tourism initiatives or green energy projects can create more inclusive and sustainable growth trajectories.

A critical area of intervention involves engaging the Albanian diaspora through formal mechanisms. Policies aimed at benefiting from diaspora capital – such as diaspora bonds, co-investment funds or matching grant programmes – can transform remittances from passive inflows into active components of national development. Offering dual citizenship and maintaining strong bilateral agreements with countries hosting large Albanian migrant populations can enhance trust and participation in such initiatives.

Moreover, labour market policies must be aligned with remittance flows to prevent labour disengagement. This could involve developing flexible employment schemes, vocational training programmes and upskilling initiatives that target young people and unemployed individuals, particularly in regions with high emigration rates. Encouraging formal employment and reducing barriers to workforce entry – such as excessive regulation or lack of childcare – can complement remittance income and maintain an active labour force.

Finally, policy coherence is essential. Remittances intersect with education, health, housing, migration and investment policies. A coordinated, cross-sectoral strategy that integrates remittance management into broader economic planning will be more effective than isolated interventions. Regular data collection, monitoring and collaboration with international partners such as the World Bank, Institute of Migration and the EU can provide evidence-based support for designing and adjusting policies over time.

In sum, while remittances provide invaluable support to Albanian households, their full developmental potential can only be realised through deliberate, inclusive and future-oriented policy frameworks. These must combine financial empowerment, institutional support, diaspora engagement and labour market integration to transform remittances from a safety net into a foundation for long-term prosperity.

## Conclusions

Remittances have long been recognised as a critical financial lifeline for many developing countries, and Albania is no exception. As this article has shown, these financial flows play a complex dual role within the national economy. On the one hand, remittances provide substantial support to households by enabling higher levels of consumption, improving access to education and healthcare, and offering a degree of financial resilience against economic shocks. They also stimulate entrepreneurial activity in certain contexts, particularly when channelled toward business investments or when used as seed capital for self-employment.

However, the findings also reveal that the long-term implications of remittance dependency must not be overlooked. A significant concern highlighted throughout this article is the potential impact on labour force participation rates, especially among younger populations. When households receive stable and regular remittance income, there is a risk that work incentives diminish and that individuals delay or forgo participation in the domestic labour market. This dynamic can contribute to a culture of economic passivity and overreliance on external income sources, undermining the broader objective of inclusive, self-sustaining development.

Moreover, while remittances positively influence GDP and consumer spending, their impact on structural transformation remains limited without supportive institutional frameworks. In Albania, this underscores the importance of implementing policies that not only facilitate remittance flows but also guide their allocation toward productive and socially beneficial outcomes. Without this strategic redirection, remittances may inadvertently contribute to economic stagnation rather than progress.

The study further emphasises the need for a coordinated and forward-thinking policy environment that leverages the potential of the Albanian diaspora, promotes financial inclusion and strengthens domestic labour capacity. By creating pathways for investment, skill-building and the reintegration of return migrants, Albania can move beyond the short-term welfare benefits of remittances toward a more resilient and dynamic economic model.

Ultimately, remittances should be seen not only as private household transfers but as opportunities for broader development. Their effectiveness depends greatly on how they are managed, both at household level and through national policy. A deliberate, inclusive and evidence-based approach will be key to transforming remittances from a coping mechanism into a catalyst for long-term economic and social transformation.

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<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?page=1&locations=AL>  
L (annual GDP growth)



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## The pension system in the Republic of Serbia: structure, challenges and reform perspectives

### Abstract

Social insurance in the Republic of Serbia consists of three main components: pension and disability insurance; health insurance; and unemployment insurance. Pension and disability insurance includes both mandatory and voluntary schemes. Mandatory pension and disability insurance is based on the pay-as-you-go financing model, where pensions are funded through contributions made by the current generation of workers. This mandatory insurance provides coverage for various risks including old age, disability, death and bodily injury. Individuals covered by this system include employees, self-employed individuals and agricultural workers. Nevertheless, the average pension remains well below 50% of the average gross wage in Serbia, raising concerns about pensioners' standard of living. The authors propose the introduction of an extraordinary pension adjustment mechanism, triggered in cases where the average pension falls below 50% of the national gross average wage, as a means of improving the adequacy of pensions and preserving the dignity and financial security of the retired population.

**Keywords:** Social security, social insurance, pension system, indexation, living standard, pension adequacy, replacement rate, dependency ratio, PAYG financing, Serbia

### Introduction to the problem

The main existing entitlements within the system of mandatory pension and disability insurance are as follows:

1. Old-age pension – for reaching statutory retirement age
2. Disability pension – in cases of work-related or general disability
3. Survivor's pension – where the insuree dies
4. Compensation for bodily injury – in cases of injury at work or occupational disease
5. Caregiver's benefit – where the beneficiary requires assistance from another person.

The current system dependency ratio is 1.7 which is considered highly unfavourable since it indicates a demographic and financial imbalance.

In 2005, voluntary pension insurance through private, fully funded pension funds was introduced as a supplementary pillar to the public system.

Since 2000, the method of pension indexation has undergone several changes. Initially, pensions were indexed to wages. In 2003, the 'Swiss formula' was introduced, combining wage and price growth although, over time, the wage component

was gradually reduced. In 2023, a modified Swiss formula was adopted, taking into account not only inflation and wage trends but also the share of pension expenditure in the country's gross domestic product (GDP).

Despite these changes, the pension adjustment mechanism has not delivered adequate pensions – the definition of which is explored at the start of the first section below.

### Foundations of the pensions system model: a theoretical framework for Serbia

Social security is not only a basic need: it is a basic human right. (ILO 2009: v)

According to the ILO, social protection (or social security) is understood as a collection of policies and measures that reduce income insecurities and prevent vulnerabilities across the lifecycle. (ITUC, CSI, IGB 2018: 12)

A pension system is said to be adequate when it manages to accomplish two major goals:

- a. delivering an absolute level of retirement income (meeting the absolute living standard of pensioners – poverty prevention)
- b. consumption smoothing – a central purpose of retirement pensions, enabling a person to ‘transfer consumption from her productive middle years to her retirement years, allowing her to choose her preferred time path of consumption over her working and retired life’ (Barr and Diamond 2006: 16); that is, to provide a relative level of retirement income (Holzmann and Hinz) (matching a relative living standard).

During the twentieth century, a large number of different pension systems were developed around the world. Depending on the objective, the most general classification distinguishes between Bismarck-type and Beveridge-type pension systems; additionally, however, the Nordic model represents a combination of these two types. The main characteristic of state-run, public Bismarck-type pension systems, which are based on insurance principles, is the establishment of a direct link between contributions paid during the working life and the amount of the pension received. The Bismarck model, typical of continental Europe, aims to maintain pensioners' relative living standard; that is, to secure income in retirement that is in line with earnings during the working life. In contrast, Beveridge-type systems are designed to ensure an absolute minimum living standard, focusing primarily on preventing poverty among pensioners.

Pension systems can be classified according to three main criteria:

a. type of ownership:

- public (state) systems
- private systems

b. method of financing:

- pay-as-you-go (PAYG) systems, financed from current revenues
- fully funded pension systems

c. method of pension determination:

- defined benefit systems
- defined contribution systems

One of the key challenges facing modern pension systems, especially PAYG schemes, is demographic ageing. As life expectancy increases and birth rates decline, the ratio between contributors and beneficiaries becomes less favourable, threatening the financial sustainability of pension systems.

In recent decades, several countries have introduced notional defined contribution (NDC) systems which combine PAYG financing with defined contribution logic. These systems maintain individual accounts in which contributions are recorded notionally and pensions in payment calculated based on life expectancy and account balances.

Based on Chile's experience with pension reform, the World Bank formulated its three-pillar model for pension systems in the early 1990s. The model consists of:

1. first pillar: a traditional, public, unfunded system based on PAYG financing, offering a pre-defined pension, modest in scope
2. second pillar: a mandatory, private, fully funded system, usually based on defined contributions and individual savings accounts, and intended to provide the core income in retirement
3. third pillar: a voluntary, private, fully funded system, based either on occupational schemes or individual savings accounts.

The third pillar typically includes occupational pension schemes offered by employers and personal pension plans, allowing individuals to accumulate additional savings for retirement. These schemes are often incentivised through tax benefits.

In 1994, the World Bank published a new overview of its views on pension systems, providing an evaluation of its own and other countries' experiences with pension reforms (World Bank 1994). In more recent years, some countries that had adopted World Bank-inspired privatised models (such as Chile and other Latin American states) have begun reconsidering or reversing these reforms due to inadequate coverage, high administrative costs and low pension adequacy.

Whereas the World Bank promotes multi-pillar systems focusing on financial sustainability, the International Labour Organization (ILO) emphasises universal coverage and social adequacy, advocating solidarity-based PAYG systems as the foundation of pension provision.

In this paper, the authors analyse the pension system in Serbia, primarily from the perspective of:

1. rights under pension and disability insurance
2. pension indexation
3. pension adequacy.

### Social security system in Serbia

The social security system in Serbia consists of:

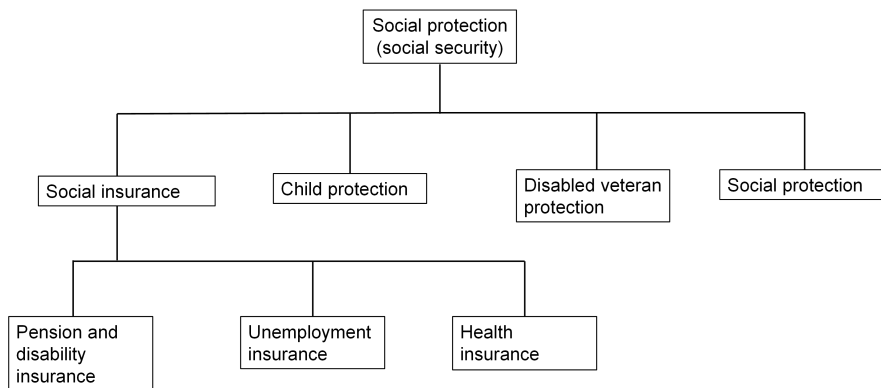
1. the social insurance system
2. the system of social care for children and families
3. the system of protection for war veterans and disabled people
4. the social welfare system.

In turn, social insurance includes:

- a. pension and disability insurance
- b. health insurance
- c. unemployment insurance.

The foundations of modern social insurance in Serbia were laid with the adoption of the Workers' Insurance Act in 1922. This law was regarded as one of the most advanced social insurance laws of its time, a fact recognised even abroad: such an assessment was given, among others, by the International Labour Office 1925: 147), where the law was classified as 'among the most remarkable social insurance laws of recent years'.

Figure 1: Social protection system in Serbia



Source: authors' drafting.

In contemporary times, the Serbian social security system continues to face demographic, economic and institutional challenges. These include population ageing, a declining ratio of contributors to beneficiaries and increased informal employment. All of these are putting pressure on both the financial sustainability of the system as well as the adequacy of the benefits it provides. These factors underscore the

need for systemic reforms and improved policy coordination across all four pillars of social protection.

### Mandatory and voluntary pension insurance

The pension and disability insurance system in the Republic of Serbia consists of:

1. mandatory pension and disability insurance (first pillar)
2. voluntary pension and disability insurance (third pillar).

The mandatory pension and disability insurance system in the Republic of Serbia is based on PAYG financing and covers three basic types of risks:

- a. old age
- b. disability
- c. death of the insuree.

Employees, self-employed workers and agricultural workers are all insured under the mandatory system.

Compared to many EU member states, Serbia's pension system maintains a predominantly PAYG structure, while several countries in central and eastern Europe have shifted towards mixed or fully funded models in response to demographic pressures. Indeed, several countries in the region implemented pension reforms from the 1990s to the early 2000s, transitioning toward multi-pillar systems based on World Bank recommendations. These countries combined public PAYG schemes with mandatory and/or voluntary private pension funds, thereby partially or fully shifting to funded models. Notable examples include: Poland, which introduced mandatory private pension savings (OFE) in 1999, though later reduced their role and partially reabsorbed funds into the state system; Hungary, which implemented mandatory private pension funds in 1998 but had nearly fully nationalised them by 2010; Slovakia, which introduced a second pillar in 2005 but later relaxed its mandatory nature; Romania, which established a mandatory funded pillar for younger insurees in 2008; and the Baltic States – Latvia, Lithuania and Estonia – which all adopted mandatory funded pillars alongside existing PAYG schemes in the early 2000s.

Since 2005, the Serbian pension system has also included a voluntary, private, fully funded pillar, organised through licensed pension funds. This third pillar is designed to supplement public pensions and strengthen income security in retirement.

The Law on pension and disability insurance regulates the mandatory system, while the Law on voluntary pension funds and pension plans governs the voluntary pillar. The Pension and Disability Insurance Fund of the Republic of Serbia is the main implementing body for the public system, while the Securities Commission oversees the operations of private pension funds.

Despite its intended role, the third pillar has seen limited uptake among the working population, with participation rates and contribution levels remaining relatively low compared to EU countries. Factors contributing to this include low financial literacy, modest household savings and a lack of fiscal incentives.

Furthermore, Serbia's pension system is having to operate in an increasingly unfavourable demographic context. The current system dependency ratio is

around 1.71, indicating that there are fewer than two contributors supporting each pensioner – well below levels that are sustainable. This trend poses significant risks to the long-term stability of the system and underscores the need for comprehensive pension reform, including strategies to improve coverage, compliance and pensions adequacy.

### Rights from mandatory pension and disability insurance in Serbia

Under the Law on pension and disability insurance, mandatory rights in the Republic of Serbia include:

1. in case of old age:
  - the right to an old age pension
  - the right to an early old age pension
2. in case of disability:
  - the right to a disability pension
3. in case of death of the insured:
  - the right to a survivor pension
4. in case of bodily damage caused by a workplace injury or occupational disease:
  - the right to receive cash compensation for the extent of the damage caused
5. in case of the need for caregiver assistance:
  - the right to caregiver's benefit.

An insured person (male or female) acquires the right to an old-age pension:

- upon reaching 65 years of age and completing a minimum of 15 years of insurance service
- upon completing 45 years of insurance service, regardless of age.

As of 1 January 2024, the right to early retirement is granted upon completion of at least 40 years of insurance service and where the individual is at least 60 years of age. The early retirement pension is calculated in the same manner as the standard pension but is reduced by 0.34% for each month the pension is taken before the age of 65 (men) (or, alternatively, 4.08% per year), with the maximum reduction capped at 20.4%.

The right to a disability pension is granted upon the occurrence of a complete loss of working capacity.

### Indexation of pensions in Serbia: from the Swiss formula to fiscal rules

The pension indexation mechanism in Serbia has been revised several times since 2000. Initially, pensions were adjusted in line with wage growth. In 2003, the 'Swiss formula' was introduced – a combination of 50% wage growth and 50% cost-of-living index (CPI). In turn, this model was later phased out and, from 2010, pensions were indexed solely to consumer price inflation (Fiscal Council of the Republic of Serbia 2020). Between 2014 and 2019, however, no formal indexation formula was applied; and, from 2020 to 2022, the Swiss formula was reintroduced. Finally, since 2023, pension adjustments have also taken into account the ratio of

total pension expenditures to GDP as a fiscal sustainability factor (Pension and Disability Insurance Fund of the Republic of Serbia 2024a).

### Replacement rate and pension adequacy

The replacement rate is an indicator that measures the maintenance of a retiree's relative standard of living. There is no universally precise definition of the replacement rate, and various indicators are referred to by this term in the literature. It is most commonly defined as:

- a. the ratio of the first pension to the last salary
- b. the ratio of the first pension to the average salary in the year before retirement (OECD 2019).

The hypothetical replacement rate is calculated as the ratio between the pension for a standard case (personal coefficient of 1 and 40 years of pensionable service, i.e. 40 personal points) and the salary prior to retirement; specifically, the net average wage in the Republic from the previous year. In Serbia, the hypothetical replacement rate is projected to be 60.7% in 2025 (Pension and Disability Insurance Fund 2024b).

According to Palmer (2006), a total pension amounting to 60-75% of gross income:

... enables retirees to maintain a standard of living reasonably comparable to that enjoyed during the later stages of their working life.

However, for various reasons, the replacement rate does not necessarily equal 100% of pre-retirement income (Munnell and Soto 2005).

In European Union countries, the aggregate replacement rate is commonly used as a benchmark. This rate represents the ratio between the median individual gross pension for the 65-74 age group and the median individual gross wage for the 50-59 age group, excluding other social benefits (European Commission 2023).

In the EU-27, the aggregate replacement rate was approximately 58% in both 2022 and 2023 whereas in Serbia the rate was lower, at 46% in 2022 and 48% in 2023 (Statistical Office of the Republic of Serbia, 2024).

Table 1 – Aggregate replacement rate (2022-23, selected countries)

	2022	2023
EU-27 countries	58	58
Eurozone – 20 countries	59	60
Greece	74	78
Italy	74	75
Slovakia	62	62
Austria	57	56
Czech Republic	49	52

Malta	53	-
Hungary	53	51
Germany	48	49
Romania	52	48
Serbia	46	48
Bulgaria	38	46
Slovenia	44	44
Cyprus	44	42
Montenegro	38	-
Croatia	36	35

Source: Eurostat (nd).

### Overview of contribution rates for mandatory social insurance in Serbia

The total rates at which contributions for mandatory social insurance are calculated and paid are as follows:

1. mandatory pension and disability insurance – 24%
2. mandatory health insurance – 10.3%
3. unemployment insurance – 0.75%.

When these contributions are paid by both the employee and the employer, to some extent these rates are shared, with the division as follows:

1. mandatory pension and disability insurance – 14% by the employee and 10% by the employer
2. mandatory health insurance – 5.15% by both parties
3. unemployment insurance contribution is paid only by the employee, so at a rate of 0.75%.

This shared contribution structure ensures that both employees and employers participate in financing the social security system, with slightly different obligations depending on the type of insurance. In recent years, Serbia has followed a policy of gradually reducing the share of mandatory social insurance contributions paid by employers, particularly in the area of pension and disability insurance. For example, the employer's contribution rate for pension and disability insurance has been reduced from 11% to 10%, with the total rate of 24% remaining unchanged – meaning that a greater portion is now paid by the employee (14%). This reduction reflects the government's broader fiscal and economic strategy to support private sector growth while trying to maintain the financial sustainability of the social insurance system through a broader tax base and improved compliance.

## Structure and distribution of pension beneficiaries in Serbia

The number of pension beneficiaries in Serbia can be categorised according to:

- a. the type of person insured (employees, self-employed and agricultural workers)
- b. the type of pension received (old age, disability and survivor's pension).

As of 31 December 2024, the total number of pension beneficiaries in Serbia was 1,657,549 (Pension and Disability Insurance Fund 2024b). According to the category of persons insured (see Table 2), the largest share were employees (85.11%), followed by agricultural workers (7.84%) and then the self-employed (7.05%).

Table 2 – Number of pension beneficiaries by insured category, December 2024

<b>Insured category</b>	<b>Number of Beneficiaries</b>	<b>Structure (%)</b>
1. Employees	1,410,793	85.11
2. Self-employed	116,783	7.05
3. Agricultural workers	129,973	7.84
<b>Total</b>	<b>1,657,549</b>	<b>100</b>

Source: Pension and Disability Insurance Fund (2024b).

Of the total number of pension beneficiaries on 31 December 2024, classified by type of pension (see Table 3), the majority were old age pension beneficiaries (66.74%), followed by those on survivor pensions (19.51%), while the smallest group were disability pension beneficiaries (13.75%).

Table 3 – Number of pension beneficiaries by type of pension, December 2024

<b>Type of pension</b>	<b>Number of beneficiaries</b>	<b>Structure (%)</b>
1. Old age	1,106,268	66.74
2. Disability	227,944	13.75
3. Family	323,337	19.51
<b>Total</b>	<b>1,657,549</b>	<b>100</b>

Source: Pension and Disability Insurance Fund (2024b).

The low number of disability pension recipients is primarily due to the strict and rigorous eligibility criteria required to qualify. In Serbia, a disability pension can only be granted to individuals who are recognised as 100% disabled according to the law. The qualification criteria include undergoing thorough medical assessments and strict evaluation of the degree of work incapacity, which limits the number of individuals approved as recipients.

## Ratio of pension beneficiaries to insured persons in 2024

In 2024, the total number of pension beneficiaries set against the number of insured persons (2,832,893) means that there were 1.71 insured contributors for every pension beneficiary.

The most favourable ratio between pension beneficiaries and insured contributors in 2024 was found among self-employed individuals, where there were 3.12 contributors per pension beneficiary. In contrast, the least favourable ratio was observed among agricultural workers, with only 0.67 contributors per pension beneficiary.

Table 4 – Number, structure and ratio of pension beneficiaries to contributors, 31 December 2024

Insured category	Pension beneficiaries	Contributors	No. of insured persons per beneficiary
1. Employees	1,410,793	2,382,087	1.69
2. Self-employed	116,783	363,892	3.12
3. Agricultural workers	129,973	86,914	0.67
<b>Total</b>	<b>1,657,549</b>	<b>2,832,893</b>	<b>1.71</b>

Source: Pension and Disability Insurance Fund (2024).

In pension systems based on pay-as-you-go financing, the optimal ratio is generally three contributors per beneficiary. Any decrease in this ratio below this number creates certain challenges in terms of the sustainability of the pension system. During the 1950s and 1960s in Serbia, the ratio was much more favourable, with some five to six contributors per beneficiary in some years. There are various reasons for why this ratio has significantly worsened today.

## Average pension amount and as compared to average earnings

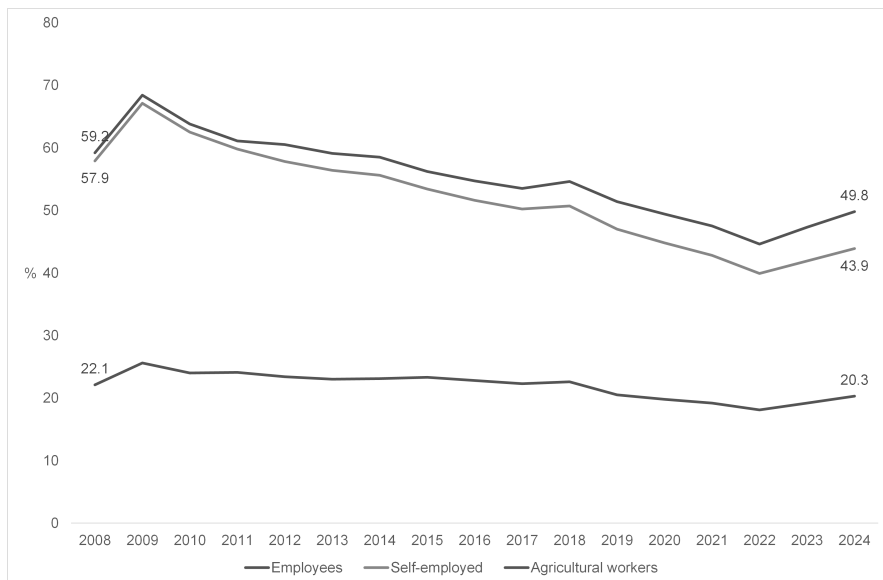
In 2024, the average pension in Serbia across all categories amounted to 46,138 dinars (below 400 euros). By category, the average pension was:

- 48,855 dinars for employees
- 43,038 dinars for self-employed persons
- 19,966 dinars for agricultural workers.

The average pension has been below 50% of average gross earnings (i.e. earnings before taxes and contributions) in recent years. In 2024, the average pension as a percentage of average gross earnings across all categories was 47%. By category, it was:

- 49.8% for employees
- 43.9% for the self-employed
- 20.3% for agricultural workers.

Figure 2 – Average pension as % of gross earnings by category of beneficiary, 2008-24



Source: authors' own construction, based on Pension and Disability Insurance Fund (2024).

## Conclusion

The pension and disability insurance system in Serbia requires appropriate reforms concerning: pension and disability rights (particularly early retirement and disability pensions); pension indexation; and the management of the Republic Pension and Disability Insurance Fund. The following sets out a series of key recommendations in this regard.

### 1. Adjustment of early retirement penalties

The reduction applied to early retirement pensions (currently 0.34% monthly, or 4.08% annually, capped at 20.4%) should cease once the pensioner reaches the age of 65.

### 2. Extraordinary pension indexation mechanism

Legislation should introduce an extraordinary pension adjustment mechanism, triggered when the average pension of employees falls below 50% of the average monthly gross wage paid in the Republic of Serbia.

### 3. *Reform of the Fund's governance structure*

The composition of the managing board of the Pension and Disability Insurance Fund of the Republic of Serbia must reflect the structure of its revenues.

Currently, the board has seven members appointed and dismissed by the government: four members proposed by the ministers responsible for pension/disability insurance and finance, and three members representing, respectively, insured persons, employers and pension beneficiaries. Following the adoption of the current law, the Fund's supervisory board was abolished, leaving the managing board and director as its only governing bodies.

According to the Fund's 2025 Financial Plan, contributions from employees represent 40.07% of the Fund's total revenues. Meanwhile, the representative of insured contributors appointed by the representative trade unions holds just one of the seven seats on the Managing Board, accounting for 14.28% of revenues.

### 4. *Restoration of the supervisory board*

The Fund should reinstate a supervisory board as a controlling body to improve governance and oversight.

### 5. *Strengthening long-term sustainability*

Demographic trends in Serbia – such as population ageing, low fertility rates and migration – are posing serious risks to the long-term sustainability of the pay-as-you-go pension system. Without further reforms, the financial burden on a shrinking working age population will continue to grow. Comprehensive pension reform strategies should be aligned with demographic projections and include incentives for longer working lives.

### 6. *Improving pension adequacy*

The current replacement rates, especially the aggregate replacement rate falling below 50%, indicate that pensions are often insufficient to prevent poverty in old age. Measures should be taken to improve pension adequacy over time, especially for the most vulnerable groups, including women, agricultural pensioners and those with incomplete work histories.

### 7. *Expanding contribution coverage*

A significant portion of the labour market operates in the informal sector or under non-standard employment arrangements. Expanding social insurance coverage to include these workers is essential to ensure a broader and fairer level of risk-sharing in the system. This also contributes to increasing the number of contributors and improving the system's financial base.

### 8. *Enhancing transparency and public trust*

Public confidence in the pension system can be strengthened by improving transparency in fund management, publishing regular performance and audit reports and

enabling greater stakeholder participation in governance structures. A well-informed public is more likely to support and comply with pension reforms.

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## Access for domestic workers to labour and social protection: the case of Bosnia and Herzegovina\*

### Abstract

According to the Labour Force Survey, in 2023, there were around 9,000 domestic workers (i.e. less than 1% of all workers) across the country. Administrative data on domestic work arrangements are scarce and, while anecdotal evidence suggests that the domestic work sector must be sizeable, most of it goes unregistered. Access to social protection benefits for care workers is conditional on payment of social insurance contributions. However, these rights are not always ensured for all employees and most domestic workers working unregistered means they are left mostly without access. Furthermore, measures for tackling undeclared work are unsuitable for the domestic work sector. High demand for domestic workers is being driven by an ageing population and emigration, and is being met by a growing private sector. However, the marketisation of service provision will result in unmet care needs among those without the ability to pay. In policy terms, the entities and Brčko District should aim at better regulation of domestic and care work, ensure that workers are covered by social insurance and are able to access labour protection rights.

**Keywords:** domestic workers, Bosnia and Herzegovina, labour and social protection, atypical work, regularisation, labour law, ILO conventions

\* This article is based on the report *Access for domestic workers to labour and social protection: Bosnia and Herzegovina* which was prepared in 2024 for the European Commission as part of the contract ‘Expert network for analytical support in social policies’ between the European Commission and the Luxembourg Institute of Socio-Economic Research (LISER). However, it reflects the views only of the author. The original report this article is based upon can be found here: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports_en). The Synthesis Report prepared for the European Commission on the topic (‘Access for domestic workers to labour and social protection: An analysis of policies in 34 European countries’), which covers the 27 EU member states as well as seven candidate and potential candidate countries (including Bosnia and Herzegovina), can be found here: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports_en). It has been lightly edited for publication in the *SEER Journal for Labour and Social Affairs in Eastern Europe* as regards house style, the focused concerns of the journal and in terms of the need to deliver a standalone text which is integrated with the other contributions from this project included in this number. It is reproduced by kind permission of the author and the Commission.

## Introduction

More and more attention is being given by policymakers and civil society organisations to the situation of domestic workers. The European Parliament, the social partners and stakeholders have called on the European Commission to improve the working conditions and social protection of domestic workers. Consequently, for domestic workers – who provide services to support households, including care (e.g. childcare or care for older people and for people with disabilities) and non-care activities (e.g. cleaning or cooking) – there are the beginnings of a policy framework, at least as regards the EU. For accession countries this is an issue since it forms part of the *acquis*. However, substantial concerns remain over issues including quantification, statistical definitions, undeclared work and the use of non-standard forms of employment – including platform work and self-employment – despite domestic work frequently involving professions that are often included on shortage lists.

The EU policy framework encompasses a number of instruments: domestic workers fall within the scope of the 2019 Council Recommendation on access to social protection; domestic workers are targeted by the 2022 Council Recommendation on access to high-quality affordable long-term care; and the International Labour Organization Domestic Workers Convention (C189) calls on countries to provide domestic workers with fair recruitment and working conditions. The Commission has encouraged member states to ratify this convention, but only nine have done so thus far.<sup>1</sup> To date, Bosnia and Herzegovina has not ratified it.

This report seeks to map the number and main sociodemographic characteristics of domestic workers in Bosnia and Herzegovina; set out the legal framework and the employment arrangements that apply; describe the access of such workers to social protection and labour protection; discuss the issues of undeclared work, regularisation and labour shortages, and present recent reforms and ongoing debates in the country. A concluding section makes suggestions about the way forward for improving social protection and labour rights within Bosnia and Herzegovina.

## Key definitions

Two different definitions of domestic work are in use in this article:<sup>2</sup>

1. A statistical definition of domestic work, agreed upon for the purposes of the research study and according to which:
  - all workers in Statistical Classification of Economic Activities (NACE) division 97 (activities of households as employers of domestic personnel) are included among domestic workers

1 Italy and Germany (ratification in 2013), Ireland (2014), Belgium, Finland and Portugal (2015), Sweden (2019), Malta (2021) and Spain (2023).

2 This is common to all the individual country reports in this series, and thus to the other two articles within this edition of the *SEER Journal*, as well as the three in our 2024 (Vol. 27) No. 2 edition. It is included here as a convenience to the reader.

- the following ISCO<sup>3</sup> categories are added, so long as they are not already included: 5152 (butlers), 5162 (companions and valets), 5322 (home-based personal care workers) and 9111 (domestic cleaners and helpers).<sup>4</sup>
2. A policy-oriented definition, drawing on ILO Convention C189 which sets out that:

the term *domestic work* means work performed in or for a household or households; the term *domestic worker* means any person engaged in domestic work within an employment relationship; a person who performs domestic work only *occasionally or sporadically* and not on an occupational basis is not a domestic worker.

In this article, a domestic worker is someone providing care and/or non-care services in or for a household or households within a paid employment relationship (either directly or through a third party). This includes all home-based and complementary activities. Examples of such services include those provided by nannies, babysitters, au pairs, domestic cleaners and personal assistants. It is possible that, in some cases, such services are provided outside the household (e.g. a nanny may take care of children in her own house, or a personal assistant accompanies a dependant outside of the latter's house to meet appointments, do shopping, etc). Insofar as there is a paid work relationship with the household (as an employee or a self-employed person), this is considered to be domestic work. Importantly, family members performing such activities are excluded from the scope, even if in some cases they may receive remuneration from the dependant.

### Mapping of domestic work in Bosnia and Herzegovina

The number of domestic workers in the EU and their main sociodemographic characteristics are estimated on the basis of the 2023 wave of the EU LFS, using the aforementioned harmonised definition. According to these data, there are about 4.1 million domestic workers in the EU; this represents 2.1% of all people at work, whether employed or self-employed, with a share varying between less than 0.5% and up to 4%, depending on the member state. The number of domestic workers in national LFS samples is therefore small; as a result, such figures should be interpreted cautiously.

In Bosnia and Herzegovina, the LFS suggests that there were around 9,000 domestic workers (i.e. less than 1% of all workers) in 2023. In terms of their profile (see also the annex):

- three-quarters of domestic workers are women
- two-thirds have an intermediate educational level

<sup>3</sup> International standard classification of occupations.

<sup>4</sup> Therefore, unless they are included in NACE 97, workers in: 9121 (launderers and pressers) are not included, as most of them work for industrial or commercial clients (such as hostels or hospitals), and neither are those in 5311 (childcare workers), as most of them work outside the home. Similarly, unless included in the four ISCO categories referred to above, workers in NACE 81.21 (general cleaning of buildings) are also excluded, as most workers in this sector are not domestic workers but instead clean offices or factories.

- (almost) all were born in the country
- (almost) all work at least 30 hours a week
- around 80% are employees and, among those, about three-quarters have a permanent contract
- around 60% work in the non-care sector.

Administrative data on homecare and home assistance services provided through centres for social work is published by Agencija za statistiku Bosne i Hercegovine (BHAS; Agency for Statistics of Bosnia and Herzegovina) (2023). These services may include housekeeping, feeding and assistance with personal hygiene. Such services are usually provided by public or private organisations or non-profit organisations contracted by local centres for social work. However, in 2022 there were only 478 homecare and assistance services, illustrating the unavailability of publicly organised homecare services in most local authorities. This is consistent with the 2023 LFS data which suggests that the number of domestic workers in the country is tiny and that most work in the non-care sector.

### Legal framework

Neither the two entities within Bosnia and Herzegovina (Federation of Bosnia and Herzegovina – FBiH; and Republic Srpska – RS) nor Brčko District<sup>5</sup> has a legal definition of domestic workers.

The only legislation that mentions domestic services is the classification of activities at state and entity levels. This classification, which is based on NACE, includes, under Section P, code 95, household activity as an employer to household maintenance staff (Djelatnost domaćinstva kao poslodavca osoblju za održavanje domaćinstva), clarifying:

This section is strictly limited to the activities of households as employers of household maintenance personnel, i.e. domestic servants, such as cleaners, cooks, waiters, valets, butlers, laundry workers, gardeners, porters, grooms, drivers, security guards, governesses, nannies, teachers, secretaries, etc. This allows domestic servants to list the activities of their employers as their own in censuses or studies, even in cases where the employer is an individual. The output of these personnel, which is consumed within the household itself, is considered in national accounts as non-market output, realised at the cost of hiring such personnel. (BHAS 2006: 188)

5 A self-governing administrative unit within Bosnia and Herzegovina over which both FBiH and RS have formally agreed to share equal dominium and to exercise their rights jointly.

In addition, Section N on health and social work includes healthcare and social care activities that can be performed in households.<sup>6</sup>

The two entities have their own classifications which are harmonised with the state-level document. However, domestic services are not further defined.

The labour legislation in RS and Brčko District<sup>7</sup> includes provisions for contracting domestic services directly between a household and a domestic worker. This type of contract is registered with the local authority and Poreska uprava (PU; the tax authority). The FBiH labour law does not envisage employment relations in a domestic setting. Nevertheless, its Article 7 stipulates that the employer determines the place of work and how the work will be performed, thereby respecting all the rights and the dignity of the employee. It is noted that work can be performed outside the employer's premises (Article 26), such as at the employee's home or other premises secured by the employee, but without mentioning the employer's household. However, an FBiH bylaw on crafts (Pravilnik o popisu obrta), *Official Gazette* 42/22, includes activity T/97.00 Household services as an employer of domestic servants. Under this provision, a household can register a craft business<sup>8</sup> through which to employ domestic workers. This option is not available in RS, where the law on Craft entrepreneurship activity,<sup>9</sup> which regulates the establishment of craft businesses and self-employment, is premised on profit-making activities and does not include the activity of households as employers of domestic services.

The country does not have a long-term care (LTC) system (Obradović and Jusić 2021), only some elements of one which exist primarily within the social assistance and healthcare system. The laws on social assistance in the entities and Brčko District place the responsibility for the care of people in need of LTC (such as children, people with disabilities and older people) on their families.

- 6 85.14 Other health protection for the population – includes the activities of nurses, midwives, caregivers, physiotherapists and other staff in the field of optometry, hydrotherapy, medical massage, professional rehabilitation, speech therapy, limb treatment, homoeopathy, chiropractic and acupuncture; 85.32 Social work without accommodation – the work of social institutions, counselling centres, charitable institutions, institutions for working with refugees and displaced people, and other activities providing services to individuals and families in their homes or elsewhere, conducted by governmental and private organisations, humanitarian organisations, national and local self-help services, as well as experts providing advisory services.
- 7 Labour law in the RS, Article 46; and labour law of Brčko District, Article 36.
- 8 A craft business in Bosnia and Herzegovina (obrt) is a form of small business or self-employment. It is one of the easiest and most affordable ways to register and run a business in the country. Key characteristics are simple registration at local authority level, personal liability for the business's obligations and sole proprietorship or a limited number of employees.
- 9 *Official Gazette* of RS 117/2011, 121/2012, 67/2013, 44/2016 and 84/2019.

The entities and Brčko District laws on social assistance<sup>10</sup> stipulate only the provision of house care and assistance, delivered to people in need and under certain conditions. Under these laws, services can be delivered by institutions in private or public ownership, licensed by the responsible ministries in accordance with bylaws regulating standards. The legislation does not contain any provisions with regard to the status of domestic care workers or LTC workers.

The country has not ratified ILO convention 189 on domestic workers. Probable reasons include a lack of political will and the non-existence of national regulations on domestic workers, which would necessitate extensive changes to the legislation.<sup>11</sup>

Neither entity has a collective agreement for domestic workers or the associated labour law regulations.

### Overview of employment arrangements

In general, households may establish three types of employment relations with domestic workers. First, the domestic worker may work directly for a private household either as an employee or on a self-employed basis. Second, they may provide a service to a household through a public or private service provider as a full-time or part-time employee. Domestic workers can have legal relations with several public or private service providers (if working part-time) and provide services to several households. Similarly, self-employed domestic workers can provide services to one or several households. Third, employment relations may be established between three parties, whereby a private or public service provider employs a domestic worker whose engagement in a household is mediated by a centre for social work.

Direct employment by a household is envisaged by the labour legislation in RS and Brčko District. Under these laws, the employer needs to register the contract with PU, reporting working hours each month and paying monthly social insurance contributions based on the wages paid. The laws also envisage that one part of the wage can be paid in kind (such as accommodation and subsistence), which needs to be expressed in monetary terms in the contract. This cannot exceed 50% of the total monthly wage and neither can it be lower than the minimum wage. Since contracts for employment of domestic workers are retained by local authorities, it is not known how many households in RS and Brčko District employ domestic workers using this modality.

The FBiH bylaw on crafts stipulates that households wishing to employ a domestic worker should register a craft business (on a self-employment basis) and engage a domestic worker as an employee. The employee must be registered with PU and their salary and corresponding contributions are paid monthly. According to the PU

- 10 RS law on social protection 37/12, 90/16, 42/20, 36/22; FBiH law on principles of social protection, protection of civilian victims of war and the protection of families with children 36/99, 54/04, 39/06, 14/09, 45/16, 40/18; law on social protection of Brčko District 04/04, 19/07, 02/08, 21/18 and 32/19.
- 11 The author has requested information from the state-level ministry of human rights and refugees on why the country has not ratified the convention, but a reply has never been received.

in FBiH, only one craft business in 2023 was registered as an employer of domestic services.<sup>12</sup>

In both entities most domestic service providers can register a craft business or self-employment and offer services to one or more households. In FBiH there are no restrictions regarding the domestic activities that can be registered, whereas in RS homecare services are regulated by the law on social protection and cannot be registered as a craft. In both entities the craft business can also have employees (i.e. other domestic workers).

Domestic workers can be employed by private or public service providers and non-profit organisations (whose work is usually financed through foreign donations). Organisations providing homecare and assistance services fall under the competence of the ministries responsible for social protection policy. Before starting work, these organisations must obtain approval to operate from the competent ministry for social protection. Domestic workers employed by these organisations can be offered a standard (fixed-term or open-ended) employment contract or a short-term, occasional contract. Depending on the type of contract, domestic workers will have different access to social protection and social insurance rights.

Regarding the provision of social services, such as house care and house assistance, centres for social work in both entities mediate between the direct service provider and their beneficiary. Centres for social work contract registered service providers (i.e. non-profit organisations or public or private companies specialised in the required type of service) to deliver services to beneficiaries. However, not many centres for social work in the country use this option (Spahić et al. 2021). This is corroborated by the small number of homecare and home assistance services delivered (only 478 in 2022) published by the BHAS (2023).

Employment of migrant domestic workers in Bosnia and Herzegovina is possible through the quota system of work permits, whereby the responsible state ministry determines the number of work permits issued to foreign workers in sectors of work with an insufficient supply of workers. Although the number of permits issued has increased considerably (from 1,600 in 2022 to 2,935 in 2023),<sup>13</sup> the available evidence suggests that very few domestic workers of foreign origin come to Bosnia and Herzegovina to work. For instance, the current quota plan for 2024 is 6,073 workers, out of which only five are foreign workers engaged in household activities (housekeeper, butler, carer, SOS mother) in FBiH (ARZ 2023). In addition, the report of ARZ (Agency for labour and employment of Bosnia and Herzegovina) for earlier years, when the country approved a lower quota for work permits, show that even fewer foreign workers were given work permits for this work sector.

12 Data received from FBiH PU on 25 March 2024 upon request and kept on file with the author.

13 See 'Alarmanan nedostatak radne snage u BiH, Uvoz radnika neophodan za razvoj ekonomije' ('Alarming labour shortages in B&H, import of workers necessary for economic development'), *interview.ba* 4 April 2024, accessed 12 April 2024 at: <https://interview.ba/2024/04/04/alarmanan-nedostatak-radne-snage-u-bih-uvoz-radnika-neophodan-za-razvoj-ekonomije/>.

## Access to social and labour protection

This section focuses on describing those conditions (and possible gaps) that are specific to domestic workers in terms of access to forms of social and labour protection, particularly the extent to which access for domestic workers differs from that of other workers in the same category of employment. Within each of the seven areas within the 2019 Council Recommendation, four aspects are addressed: (a) do they have formal access; (b) are there specific conditions that apply?; (c) are there gaps in access specific to domestic workers?; and (d) do they face specific challenges linked to their specific employment arrangements?

For each branch of social insurance and some social assistance benefits, access to rights depends on the payment of social insurance contributions. Employees and self-employed (craft businesses) in the domestic work sector working legally (i.e. registered work) gain social insurance rights based on the payment of social insurance contributions, like any other employee and self-employed person in the country. This means that no specific conditions apply to workers in the domestic sector. However, because of the widespread level of undeclared work in the sector, most domestic workers are not covered by social insurance benefits and social protection in general.

The social protection and social insurance systems in Bosnia and Herzegovina are organised at the level of the entities and Brčko District. For domestic workers in formal employment, benefit entitlements in the entities somewhat differ, not only in terms of the benefits provided by the different branches of social insurance but also depending on the type of employment contract (standard fixed-term or open-ended contract; temporary or occasional contract). In general, full access to social insurance benefits is assured only to employees in standard employment (on an open-ended or fixed-term contract), provided they have accumulated a certain number of years in insurance. Details for each branch are provided below.

### *Unemployment benefits*

All workers in full-time standard employment or craft businesses must pay unemployment insurance contributions, making them eligible for unemployment benefits in the case of unemployment (i.e. unemployment assistance, health insurance and pension insurance). However, workers in non-standard forms of employment, such as temporary and occasional work, are not covered against unemployment and do not have the right to benefits.

Active labour market measures, which mainly consist of employment subsidies and sometimes upskilling and reskilling measures, are available to all unemployed people, including domestic workers in undeclared work who have not accumulated any insurance record.

Considering that most domestic workers often work unregistered, thereby not accumulating years of social insurance, it can be assumed that most domestic workers are not effectively covered by benefits in the event of unemployment. In addition, those with few accumulated years may receive benefits only for a very limited duration. In both entities, eligibility depends on the payment of social insurance

contributions for at least eight months before unemployment and registering their unemployment, within 30 days of becoming unemployed, at the local employment office. Furthermore, those with recurring unemployment usually do not have the right to unemployment benefits because, once the benefit has been used up, during the second spell unemployment institutes consider only the insurance period accumulated after the last use of benefit.

Domestic workers who work as employees for a household or legal entity (public or private service provider or non-profit organisation) on a short-term or occasional contract have limited social insurance coverage which excludes unemployment insurance. These workers therefore do not have the right to benefits.

### *Sickness benefits*

The right to sickness benefits is strictly linked to the payment of full payroll health insurance contributions, a requirement for all workers in standard forms of employment and craft businesses. Employees in non-standard forms of employment are generally excluded, except in RS, where workers engaged on occasional short-term contracts are required to pay full health insurance, which covers them in the event of sickness.

Domestic workers with registered craft businesses who are on sick leave for less than 42 days in FBiH, and 30 days in RS, must finance sickness leave independently. In FBiH, the cantonal health insurance funds finance sick leave beyond 42 days; while in RS, Fond zdravstvenog osiguranja (FZO; the RS health insurance fund) finances sick leave beyond 30 days. In RS, sick leave due to work injury or occupational disease is financed entirely (even beyond 30 days) by the employer. As most craft businesses do not have employees, these domestic workers are left without any income during shorter sickness absences.

Domestic workers in non-standard forms of employment (such as temporary and occasional work) in FBiH are not covered against sickness. Here, workers are required to pay social insurance contributions at reduced rates (6% for pension insurance and 4% for health insurance), which does not bring any entitlement to social insurance benefits, including coverage in the case of sickness. In RS, workers engaged in these forms of contract are required to pay full health insurance contributions which cover them in the event of sickness.

### *Healthcare benefits*

Access to healthcare can be realised on different bases. All workers in employment and craft businesses are required to pay payroll health insurance contributions. The exceptions in FBiH are workers employed on a temporary and occasional basis, who pay health insurance at reduced rates but have no rights to healthcare benefits. Some 90% of the population in FBiH have formal access to healthcare (though the coverage between cantons varies considerably) (ILO 2022), whereas in RS 73% of the population has formal access to healthcare.<sup>14</sup>

14 Data received from FZO RS on 15 June 2023 and kept on file with the author.

Many domestic workers working unregistered in both entities may be covered by health insurance as dependent family members, as beneficiaries of social assistance or via being registered as unemployed in FBiH. In addition, those who cannot be insured on any basis specified by the health insurance laws can pay voluntary health insurance to the health insurance fund where they have residence.

The healthcare system in the country is fragmented and organised according to the administrative borders of the entities and, in FBiH, the administrative borders of the cantons. As a result, the country has 13 health insurance funds (one in RS, one in each of the 10 FBiH cantons, one at the level of FBiH and one in Brčko District). Formal access to health insurance is granted only in administrative units that are within the competence of the health insurance fund where the contributions are paid. This is a problem for domestic workers who work or travel outside their canton or entity because, in areas that are outside the jurisdiction of their health insurance fund, they are treated as uninsured and are required to pay the full cost of healthcare services.

The level of out-of-pocket healthcare expenditure in the country is considerable. According to the latest available estimate, in 2021, this was 30.71% of total current healthcare expenditure, an increase of 1.85 percentage points on one year earlier (Eurostat 2024). This is more than double the EU27 average (14.52%) for the same year.

High out-of-pocket expenditure is generated by: payments for services and medicines that are not included in the healthcare packages provided by the health insurance funds; participation costs levied on patients; and the non-availability of some services in the public healthcare sector, so that patients have no other option but to seek these from private healthcare providers who usually do not constitute part of the public healthcare system (i.e. they are not contracted by the public health insurance funds). These costs represent a burden, especially for domestic workers and their families who live on low incomes, even when they are formally covered by health insurance.

### *Maternity leave*

The general labour laws in Bosnia and Herzegovina's entities and Brčko District stipulate only maternity leave and maternity benefits, although these can also be used by fathers under some conditions. Although these benefits are financed from social insurance contributions in RS (via Javni fond za dječiju zaštitu – JFDZ; Public fund for child protection) and in FBiH and Brčko District from cantonal budgets and the Brčko District budget, respectively, in both entities and Brčko District only women in employment who are paying full payroll social insurance contributions are eligible for these benefits.

In both entities and Brčko District, leave lasts one calendar year without breaks. In RS and Brčko District, the benefit replacement rate is 100% of gross salary while in FBiH it varies from 40% to 100% of net or gross salary, depending on the canton (see Obradović 2024a). The benefit is paid monthly for the entire duration of the leave. Unemployed mothers have the right to maternity allowance, also paid for 12 months.

The entities and Brčko District do not provide for paternity and parental leave and corresponding benefits. Therefore, the country's leave legislation is not harmonised with EU Directive 2019/1158 on work-life balance for parents and carers.

Women domestic workers who are engaged on temporary and occasional contracts are not eligible for maternity benefits for the time out of employment. However, they should be eligible for maternity allowance, although these benefits are generally smaller than maternity benefits. In FBiH, the maternity allowance corresponds to 55% of the monthly minimum salary in the entity, which currently amounts to 340.45 konvertibilnih marka (KM; EUR 175).<sup>15</sup> In RS the benefit amounts to 406 KM while in Brčko District it is 50% of the average net salary, which currently amounts to 606 KM. However, the eligibility conditions related to length of residence in some administrative areas may be an obstacle for some domestic workers to realise this right: one year of residence is required in RS, Herzegovina-Neretva Canton and Sarajevo Canton; in Brčko District, it is at least two years of residence or being registered as unemployed for at least six months.

Maternity benefits in FBiH are paid by the cantons based on cantonal social assistance legislation. In some, replacement rates are below 75% of previous earnings. In Herzegovina-Neretva, the replacement rate is 40% of the beneficiary's net average earnings in the six months preceding the leave; in Una-Sana Canton and Central Bosnia Canton, replacement rates are 50% of the beneficiary's average net earnings in the six months prior to the start of the leave (see Obradović 2024). This results in very low benefits, especially for domestic workers earning the minimum salary. Therefore, domestic workers in standard employment but on low salaries in these cantons are placed in a less favourable position than unemployed domestic workers who receive the benefit, which corresponds to 55% of the minimum wage under the FBiH law on financial support to families with children.

Craft business domestic workers in most FBiH cantons are still required to make social insurance contributions during maternity leave. Most cantons refund only a part of total net salary, while employers and the self-employed are expected to finance their social insurance contributions. For most self-employed domestic workers who earn low incomes, this can be a significant burden and they might opt to shutter their self-employment during maternity leave in order to claim maternity allowance.

### *Invalidity benefits*

All workers in standard employment and in craft businesses are covered by pensions and disability insurance in cases of disability caused by accidents at work and occupational diseases, and disability caused by out-of-work injury or illness. In RS, workers in non-standard employment are also covered.

In order to be eligible for a disability pension based on an out-of-work injury, insured workers must be found at a medical assessment to have 100% disability. In addition, in FBiH the insured person must be covered by pensions insurance for at

15 At the official exchange rate, there are very approximately two marks to the euro (1 euro = 1.95 KM).

least one third of their working life.<sup>16</sup> In RS, the qualification criterion is at least five years of insurance or 10 years of total pension insurance (which includes wartime insurance). Workers aged under 35 in RS must have at least two years of insurance.<sup>17</sup> If a worker cannot qualify for disability pension, they may be eligible for disability benefits based on social assistance legislation.<sup>18</sup> In both entities, there are three types of benefit granted by social assistance legislation and based on disability assessment, regardless of income and employment status: personal disability benefit; carers' allowance; and assistance for orthopaedic aids.

Disability benefits in RS are generally provided only to people who qualify for carers' assistance. This way, disability benefits are restricted to people with functional impairments. Similarly, in FBiH only people with 90% and 100% disability receive benefits, while people who are assessed as having lower levels of disability receive nothing at all. This is in stark contrast to the status-based benefits paid to war veterans and civilian victims of war who receive benefits starting respectively from the 20% and 40% levels of disability. In addition, disability benefits under social assistance legislation are considerably smaller than benefits paid to civilian victims of war and disabled war veterans (Obradović and Jusić 2022).

Disability benefits paid under social assistance legislation are very low and are insufficient to cover the costs of disabled people. In FBiH, benefit amounts to 80% of the minimum net wage: a total benefit amount that ranges between KM 130.30 and up to KM 637 (with all possible benefits). In RS, the benefit base for disability benefit is the average net wage in the previous year. In 2023 the benefit amount ranged between KM 240.24 and KM 446.16.

### *Old-age and survivor benefits*

Old-age benefits and survivor benefits for people in employment are provided under general pensions and disability legislation.<sup>19</sup> The accrual of pension rights is based on the payment of contributions which, in both the entities and in Brčko District, is mandatory for all workers in standard employment and craft businesses. In RS, workers in non-standard employment are also covered because they are required to pay full payroll pension and disability insurance contributions.

Survivor benefits under the pensions legislation consist of a survivor pension granted to dependent family members (e.g. spouses, children and parents under

16 Article 58, FBiH law on pensions and disability insurance, *Official Gazette* of the FBiH 13/2018, 93/2019, 90/2021, 19/2022.

17 Article 60, RS law on pensions and disability insurance, *Official Gazette* of the RS 134/2011, 82/2013, 96/2013, 103/2015, 111/2021, 15/2022, 132/2022, 43/2023.

18 RS law on social protection 37/12, 90/16, 42/20, 36/22; FBiH law on principles of social protection, protection of civilian victims of war and the protection of families with children 36/99, 54/04, 39/06, 14/09, 45/16, 40/18; law on social protection of Brčko District 04/04, 19/07, 02/08, 21/18 and 32/19.

19 FBiH law on pensions and disability insurance, *Official Gazette* of the FBiH 13/2018, 93/2019, 90/2021, 19/2022; and RS law on pensions and disability insurance, *Official Gazette* of the RS 134/2011, 82/2013, 96/2013, 103/2015, 111/2021, 15/2022, 132/2022, 43/2023.

certain conditions) of a worker who, at the time of death, fulfilled the conditions for an old-age or disability pension. However, there are other eligibility criteria related to (for example) the spouse's age, employment status, work ability and the age of the children. In general, in both entities, women may have the right to a survivor pension at age 50 while men may obtain it at 60. In addition, both men and women have the right to a pension regardless of age if their children have the right to a pension.

Domestic workers without stable employment and in non-standard forms of employment can have difficulty in acquiring the required amount of 15 years of pension contributions. This problem can also be present among workers in standard employment because their employers in the past had not paid their insurance contributions.

Voluntary pension and disability insurance is an option for domestic workers working undeclared or in non-standard employment arrangements in FBiH. Federalni zavod za penzijsko i invalidsko osiguranje (FZ MIOPIO; FBiH pension fund) determines the minimum base for voluntary insurance, which amounts to the average wage. In 2023 the minimum monthly contribution was KM 288.83. In RS, the minimum base for voluntary pension insurance is 60% of the average gross wage for the previous year.<sup>20</sup> For 2024, the voluntary pension contribution in the RS amounts to a minimum of KM 215.01.

Both systems guarantee a minimum pension for pensioners with residence in the country, but this is of low adequacy. In FBiH the current level of the minimum monthly pension is KM 517.30, while the pension for those with at least 40 years of insurance cannot be lower than KM 618.30. Fond za penzijsko i invalidsko osiguranje Republike Srpske (Fond PIORS; the RS pension fund) has five levels of minimum pension, depending on the number of years in insurance, ranging from KM 275.29 to KM 550.69 per month. In both entities, the highest number of pensioners receive minimum pensions, which are insufficient to cover basic living expenses.

### *Workplace accidents and occupational diseases*

These benefits are granted on the basis of general pensions and disability legislation.<sup>21</sup> In both entities and Brčko District, all workers in standard employment and craft businesses, and all workers in non-standard employment in the RS, are required to make payroll pensions and disability insurance contributions which cover them in the case of accidents at work and occupational illness (as well as out-of-work injuries).

20 As stipulated by the RS law on contributions, *Official Gazette* of the RS 134/2011, 82/2013, 96/2013, 103/2015, 111/2021 and 15/2022.

21 FBiH law on pensions and disability insurance, *Official Gazette* of the FBiH 13/2018, 93/2019, 90/2021, 19/2022; and RS law on pensions and disability insurance, *Official Gazette* of the RS 134/2011, 82/2013, 96/2013, 103/2015, 111/2021, 15/2022, 132/2022, 43/2023.

In cases of disability caused by work injury or occupational illness, insured workers have the right to the following:

- a. in FBiH, compensation for bodily damage: a monthly financial benefit dependent on the percentage of disability. Fond PIORS no longer provides this benefit for new cases (it is paid out only to a few aged beneficiaries)
- b. in cases of disability below 100%, a domestic worker has the right to be transferred to a workplace suitable for their remaining level of work ability. This is implemented by the employer
- c. domestic workers have the right to salary compensation if their new work position pays less than their previous one
- d. reskilling and upskilling for those under 55 in FBiH, and under 58 in RS, sees the worker have the right to compensation of salary during that period.

A disability pension is only granted to workers with 100% disability, but is granted irrespective of the number of years of insurance if the disability was caused by a work injury or occupational illness.

Unlike in RS, where domestic workers in non-standard employment are required to pay full pensions and disability contributions, domestic workers in non-standard employment in FBiH are not covered. In FBiH, these contracts require the payment of a reduced contribution of 6% to FZ MIOPIO, but this does not give the right to any benefits.

Domestic workers not in standard employment or who work undeclared may decide to be insured voluntarily, in which case they pay full payroll pensions and disability insurance contributions. However, voluntary insurance does not cover them in case of work injury or occupational diseases.

Some of the general challenges in accessing benefits in respect of accidents at work and occupational diseases also apply to domestic workers. Access to a disability pension depends on a decision of the commission that conducts medical assessments. Although there have not been any changes in the legislation on disability rights, the funds have tightened their disability assessment procedures (Obradović 2021). This has been possible because the bylaws and procedures give assessors broad discretionary powers when assessing disability. As a result, the share of disability pensions in the total number of pensions has fallen continuously. For instance, in RS the share of disability pensions fell from 18.1% in 2010 to 12.40% at the end of 2023 (Fondpiors.org 2024).

It is challenging in practice to move a worker to another suitable work position that corresponds to their remaining work ability, to pay salary compensation if the new work position pays less and to provide reskilling. These benefits are supposed to be implemented and financed by employers. However, not many employers have the capacity to implement this, starting from providing a new workplace suitable for the remaining level of work ability and extending to providing suitable reskilling opportunities. As a result, in most cases workers cannot realise these rights and their employment contracts are terminated after a certain period of time.

### *Access to labour protection*

As stipulated by the general labour laws, labour protection applies to all employees, including those working for craft businesses. This implies that labour protection also applies to domestic workers, providing that their work is registered. Although the entity legislation is harmonised with international labour standards in this area (such as on working hours, rest periods, paid leave, protection against discrimination and abuse, maternity protection, collective bargaining and unionisation), the country has not ratified ILO convention 189 on domestic workers. Therefore, the general labour laws in the country have no specific legal provisions that apply only to domestic workers.

Most domestic workers in the country work undeclared, so their employment is out of the scope of labour law protection and subject to (for example) long and irregular working hours, irregular pay cycles, ease of dismissal and a lack of protection in cases of sickness or maternity. Undeclared work in the domestic work sector generally goes undetected because labour inspections generally do not cover households.

Implementing the general labour laws in the country presents many questions, especially in private sector jobs. Most workers in private sector jobs have no or very limited paid leave (according to anecdotal evidence, it is approximately five working days a year), which is below the minimum of 20 working days per year stipulated by the labour laws. Their overtime is often not paid while their salaries and social insurance contributions are delayed. These general conditions in private sector jobs are likely to influence the implementation of labour protection rights for domestic workers.

Labour inspectors can only check organisations providing domestic services to see if they are complying with employees' rights. However, the main focus of labour and tax inspectors is to check whether workers have contracts registered with the tax authority and whether the employer is paying taxes (i.e. social insurance contributions and income tax) on time. Breaches in other areas of labour rights, such as paid holiday leave, compensation for overtime work and rest periods, mostly go undetected. Although no legal and technical barriers prevent an employee from complaining against an employer, this is rarely done because of the fear of losing one's job, a fear that is coupled with high unemployment, an inefficient court system and a lack of legal protection.

In addition there are often challenges associated with craft businesses, especially where the owner is the sole employee. By law, craft businesses have the same obligations as employers. Some labour protection rights can, however, be difficult to meet for craft businesses struggling with a lack of work, low profits and similar problems. Craft businesses have no income during sickness leave below 42 days in FBiH and 30 days in RS; in FBiH, women who are the sole employee of a craft business may face difficulties in financing their social insurance contributions during maternity leave.

## Undeclared work, regularisation and labour shortages

A key challenge concerning the situation of domestic workers is the very high proportion of undeclared work in the sector and what this implies in terms of social protection and labour protection. Different policy instruments may be used to address and combat undeclared work, broadly classified into direct measures (e.g. vouchers and tax credits) and indirect ones (e.g. formalisation and the professionalisation of domestic work).

There are no data on undeclared work for domestic workers in Bosnia and Herzegovina although, as Table 1 shows, undeclared work is particularly prevalent. According to ILO estimates based on Household Budget Survey microdata, undeclared work still accounts for one-fifth of all employment in the country, even though this is a reduction from the years in which undeclared work made up almost one-third of all employment.

Table 1 – Informal employment rates by sex

Year	2016	2017	2018	2019	2020*	2021	2022	2023
Total	30.5%	24.8%	22.1%	23.1%	14.3%	20.7%	19.9%	19.7%
Male	32.1%	24.0%	22.0%	22.4%	12.7%	17.4%	16.6%	16.3%
Female	27.6%	26.2%	22.3%	24.3%	16.8%	25.7%	24.8%	24.6%

\* Estimate for 2020 excludes own-use production workers.

Source: ILOSTAT (2024a).

The ILO estimates the highest concentration of undeclared employment to be in agriculture (80.5%), a traditional activity for the rural population, in contrast to which the level in construction is 17.7% while in industry it is 9% and in services it is 5.3% (ILOSTAT 2024b). Anecdotal evidence suggests that household care work has, however, probably become the largest undeclared sector in the economy ahead of construction and agriculture which are traditionally recognised as centres of undeclared work.

Several factors are driving undeclared forms of employment in the domestic sector.

First, there is a generally high prevalence of undeclared work which normalises such behaviour: people perceive undeclared domestic work as a standard practice rather than an illegal activity.

Second, a high tax wedge increases labour costs and reduces net pay for workers. A high tax wedge is especially pronounced in FBiH, where cumulative contribution rates of 41.5% are higher than in RS, where total contributions are 31%. Čavalić (2020) claims that working on a registered basis in FBiH is unreasonable because some 72% of the gross wage goes towards taxes and contributions. Therefore, undeclared work is more affordable for users while domestic workers receive higher net compensation.

Third, there are administrative hurdles associated with formal employment. Employing a domestic worker in Bosnia and Herzegovina is not straightforward. The legislation is not clear and information on how to employ domestic workers is not easily accessible. For instance, most government offices are not able to provide information on the modalities of employing domestic workers simply because these questions are very rarely asked. The employment procedure requires time and a certain level of tax literacy. In addition, dealing with administrative hurdles can be particularly troublesome when a household is faced with a sudden need for help and, in such cases, they have little capacity to deal with the administrative arrangements.

Combating undeclared work has been one of the priorities for governments in Bosnia and Herzegovina. This was included in the Reform Agenda for the period 2015-2018, Common Socioeconomic Reforms for the period 2019-2022, and the Sustainable Development Goals (SDGs) Framework for the realisation of SDGs in Bosnia and Herzegovina (2020). However, Bosnia and Herzegovina's entities have no specific direct measures for tackling undeclared work in the domestic work sector; only the general measures applied across all economic sectors.

These general measures are mostly based on deterrence (Williams and Efendić 2021), regulated by several entity and cantonal laws which include penalties and administrative sanctions for companies and employees. In addition to financial penalties, tax inspectors have the power to close the business premises of employers where they find undeclared workers. In FBiH, business premises may be reopened once the employer has registered all undeclared employees. In RS, tax inspectors can impose a measure of prohibition of business activities by oral decision until the irregularities are rectified, for a minimum of 15 days. There are also measures to improve detection such as data matching and sharing, workplace inspections, registration of workers before starting work, business certification, certifying payments of social contributions and taxes, telephone hotlines and the use of mandatory ID in the workplace.

In recent years, the entities have sought to enhance the work of their inspectorates. Most recently, the new RS law on inspections<sup>22</sup> stipulated better co-ordination, planning and reporting between the entity and local inspectors and their co-ordination with other relevant institutions. In FBiH, co-ordination is more complex as it involves more institutions with devolved competencies and the unharmonised legislation that regulates this area (Ombudsmen 2020: 53). For instance, the penalties for the same offence of unregistered employment are neither harmonised nor consistent due to different legal solutions.

The inspectorates have reported finding fewer undeclared workers in recent years, although the domestic work sector has been completely out of the inspectorates' purview. The measures that have been implemented by the entities are primarily applied to tackling undeclared work in registered businesses. Companies and individuals that work on a completely undeclared basis and who conduct payments only in cash are difficult to detect with them and, therefore, such workers remain mostly outside the scope of the inspectorates.

22 *Official Gazette* of the RS, 18/20.

Nevertheless, the voluntary report of Bosnia and Herzegovina on the implementation of Agenda 2030 (DEP 2023) in connection with SDG goals noted that the country had achieved significant improvements with regard to reducing undeclared employment: total undeclared employment in non-agriculture sectors in 2021 was 8.4% of total employment (6.9% for women and 9.6% for men), implying that the country had already fulfilled its target under adjusted SDG indicator 8.3.1: share of informal employment in the non-agriculture sector for 2030 (total 12%; women 9% and men 14%).

Turning to labour shortages, the media often report that employers are experiencing problems. Representatives of employer associations and employers themselves express concerns about a lack of qualified and skilled workers and the difficulties of employing foreign workers.<sup>23</sup> However, there has not been any reporting on labour shortages for domestic workers or unmet household needs for domestic services. In addition, this area has been completely outside the purview of researchers and policymakers.

Nevertheless, current demographic and labour market trends are likely to be negatively affecting supply and demand for domestic workers in the country.

First, Bosnia and Herzegovina is facing depopulation and rapid population ageing caused by the emigration of the working age population and falling birth rates. These two trends are resulting in an increasing old age dependency ratio, especially in rural areas, in which migration within the country to larger urban centres is also a factor. BHAS (2020) population projections estimate an increase in the number of people aged 65 or over between 2023 and 2050 of 37%. Such an increase will lead to a rise in the numbers of people with functional limitations, requiring care services and domestic assistance. This will lead to increased demand for domestic and care services.

Second, as more women enter the labour market, they become unavailable for unpaid domestic work and family care responsibilities. This will increase demand for domestic services, especially care services for older people living alone or within a family where other members need to reconcile family care and work activities. This also includes homecare for children because early childhood education and care services in the country are insufficient (Obradović 2023). Furthermore, this problem will be further aggravated by the continued emigration of women to EU countries, affecting both supply and demand for domestic services. Anecdotal evidence suggests that many women of prime working age are emigrating to work in domestic sectors in higher-income countries, such as Austria and Germany. As a result, most domestic workers in Bosnia and Herzegovina are themselves older, retired women.

23 See, for example, 'U Republici Srpskoj evidentan nedostatak radne snage' ('Labour shortages evident in Republic Srpska'), *Lat.rtrs.tv* 25 March 2024, accessed 12 April 2024 at: <https://lat.rtrs.tv/vijesti/vijest.php?id=549370>; 'Alarmanan nedostatak radne snage u BiH, Uvoz radnika neophodan za razvoj ekonomije' ('Alarming labour shortages in B&H, import of workers necessary for economic development'), *interview.ba* 4 April 2024, accessed 12 April 2024 at: <https://interview.ba/2024/04/04/alarmanan-nedostatak-radne-sn-age-u-bih-uvoz-radnika-neophodan-za-razvoj-ekonomije/>.

A third problem is the price inelasticity of domestic care services. Demand for homecare services is usually based on need. However, when the supply of skilled and experienced workers becomes scarce, these services are affordable only by higher-income households. In Bosnia and Herzegovina, where social services are undeveloped and often lacking, these trends will exacerbate the care crisis and result in care needs going unmet.

### Recent and ongoing reforms and debates

There have been no recent reforms with a view to enhancing the social protection of domestic workers. Although FBiH is in the process of improving the legislative framework for the provision of social services by developing a law on social services (FMRSP 2024), the law does not address the issues raised by the employment of domestic workers. As is already the case, the law entrusts the provision of services to institutional service providers, which can be in public or private ownership, and does not envisage the delivery of services by individuals. Therefore, the law leaves out of scope many individual homecarers and home service providers whose work remains unregulated.

There are, therefore, no reforms underway within Bosnia and Herzegovina with a view to enhancing the social and labour protection of domestic workers, or to addressing undeclared work in the sector; and neither has there been any EU support provided in this context. Furthermore, public debate about any of these issues continues to be sadly lacking.

### Conclusions: improving social protection and labour rights for domestic workers

Considering Bosnia and Herzegovina's rapidly ageing population and changing family structure, the demand for homecare services and domestic services, in general, is expected to increase steadily. A growing older population will require more support to stay in their homes, while the shrinking working age population will produce labour shortages, including in the care sector and domestic work, which are likely to result in unmet care needs. Women represent the large majority of domestic workers and caregivers in declared and undeclared economies and as informal family carers. Therefore, every item of government support in this realm would be beneficial from a gender perspective.

Insufficient provision of public care services and complex legislation for direct employment in the domestic work sector are contributing to the growing level of undeclared work in this sector. If the legislation remains unchanged, rising demand for domestic work will lead to undeclared work continuing to grow unchecked. The various levels of government in Bosnia and Herzegovina should therefore develop policies to regulate domestic work, including domestic care work, along the following lines:

- a. the entity governments should aim to regulate undeclared domestic work and stimulate domestic workers and their employers to legitimise employment. The entities should define domestic services, introduce households as workplaces and clearly define in the labour legislation the varying types of contracts for

- domestic services. The FBiH labour legislation should recognise the status of households as employers and domestic workers as direct employees
- b. individual care workers should be recognised and included in social assistance legislation as caregivers who can be directly employed by a household as well as by legal entities specialised in the provision of these services. Therefore, both entities and Brčko District should change the laws on social assistance and social services to legalise the position of undeclared personal carers
  - c. legislation should be introduced for the organisation of training programmes for domestic work that fall within the realm of social protection, such as home personal assistance and homecare, and define the benchmarks of quality services in the sector
  - d. the entity governments should explore the possibility of extending social insurance coverage to domestic workers by introducing a reduced base for the payment of social insurance contributions and a special income tax for domestic workers. This modality already exists for some low-profit professions (such as domestic craft businesses, taxi drivers and agricultural households)
  - e. in order to stimulate households to hire domestic workers legally, the government could introduce tax deductions based on the amount of money spent annually on domestic work. Furthermore, governments could explore the introduction of a mini-job scheme for domestic workers which would define maximum working time and minimum social protection standards.
  - f. governments should commence statistical monitoring of the domestic work sector, including the profile of workers and their employment conditions as well as the profile of users and their needs. This is necessary to understand how the domestic sector functions in different contexts and to develop evidence-based policies to foster the development of this sector and the social protection of domestic workers.

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Statistical annex

Table A1: Number of domestic workers (in thousands); share of all people at work (%) and distribution by care/non-care sectors (%) (2023, selected EU27 member states, Bosnia and Herzegovina, and Serbia)

	Number of domestic workers (000)	Share of all people at work	Sector	
			Care	Non-care
EU-27	4,080.8	2.1%	46%	54%
Austria	40.5	0.90%	51%	49%
Bulgaria	36	1.30%	70%	30%
Croatia	9.5	<i>0.60%</i>	<i>87%</i>	<i>13%</i>
Hungary	20.3	0.40%	62%	38%
Romania	67.2	0.90%	59%	41%
Slovenia	8	0.80%	73%	27%
Bosnia and Herzegovina	8.78	0.8%	39%	61%
Serbia	17.362	0.7%	37%	63%

Note: The numbers in italics have low statistical reliability and should therefore be interpreted cautiously.

Source: Labour Force Survey (LFS) 2023; Eurostat data; DG EMPL calculation.

Table A2: Distribution of domestic workers by main job characteristics (number of hours per week usually worked, employment status and degree of permanency), % (2023, selected EU27 member states, Bosnia and Herzegovina, and Serbia)

	Weekly hours			Employment status		Permanency	
	< 30	30 to 40	> 40	Employees	Self-employed	Temp contract	Perm contract
EU-27	47%	45%	8%	94%	6%	18%	82%
Austria	59%	35%	:	80%	20%	:	93%
Bulgaria	:	90%	:	98%	:	30%	70%
Croatia	<i>19%</i>	<i>81%</i>	:	<i>95%</i>	:	<i>64%</i>	<i>36%</i>
Hungary	:	100%	:	86%	<i>14%</i>	<i>15%</i>	85%
Romania	:	86%	:	72%	28%	<i>15%</i>	85%
Slovenia	:	100%	:	96%	:	<i>16%</i>	84%

Bosnia and Herzegovina	:	71%	29%	79%	21%	27%	73%
Serbia	<i>34%</i>	66%	:	74%	26%	63%	37%

Note: The numbers in italics have low statistical reliability and should therefore be interpreted cautiously.

Source: Labour Force Survey (LFS) 2023; Eurostat data; DG EMPL calculation.

Table A3: Distribution of domestic workers by sociodemographic characteristics (gender, age, educational level and country of birth), % (2023, selected EU27 member states, Bosnia and Herzegovina, and Serbia)

	Gender		Age			Educational level			Country of birth		
	Women	Men	15-34	35-49	50+	Low	Inter	High	Native	Other EU	Non-EU
EU-27	88%	12%	19%	35%	46%	39%	50%	11%	59%	10%	31%
Austria	89%	11%	20%	32%	48%	27%	58%	16%	60%	21%	19%
Bulgaria	82%	18%	11%	37%	52%	25%	67%	:	100%	:	:
Croatia	96%	:	:	39%	54%	19%	79%	:	79%	:	:
Hungary	87%	:	17%	44%	39%	26%	71%	:	99%	:	:
Romania	83%	17%	17%	43%	39%	30%	66%	:	100%	:	:
Slovenia	82%	18%	25%	37%	38%	17%	63%	20%	87%	:	:
Bosnia and Herzegovina	75%	25%	26%	39%	35%	33%	66%	:	96%	:	:
Serbia	84%	16%	6%	30%	64%	31%	62%	8%	89%	:	:

Note: The numbers in italics have low statistical reliability and should therefore be interpreted cautiously.

Source: Labour Force Survey (LFS) 2023; Eurostat data; DG EMPL calculation



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## Access for domestic workers to labour and social protection: Albania\*

### Abstract

2023 LFS data suggest that there are around 30,000 domestic workers in Albania. There is no available estimate of the extent of informality in the sector, but this is assumed to be extremely high. The labour code does not provide any reference to domestic workers and nor does the specific legislation on social and health insurance. If domestic workers have a regular working contract, then their social and healthcare contributions are paid and they are covered from these particular schemes, yet remain excluded from other social insurance benefits. However, the contributions level continues to be tied to the 2015 official minimum wage meaning that, when they reach pensionable age, the monthly pension may be even lower than the minimum pension, putting in serious doubt the adequacy of their benefits. To improve social protection and labour rights for domestic workers, it is essential to extend social insurance coverage to all branches, while contributions should be indexed to the official minimum wage. Furthermore, assessing the sector's size and skill needs would help in the development of targeted social protection and upskilling programmes.

**Keywords:** domestic workers, Albania, labour and social protection, atypical work, regularisation, labour law, minimum wage

\* This article is based on the report *Access for domestic workers to labour and social protection: Albania* which was prepared in 2024 for the European Commission as part of the contract 'Expert network for analytical support in social policies' between the European Commission and the Luxembourg Institute of Socio-Economic Research (LISER). However, it reflects the views only of the authors. The original report this article is based upon can be found here: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports_en). The Synthesis Report prepared for the European Commission on the topic ('Access for domestic workers to labour and social protection: An analysis of policies in 34 European countries'), which covers the 27 EU member states as well as seven candidate and potential candidate countries (including Albania), can be found here: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports_en). It has been lightly edited for publication in the *SEER Journal for Labour and Social Affairs in Eastern Europe* as regards house style, the focused concerns of the journal and in terms of the need to deliver a standalone text which is integrated with the other contributions from this project included in this number. It is reproduced by kind permission of the authors and the Commission.

## Introduction

At European Union (EU) level, the concept of ‘domestic workers’ has been approached for a decade through the concept of personal and household services (PHS) workers. However, there is currently no agreed methodology for quantifying the number of domestic workers in the EU. Existing research uses different statistical definitions and, therefore, produces different estimates. For example, a study published by the European Labour Authority estimated that there were between 6 million (narrow definition) and 8.8 million (broader definition) people formally employed in the PHS sector in the EU in 2019 (Holubová and Kahancová 2022). Consequently, the statistical definition of domestic work needs to be fine-tuned to allow for the production of consistent estimates of the phenomenon throughout the EU.

Moreover, undeclared work is an overarching issue in the sector in many member states, which undermines the social and labour protection of the domestic workers concerned. According to this same study, the estimated level of undeclared domestic workers in the EU may have been as high as 50% in 2019; thus, the actual number of domestic workers may be much higher than that which can be estimated on the basis of statistical data.<sup>1</sup>

In line with the other articles on domestic work contained in this issue of the *SEER Journal*, this contribution builds on the common key definitions and seeks to describe and map domestic work in Albania, including the framework that applies to long-term care (LTC) and the extent of the involvement of migrant workers, especially with regard to labour shortages in the sector. It also discusses the issues raised, including the phenomenon of undeclared work, and highlights the lack of recent reforms and ongoing debates in the country concerning domestic workers. Nevertheless, in spite of this lacuna, the article develops some suggestions for how social protection and labour rights can be improved specifically for domestic workers in Albania.

## Mapping

As mentioned above, the number of domestic workers in the EU and their main sociodemographic characteristics are estimated on the basis of the 2023 wave of the EU Labour Force Survey, using a harmonised statistical definition. Accordingly, there are about 4.1 million employed or self-employed domestic workers in the EU, some 2.1% of all people at work and with a share that varies between member states from less than 0.5% to around 4%.

This very small share means that the number of domestic workers in national LFS samples is tiny and that the confidence interval of the various statistical estimates is therefore exceptionally large. As a result, it is important that all these figures are interpreted cautiously, as providing an order of magnitude.

1 Holubová and Kahancová claim that, all in all, taking account of both formal and informal work, there may have been between 12.8 million (narrow definition) and 18 million (broader definition) workers in the PHS sector in the EU in 2019. To estimate the scale of undeclared work, they rely primarily on the 2019 Eurobarometer survey 92.1 on the topic.

Using this same definition, and extending the same degree of caution, the 2023 LFS suggests that there are around 30,000 domestic workers in Albania (i.e. around 1% of all workers). In terms of profile (see also the statistical annex):

- a. almost half of domestic workers are aged at least 50; and
- b. almost half of domestic workers had only completed lower secondary education at best.

### Legal framework

There is no legal definition of domestic work in Albania. Under taxation procedures,<sup>2</sup> domestic workers are defined as those employed by household heads in roles such as babysitter, cook, domestic cleaner, housekeeper/administrator, personal assistant for older people, and other similar services (the latter without an explicit definition). Employees who work full-time or part-time as domestic workers in households are mandatorily provided with pension and healthcare coverage.

The labour code of the Republic of Albania does not provide any reference to domestic workers and nor does the specific legislation on social and health insurance. If domestic workers have a regular working contract with a legal entity, then their social and healthcare contributions are paid, and they are covered by these schemes. If they are undeclared workers, then they are excluded.

Nevertheless, although the laws include no provisions on domestic workers, some specific provisions can be found in secondary legislation such as the Decision of the Council of Ministers (DCM) No. 77 'On the obligatory contributions and benefits from the system of social insurance and healthcare'. According to this, a household head who employs a domestic worker has to register with the tax authorities through a simplified procedure, submit the contract of employment and pay contributions. In theory, these are paid according to the minimum wage, but the reference has not been updated and continues to be tied to the 2015 official minimum wage, even though the minimum wage has been increased four times since then. In addition, the same legislation specifies that the contributions paid cover only healthcare and old-age pensions – thus excluding domestic workers from the other branches of social insurance benefits such as unemployment, sickness, maternity or paternity leave and accidents at work.

However, this provision is rarely, if ever, used by household heads even though the simplified registration procedure with the tax authorities was detailed in Guidelines No. 24, 'On tax procedures in the Republic of Albania, which goes back as far as September 2008.

Albania has no official definition of LTC and neither does a formal LTC system exist. Provisions on LTC can be found in different laws, such as those on healthcare, social care and social insurance, but they do not define a proper, complementary system. As a consequence there is no specific legislation related to LTC domestic workers, only provisions related to social care workers in general.

2 Guidelines No. 24, dated 2 September 2008, on 'Tax procedures in the Republic of Albania'.

Although provisions on working time, temporary work or working conditions can be found in the labour code, there is nothing specifically related to the role of domestic workers in LTC.

Even so, Law 93/2014 does set certain minimum standards when it comes to the disabled, such as the requirement for personal assistants for disabled people, assistants for people with visual impairments and sign language interpreters for those with speech and hearing impairments. The concept of personal assistants is relatively new in Albania. In this context, domestic workers can also be found among the 18,518 individuals<sup>3</sup> who are caregivers for the disabled.

ILO Convention 189 has not been ratified, and there has been no move by the government to initiate this process; and, finally, neither are there collective agreements for domestic workers, nor associated labour law regulations.

### Overview of employment arrangements

Generally, domestic workers can establish two types of employment relations with households.

First, employment relations are established between two parties – that is, a household and a domestic worker. The domestic worker is contracted directly by the private household as an employee in accordance with the tax procedures (Guidelines No. 24). A total of just 61 domestic workers are officially declared at Drejtoria e Përgjithshme e Tatimeve (DPT; the General Directorate for Taxation).

Second, a domestic worker may provide services to a household through private agencies supporting temporary employment. Temporary employment agencies are entities that employ workers and subsequently assign them to carry out tasks within user companies (employers), under whose supervision they operate. The user company or household pays a fee to the agency which, in turn, covers the worker's wages even if the user company has not yet remitted the fee to the agency. This arrangement not only offers flexibility to employees and employers alike but also underpins temporary work's integral role in various sectors, including the care sector.

It is worth mentioning that there are cases of domestic workers being formally employed under regular working contracts by private companies owned or administered by the households in which they work. This is especially the case with foreign domestic workers who need a regular working contract to be eligible to apply for a work permit, such an approach being considered a simpler path. In these cases, social insurance and health insurance contributions are fully paid according to the actual wage, making these domestic workers eligible for all benefits under these schemes. However, even though there are no legal barriers for domestic workers to register as self-employed, the fiscal burden discourages domestic workers from doing so.

There is no comprehensive overview of the functioning, capacities and impact of temporary employment agencies (DCM No. 286/2018), or more broadly of the organisation and functioning of private employment agencies (DCM No. 101/2018) in the labour market.

3 Source: Shërbimi Social Shtetëror (State Social Services) administrative data, 2022.

The Law on Foreigners (No. 79/2021) identifies domestic workers as a vulnerable group, recognising that they may not fully enjoy their rights due to their unique circumstances. Foreign citizens intending to work in Albania on a long-term basis (i.e. for more than 60 days) must obtain a work permit; the number of work permits issued each year is set through an annual quota. Nationals from western Balkan countries, the EU, Schengen area and the US are exempt from this obligation and enjoy the same employment rights as Albanian nationals. Among other types of work permits, domestic workers are categorised specifically under code ‘A/PSH’ (Type A: domestic workers). In 2023, 31 out of 9,825 (0.3%) foreign citizens obtained a work permit as domestic workers.<sup>4</sup> Approximately 55% of foreign domestic workers are from the Philippines, recruited through job placement agencies in the Philippines and Albania.

The process of obtaining a residence permit is slightly different for domestic workers (DCM No. 68, dated 12 February 2014). In addition to the documents required for all types of work permits, the household hiring a domestic worker must submit a household income statement demonstrating that its income is at least five times higher than the wage of the domestic worker. The migrant worker must provide certification of vocational or professional qualifications, obtained either in their country of origin or the country of residence, with applications submitted online through e-Albania services. The employment contract, in addition to the provisions outlined by the labour code, must include information about the accommodation and subsistence arrangements. If the domestic worker changes employers, the entire process of obtaining the residence permit must be repeated. Before issuing the residence permit, the employment office is required to verify that the employer has registered with the DPT.

### Access to social and labour protection

The purpose of this section is not to describe all the conditions for accessing social protection and labour protection stemming from the seven areas covered by the 2019 Council Recommendation, only those conditions (and the possible gaps) that are specific to domestic workers.

Table 4.1 provides an overview of access to these seven areas for formally employed domestic workers compared with other workers.

Table 4.1 – Access to the seven social protection branches for formally employed domestic workers vs other workers

Social protection branches	Domestic workers	Other workers
Unemployment benefits	NA	Yes
Sickness benefit	NA	Yes
Healthcare benefits	Limited	Yes

4 Source: Agjencia Kombëtare e Punësimit dhe Aftësive (AKPA; National Agency for Employment and Skills) administrative data, 2023.

Maternity and equivalent paternity benefits	NA	Yes
Invalidity benefits	NA	Contributory*
Old-age and survivor benefits	Limited	Yes
Accidents at work and occupational diseases	NA	Yes

Source: DCM No. 77, dated 28 January 2015, amended in 2019.

\* Invalidity benefits are contributory and paid through the social insurance scheme.

### *Unemployment benefits*

Formally employed domestic workers do not have access to unemployment benefits. The contributions paid by their employers on their behalf do not cover unemployment benefits while the self-employed are not eligible.

At Agjencia Kombëtare e Punësimit dhe Aftësive (AKPA; National Agency for Employment and Skills), registered jobseekers who are domestic workers can benefit – to the same extent as other registered job-seekers – from the existing active labour market measures for upskilling and reskilling, and from its job mediation/placement services. During 2023 around 300 individuals registered as unemployed domestic workers with 60 benefiting from mediation and placement services.<sup>5</sup> There are no activation measures which are specific to all unemployed domestic workers.

The lack of unemployment benefits coverage for formally employed domestic workers leaves them unprotected by the social protection system if they are out of work. Some domestic workers are employed for a limited number of hours and on low wages, necessitating multiple jobs, often in different households during certain days of the week. These arrangements frequently result in longer working hours, and employing households often do not consider it worthwhile to formalise such employment arrangements. Even if domestic workers are registered as self-employed, they are still not considered eligible for unemployment benefits because of the absence of social insurance contributions for this branch of social protection. In essence, whether formally or informally employed, domestic workers in Albania are not adequately protected.

In the absence of a contributory system in respect of unemployment benefits, domestic workers do not have unemployment benefits income to support them during labour market transitions.

### *Sickness benefits*

Domestic workers have no access to sickness benefits as, under the existing legislation regarding domestic workers, social insurance contributions cover only old-age pensions. However, if domestic workers have employment contracts with private companies and pay social insurance contributions, they have the same formal access to sickness benefits as employees and workers in other sectors. If they work

5 Source: AKPA administrative data, 2023.

informally, they are not covered by the scheme, while the self-employed are not eligible for sickness benefits.

One of the main challenges for formally employed domestic workers is the lack of coverage through social insurance contributions. There are no requirements related to the contributions period, but the level of sickness benefit depends on this. The benefit is also payable to seasonal workers and temporary workers who have been insured for at least three months in the 12 preceding months, but for a maximum duration of 75 days. The frequently irregular and fluctuating employment patterns of domestic workers makes it difficult to meet consistently the required insurance periods for benefits eligibility.

#### *Healthcare benefits, parental benefits, invalidity benefits and coverage by workplace accidents and occupational disease schemes*

Domestic workers have access to none of these provisions because of the limitation of social insurance contributions to the financing of old-age pensions. Where domestic workers have employment contracts with private companies and pay social insurance contributions, they have the same formal access as employees and workers in other sectors but, if they work informally, they are simply not covered.

Consequently, domestic workers are, in practice, able to access these benefits only on an extremely low basis due to the high degree of informality and the lack of contributions and legal provisions for formally employed domestic workers.

#### *Old-age and survivor benefits*

Domestic workers have the same formal access to old-age benefits as employees and workers in other sectors except that, if they work informally, they are not covered by the scheme.

The level of contributions paid monthly is currently small since contributions are tied to the 2015 level of the minimum wage and have not been indexed since then. When domestic workers reach pensionable age, their benefits will be very low as a result, putting them at serious risk of poverty and social exclusion.

At the same time, the high level of informality implies an extremely low participation of domestic workers in the scheme.

#### *Access to labour protection*

Formally employed domestic workers, in general terms, have the same labour protection as other employees, as stipulated in the labour code.

For formally employed domestic workers, there are no specific labour protection challenges. However, due to the high level of informality typically associated with domestic work, many workers remain largely unprotected by the labour protection system, making it difficult to identify, regulate and improve their conditions.

Although a simplified registration procedure with the tax authorities dates back September 2008, in Guidelines No. 24, it has only rarely been implemented in practice. Thus, even if domestic workers are covered by social insurance contributions,

when they reach pensionable age their monthly pension may be equal to no more than the minimum pension.

Moreover, even for formally employed domestic workers, there is no monitoring or inspection to ensure that their employment conditions are decent and that employment contracts are respected in line with the requirements of the labour code. In addition, while existing grievance redress mechanisms should be equally accessible to all, workers in this category rarely complain about their rights. In addition, there is insufficient information on the rights of workers, in particular ones aimed at the lower-paid. The existing trade unions are weak and rarely vocal on the rights of workers in general. Furthermore, there are no unions for domestic workers in the country which can partly be attributed to the large extent of informality in this sector.

### Undeclared work, regularisation and labour shortages

Undeclared work continues to be widespread in Albania but reported figures vary. The International Monetary Fund (IMF) estimate is around 30% of GDP (IMF 2024) while the European Commission estimates it at 30-35% of GDP. The ILO reports that 56.7% of total employment (including in the agricultural sector) may be informal in Albania, while INSTAT's Labour Force Survey estimates that, in 2021, informal employment in non-agricultural sectors was 29.4% (INSTAT 2022).

In 2021, 30.7% of the population aged 15-64 was economically inactive. While this figure is dominated by students (33%), 19.5% of inactive people are reported to be fulfilling household duties. When disaggregated, however, only 0.9% of men belong to this category while for women this figure is 30.3%. Inactivity is highest in Tiranë, at 42%.<sup>6</sup>

In the absence of accurate data, these figures provide a broad general conception of informal work that includes cash-only work but also under-declared work with very low salaries and cash payments, unpaid work in family businesses and unpaid household work.

According to the Organisation for Economic Co-operation and Development, informality in Albania's labour market is distributed as follows: 60% in low wage jobs, 20% in ones with an average wage and 20% in high wage ones.<sup>7</sup> Indeed, informal employment is generally associated with low wages, poverty and vulnerability (Sinaj 2017). Finally, the Albanian government's own draft *Strategjia Afatmesme të Ardhurave* (SAA; medium-term revenue strategy) for 2022-2026 assumes, as a baseline (for 2019) that 39% of employees are informal and that 29% of employees under-declare salary.

To combat informality in the labour market, Albania has implemented various measures, including strengthening tax administration procedures and introducing

6 See: '42% of Tirana's population was unemployed in 2022' *Albanian Daily News* 20 April 2023, accessed 17 May 2024 at: <https://albaniandailynews.com/news/42-of-tirana-s-population-was-unemployed-in-2022>.

7 See 'Informality runs high among low-wage workers, OECD study says' *Euronews Albania* 31 January 2024, accessed 17 May 2024 at: <https://euronews.al/en/informality-runs-high-among-low-wage-workers-oecd-study-says/>.

modern risk management practices. Under the economic reform programme for 2024-2026, reform measure 5.3 focuses specifically on strengthening the fight against informality. The DPT has focused on reducing undeclared work and the under-declaration of wages through several initiatives outlined in the 2022-2026 SAA. Collaboration between tax authorities, social insurance institutes and labour inspectorates has been emphasised to enhance enforcement and address informality effectively. Meanwhile, tougher sanctions and the establishment of taxpayer asset registers are designed to deter non-compliance and track income more efficiently (IMF 2024).

Specific measures targeting undeclared work are structured through four avenues such as: the non-registration of employees; the incorrect declaration of wages; inaccurate reporting of working hours; and misrepresentation of employment category and profession (MFE 2024).

The most relevant direct measure is the attempt to use simplified procedures in which employing households can declare the formalisation of domestic work to the tax authorities and the social insurance scheme. To encourage employing households to declare domestic workers, insurance contributions are drastically reduced if the worker is declared and paid at the minimum wage. Based on the number of declarations to the tax authorities, however, the number of declared domestic workers is small and over 50% are foreign domestic workers, an issue which is also strictly linked to their employment permit; local (Albanian) domestic workers remain mainly undeclared.

Perceived corruption, trust issues in official institutions and the prevalence of cash-based transactions are persistent challenges which are jeopardising efforts to reduce informality (IMF 2022). The IMF has highlighted the importance of strengthening the rule of law and the institutions so that informality can be tackled more effectively, alongside addressing gender gaps in the labour force and demographic shifts such as an ageing population and high emigration rates (IMF 2024). Moreover, the lengthy minimum contribution period can be a disincentive to undeclared workers thinking about starting to contribute to the social insurance scheme, especially in the case of women. On the other hand, a short vesting period could also lead to more entitlements to low pensions, resulting in a trade-off between coverage and the adequacy of the scheme (IMF 2024).

The main indirect measures being implemented are linked with the overall efforts of the country to promote formal employment and the declaration of payments to the tax authorities. However, only a limited amount of work has been done on measuring the impact of indirect measures on the domestic work sector. Some research is being done by UN agencies in Albania (mainly UN Women) focusing on the care economy, its impact on women's rights and protection and the need for childcare services and LTC. However, the dimension of domestic workers remains unexplored.

Turning to labour shortages, there are no specific assessments available of the supply and demand for domestic workers in Albania. However, demographic trends are likely to result in increased demand for these workers. Like several other countries in the region and beyond, Albania has been experiencing a declining and ageing population for the past two decades, a trend that is expected to persist. In 2020,

approximately 1 in every 6.8 people were aged 65 or over. Projections estimate that, by 2050, this ratio will have changed dramatically, with 1 in every 3.8 people expected to be 65 or over (Gjocaj et al. 2021). This significant shift in demographics underscores an anticipated growing need for domestic workers to support the ageing population.

In general, despite improvements in the labour market, Albania continues to face challenges concerning a brain drain and labour shortages. In 2023, the labour market showed positive trends, with the employment rate for those aged 15-64 reaching 67.7% in the third quarter, an increase on the previous year.<sup>8</sup> The labour force participation rate also rose, hitting a peak of 76.1% in the same quarter. However, the unemployment rate for the same age group remained high at 11% while youth unemployment was notably higher, at 22%, both figures substantially exceeding the EU27 averages. Moreover, the persistent gender gap in labour force participation highlights ongoing disparities. Since 2015, consistent emigration has been reducing the workforce, a trend exacerbated since the pandemic, with an estimated annual loss of 20,000 inhabitants.

### Recent and ongoing reforms and debates

Recently there has been an important public debate about the need for a new and significant reform of the social insurance scheme, with major statements from government ministers as well as World Bank and IMF representatives. However, there have as yet been no official communications with regard to the timing of the reform or its scope and depth, etc. and technical working groups or reform committees have yet to be officially established. In one media appearance, the head of the World Bank office in Albania stated that it was working closely with the Albanian government on pension reform and that the public finance review report, scheduled to be published by December 2024, would contain all the recommendations from the World Bank on the possible interventions in the pension system. An international conference on pension system reform was organised on 5 February 2025 at which the World Bank stated that it was providing technical assistance to the Albanian government on pension reform, a process which was expected to be concluded during 2025.

Since 2020 there have been no specific reform measures targeting labour protection for domestic workers. Neither have there been any efforts further to align policies with EU standards, including updates to the legal definitions of domestic work.

The national employment and skills strategy (NESS) for 2023-2030 recognises the need to address informality, especially in seasonal employment. There have been efforts focusing on data collection initiatives, but challenges persist with regard to under-reporting and the extent of informality in the labour market. In addition to data collection, other initiatives are focused on strengthening the role of Inspektorati i Punës (the labour inspectorate). However, employment by families remains out of the scope of inspection. The policy commitment, outlined in the current NESS, points out the need for: further improving the inspection infrastructure and digitising

8 Source: INSTAT, LFS quarterly publications.

it; expanding the scope and coverage of workplace inspections; organising risk-based inspections; and conducting more compliance inspections. In addition, other measures include improving awareness among employers and employees regarding their rights and responsibilities, and regarding the legal requirements relating to working conditions, as well as using administrative measures to prevent and minimise violations of labour legislation, especially those related to employment relations.

No specific support has been provided to address undeclared work among domestic workers. The Employment and Social Innovation (EaSI) strand of the European Social Fund Plus (ESF+) is open to EU accession countries that have signed a bilateral agreement, and Albania, as a non-EU country, can apply as an applicant or co-applicant for projects funded under the EaSI strand. NESS is strongly linked with the European Skills Agenda and ESF+. In addition, NESS is aligned with the European Pillar of Social Rights. NESS has two main strategic objectives<sup>9</sup> and is focused on skills development and the better matching of labour demand and supply, emphasising reforms in vocational education and training, lifelong learning and activation measures. It also addresses the goal of creating decent employment opportunities, especially for vulnerable groups. This aligns with the EU's focus on employment, skills, labour markets and social protection.

However, AKPA has little experience in implementing directly (as applicant or co-applicant) EU-funded projects. In the four most recent years, it has implemented in Albania only one project funded by EaSI – ‘Support Continuous Unemployed Learning’, conducted jointly with UNDP Albania. This project was aimed at contributing to the active participation of vulnerable low-qualified jobseekers in society and their transition to the labour market through the provision of high-quality, flexible, targeted training in basic skills.

There are no public debates related to the social and labour protection of domestic workers. It is worth mentioning in this context that public opinion in Albania usually sees interventions from the government to fight informality as an attempt to impose taxes on the most vulnerable groups of society. Hence, public debates are usually initiated as counter-responses to government initiatives.

The debates that are taking place have occurred, mainly between specialists, especially during the drafting of the recent NESS, on the need to review unemployment benefits to align these better with strategic commitments in the sector, and to enhance replacement rates in order to provide more adequate financial support to jobseekers during job transition periods. In addition, such debates have also touched upon the need for the innovative expansion of unemployment insurance coverage to address informal, temporary and seasonal workers and to address gender disparities.

### Conclusions: improving social protection and labour rights for domestic workers

As mentioned above, DCM. No 77 regards that domestic workers should be registered with the tax authorities by household heads, through a simplified procedure,

9 Policy goal 1: Skills development and better matching of demand with supply in the labour market for more employment; policy goal 2: Enabling decent employment for women and men through the implementation of inclusive labour market policies.

and that their contributions should be paid only for healthcare and old-age pensions. This, however, imposes limitations on domestic work as well as on the workers themselves.

Despite this, some suggestions for improving social protection and labour rights for domestic workers include the following:

- a. it is of imperative importance to amend the legislation and extend social protection for domestic workers to all parts of the social insurance scheme (i.e. unemployment, sickness, accidents at work, and maternity and paternity)
- b. to guarantee the adequacy of benefits, the contribution amount – which has remained unchanged since 2015 – needs to be indexed and tied to the country’s official minimum wage
- c. the simplified procedure for the registration of domestic workers has been in place for years but has been very rarely used, so it is important to conduct an awareness-raising campaign coupled with administrative measures to increase formality in this sector
- d. as regards domestic workers in the long-term care sector, it is recommended that specific legislation be introduced focusing not only on social and labour protection but also on their training, certifications and activity
- e. it is important to assess the dimensions of the domestic work sector and the skills needs that exist within it in order to be able to develop targeted measures for improving social protection and to tailor upskilling programmes.

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## Statistical annex

Table A1: Main sociodemographic characteristics of domestic workers, Albania (%)

Age:	7%
15-29	48%
30-49	45%
50+	
Education:	1%
Primary education or less	46%
Lower secondary education	39%
Upper secondary education	10%
Vocational upper secondary education	4%
Higher education	

Source: AL-LFS 2023; INSTAT.



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## Access for domestic workers to labour and social protection: Montenegro\*

### Abstract

2023 Labour Force Survey data suggests that there are about 3,000 domestic workers in Montenegro, of whom three-quarters are women, while 55% are employees and 80% are employed outside the care sector. There is no legal definition of domestic workers, but one type of employment contract is for performing household chores; employees with this type of contract have the same status, and enjoy the same benefits, as those with any other kind. According to a 2022 survey, 15.7% of the working population work in businesses but do not have contracts and are not paying social security taxes and contributions, while 10.8% have contracts but pay taxes and contributions only on part of their salary, the remainder being received in cash. Efforts are being made in this direction, but there is a lack of reform aimed at legalising undeclared activities in order to enhance social protection. Measures in response to the dimension of undeclared work should seek to encourage registration by simplifying the process, reducing administrative burdens and offering tax concessions or subsidies for both workers and employers. Additionally, the lack of quality data on domestic workers poses a major challenge to evidence-based policymaking.

**Keywords:** domestic workers, Montenegro, labour law, labour and social protection, regularisation, Instrument for Pre-Accession Assistance

\* This article is based on the report *Access for domestic workers to labour and social protection: Montenegro* which was prepared in 2024 for the European Commission as part of the contract 'Expert network for analytical support in social policies' between the European Commission and the Luxembourg Institute of Socio-Economic Research (LISER). However, it reflects the views only of the authors. The original report this article is based upon can be found here: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/country-reports_en). The Synthesis Report prepared for the European Commission on the topic ('Access for domestic workers to labour and social protection: An analysis of policies in 34 European countries'), which covers the 27 EU member states as well as seven candidate and potential candidate countries (including Montenegro), can be found here: [https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports\\_en](https://employment-social-affairs.ec.europa.eu/policies-and-activities/social-protection-social-inclusion/analytical-support-and-exchange-information-social-protection-and-inclusion/synthesis-reports_en). It has been lightly edited for publication in the *SEER Journal for Labour and Social Affairs in Eastern Europe* as regards house style, the focused concerns of the journal and in terms of the need to deliver a standalone text which is integrated with the other contributions from this project included in this number. It is reproduced by kind permission of the authors and the Commission.

## Introduction

In line with the other two parallel articles in this issue of the journal, alongside which it adopts the same definitions and methodology, this report seeks to map domestic work in the country by identifying the number and main sociodemographic characteristics of domestic workers, describing the legal framework that applies and the employment arrangements of domestic workers, and setting out any specific conditions for (and any possible gaps in) access to forms of labour and social protection. Following that attempt to describe the sector, the article turns to a discussion of the issues of undeclared work, regularisation and labour shortages as well as a presentation of recent and ongoing reforms and debates, before finally making suggestions on the way forward for improving social protection and labour rights for domestic workers.

Domestic workers provide a range of services in support of households. At EU level, they have been viewed for a decade through the concept of personal and household services (PHS) workers even though there is currently no agreed methodology for quantifying their number. The European Labour Authority estimated that, in 2019, there were between 6 and 8.8 million people formally employed in the PHS sector (Holubová and Kahancová 2022). By 2023, the Labour Force Survey was reporting around 4.1 million domestic workers in the EU, representing 2.1% of all people in work. Consequently, there is a clear need to fine-tune the definitions to allow for the production of estimates that are consistent throughout the EU.

In comparison, the 2023 LFS data in Montenegro suggests that there are around 3,100 domestic workers (i.e. about 1.1% of all workers). In terms of profile (see also Table A1), we know that they conform to the following essential characteristics:

- three-quarters of domestic workers are women
- around 60% are aged at least 50
- three-quarters have an intermediate educational level
- around 30% were not born in the country
- around 55% are employees
- around 80% work in the non-care sector.

The low numbers of the overall figure, and that this has been developed within the context of a workforce survey, means that these details should be interpreted cautiously and as a first step in defining not only the size but also the dimensions of the domestic worker labour force.

## Legal framework

This section sets out the legal framework that applies to domestic workers, considering the legal definition(s) of domestic workers, the key aspects of the legislation regarding domestic work, ILO Convention 189 and the presence of collective agreements.

There is no legal definition of domestic workers in Montenegro. However, according to Article 45 of the Labour Law (*Official Gazette of Montenegro* No 145/21, dated 31 December 2021), one type of employment contract (among several others)

that employers may sign with an employee is a contract for work in a household. Employees who have this contract have the same status as employees with any other employment contract defined by the law. The provisions set down in paras. 2-6 of Article 45 outline the terms of compensation for the employment of household workers, these being based on:

- the possibility of a ‘just and reasonable’ part of the salary being provided in kind. Such an arrangement should be mutually agreed upon by the employee, serve their benefit and contribute to social security objectives (para. 2)
- where the employee lives in the household unit where they have an employment contract, no reduction in salary due to accommodation is allowed unless otherwise agreed by the employee (para. 3)
- the employer is obliged to express the monetary value of any part of the salary paid in kind (which is permitted under para. 2) (para. 4)
- the minimum percentage of cash salary must be determined in the employment contract and may not be less than 50% of gross earnings (para. 5)
- where the salary agreed is partly in cash and partly in kind, the employer is obliged to pay the employee cash wage compensation during absences from work (para. 6).

Regarding the tax treatment of the income of employees under contracts for work in a household, the Law on Personal Income Tax (*Official Gazette of Montenegro* No 65/01, 40/07; *Official Gazette of Montenegro* No 86/09, 152/22 dated 30 December 2022) identifies this as personal income and it is therefore subject to tax.

Article 45 therefore forms the legal basis for the registration for mandatory social insurance of workers covered by it and where the employer is an individual who does not have a registered economic activity.

Given the uniqueness of contractual situations in which the employer is not otherwise registered as an entrepreneur, Poreska uprava (PU; the Tax Administration) has specific internal procedures regulating this process. According to these, in such cases the employer is required to register as a ‘natural person’ and submit to PU the employment contract, as certified by a basic court or notary. Since such an employer is not carrying out an economic activity, he or she does not have to submit an application for registration in the general tax register. The employer registers the employee under the ‘PIO 101’ code in respect of both pension and disability insurance and health insurance, on which PU issues the employer with a certificate of registration (or deregistration) of insurance regarding the employee. Furthermore, the employer is obliged, in accordance with the law, to calculate, report and pay income tax and mandatory social insurance contributions on a monthly basis through the appropriate form.

The current status regarding Montenegrin ratification of ILO Convention 189 reveals both progress and challenges. Although Montenegro has expressed interest in ratifying this convention, it has yet to complete the ratification process. The government has sought technical assistance from the ILO to address this issue, indicating a commitment to aligning national labour laws with international standards, but several shortcomings persist. First, there are legislative gaps that need to be addressed to ensure compliance with the convention. Although efforts are underway to overcome

these, concrete steps towards ratification remain pending. Second, the effectiveness of the proposed reforms hinges on an analysis of the thoroughness of the legal and implementation measures, to be conducted by the ILO.

The process of discussing and addressing recommendations in a tripartite format involving the government, employers and workers is essential for inclusive and sustainable reform: without meaningful engagement from all stakeholders, the likelihood of successful implementation diminishes. The ILO's involvement is crucial in providing technical support and expertise, but the ultimate responsibility for enacting and enforcing labour laws lies with the Montenegrin government and parliament. The sustainability of any reforms therefore depends on institutional commitment to upholding international labour standards beyond the assistance provided by the ILO.

Consequently, although there is recognition of the need for reform and for cooperation between Montenegro and the ILO, significant steps remain as regards not only ensuring the ratification of ILO Convention 189 but also the effective implementation of labour laws in line with international standards.

There is no national collective labour agreement on domestic work. However, the general collective agreement (GCA) does refer to household workers since they are recognised by the Labour Law. In December 2022, a new GCA was published (CEE Legal Matters 2023; *Official Gazette of Montenegro* No 150/22 from 30 December 2022) and remains valid for a three-year period. The new GCA is harmonised with the current Labour Law and follows its provisions. Moreover, it expands employees' rights and establishes the grounds for the introduction of further measures that would guarantee more rights for employees.

## Overview of employment arrangements

Domestic workers in Montenegro may be hired under three types of employment relationship. First, they may be directly employed by the head of a household, as regulated by Article 45. In this scenario, the domestic worker is considered an employee of the household and the employer is responsible for tax procedures and other legal obligations. Second, domestic workers may provide services through private agencies that support temporary employment. These agencies, regulated by the Law on Temporary Employment Agencies, employ domestic workers and assign them to households, handling wage payments and ensuring compliance with employment regulations. Third, domestic workers may also be self-employed. In this case, they operate as independent contractors providing services directly to households without intermediary agencies. They manage their own schedules, set their own rates and are themselves responsible for their tax obligations and social security contributions.

The employment of domestic workers through a public or private provider of homecare services is, however, a relatively new working practice since households still prefer to employ domestic workers directly: as mentioned above, some 55% of domestic workers in Montenegro are employees. The available data also shows that most domestic workers are from Montenegro and have Montenegrin citizenship. There is no information on migrant-related arrangements.

## Access to social and labour protection

Domestic workers with a legal employment contract enjoy the same social and labour protection as other people with a legal employment contract. Consequently, there is no difference in accessing the benefits set out in the areas referred to in the 2019 Council Recommendation for such workers. However, this of course says nothing about the 45% of workers who are not covered by an employment contract governed by Article 45.

### *Unemployment, sickness, healthcare, parental leave, invalidity and old-age and survivor benefits*

Domestic workers covered by an Article 45 employment contract have formal access to all these benefits, without specific conditions being applied to them and in respect of whom, therefore, there are neither gaps in coverage nor particular challenges that need to be confronted; the challenges are all to do with domestic workers who do not have a contract.

### *Benefits in respect of accidents at work and occupational diseases*

The provisions of the Law on Safety and Health at Work do not extend explicitly to individuals for whom an employment contract has been established in respect of work undertaken within a household. However, they do cover all workers with an employment contract.

### *Access to labour protection*

Domestic workers with an employment contract enjoy the same labour protection as other people with a legal employment contract and there are no particular conditions, gaps in access or challenges that are specific to domestic workers.

## Undeclared work and regularisation

As we have identified so far, a key challenge – common also to many EU member states – concerning the situation of domestic workers is the very high proportion of undeclared work in the sector and what this implies in terms of social and labour protection. This section turns to the prevalence of undeclared work and efforts to regularise domestic work.

A 2022 survey reported that 15.7% of the working population are working in registered or unregistered businesses but without contracts and without paying social security taxes and contributions. In addition, a further 10.8% do have contracts but are paying taxes and social security contributions only on part of their salary, with the remainder being received in cash and on which no taxes or contributions are being paid. This means that one in four employees in Montenegro are working without paying the due level of taxes and contributions (IPSOS 2022).

Looking at the data by type of employment and type of (in)formality, one in two self-employed people do not pay taxes and contributions (51.5%), while approximately one in seven received part of their earnings in cash without paying taxes and contributions (13.7%). The self-employed category includes employers, individuals

who work for themselves and contributing family members. In contrast, employees working for an employer are in a better situation: approximately only one in twenty of those employed by an employer are not paying taxes and contributions (5.6%) while, for just one in ten, taxes and contributions are being paid on only a part of their salary (IPSOS 2022).

The government of Montenegro has recognised the challenge of the informal economy through a programme of economic reforms of Montenegro for 2023-2025, of which reform measure No. 14 concerns the ‘strengthening of mechanisms for the formalisation of the informal economy’. This includes steps designed to strengthen the PU’s information system in order to combat the informal economy more effectively.

In addition, a new programme aimed at tackling the informal economy in Montenegro during the 2024-2026 period (Government of Montenegro 2023a) includes five general operational goals that should be achieved by overcoming the identified causes of the informal economy. The measures include:

- stimulating preventive actions with the aim of simplifying procedures and reducing costs for business operations and of registering employment
- activities to raise social awareness about the negative implications of the informal economy and strengthening the role of education
- enforcement and deterrence activities through the strengthening of supervision and the application of appropriate sanctions in relation to those who benefit from undeclared work, as well as the protection of informally registered people.

The programme’s operational goals include:

- improving the business environment by simplifying tax administration and reducing levies
- providing support for fair entrepreneurship and the transition to a formal economy
- transforming undeclared work into formal employment, with a greater focus on young people, women and green jobs
- enhancing electronic public administration services, the institutional framework and administrative capacities in reducing the informal economy
- reducing the social acceptability of the informal economy.

The Law on Fiscalisation in the Trade of Goods and Services (*Official Gazette of Montenegro* No 08/21 from 6 January 2021), regulates cash and non-cash payments in this area, as well as the content of tax receipts, the entities required to comply with the law and other important aspects related to this area. The adoption of this law represents a step towards combating informal economic activities, although its efficacy in curbing undeclared work remains to be seen.

To date, no assessment of the impact of the implementation of the programme has been made publicly available.

## Recent and ongoing reforms and debates

There are no reforms aimed at enhancing the social or the labour protection of domestic workers; and neither are there any public debates in these areas. What

existing public debates do take place mainly focus on the extent of undeclared work and the fairness of the overall system.

The EU supports Montenegro through the Instrument for Pre-accession Assistance (IPA III) under the thematic priorities ‘education, employment, social protection and inclusion policies, and health’ (68%) and ‘private sector development, trade, research and innovation’ (32%). One of the objectives of this EU support is to improve the monitoring of the implementation of the revised Labour Law and to reinforce the staffing and institutional structure of Odsjek za inspekciju rada (Department of the Labour Inspectorate).

Ministarstvo rada, zapošljavanja i socijalnog dijaloga (Ministry of Labour, Employment and Social Dialogue) and Ministarstvo socijalnog staranja, brige o porodici i demografije (Ministry of Social Welfare, Family Care and Demography) have continued their intensive joint programming for IPA III (for 2024-2027) in the sectors of employment and social inclusion. Here, the multi-annual operational programme (covering 2024-2027) will have four main components – a youth guarantee fund, active labour market measures, social service improvement and institutional and technical support. It is not yet known whether any projects will specifically target domestic workers, but all of these areas represent potential opportunities for implementing projects that will (also) benefit them.

### Conclusions: improving social protection and labour rights for domestic workers

To improve the position of domestic workers in Montenegro, it is crucial to address the significant issue of their employment in the grey economy. A large number of domestic workers operate on an undeclared basis, which deprives them of the legal protections and benefits that come with formal employment.

Were these workers to be registered, they would gain access to all the benefits provided to formally employed individuals such as social security, healthcare and labour benefits. Measures in response should therefore focus on encouraging registration. This might include simplifying the registration process, reducing administrative burdens and providing incentives such as tax benefits or subsidies for both workers and employers.

However, a major challenge hindering evidence-based policymaking is the absence of comprehensive data on domestic workers. Investing in rigorous research and data collection initiatives specific to this sector is important in gaining an accurate understanding of its dynamics, challenges and demographics. MONSTAT – the Statistical Authority of Montenegro – should enhance its efforts in this area by integrating specific inquiries into the LFS and targeting workers who fall within the NACE 97 category (‘activities of households as employers of domestic personnel’). This approach would ensure a more comprehensive understanding of demographic variables such as gender, age and nationality, offering valuable insights into the domestic work sector.

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Statistical annex

Table A1: Main sociodemographic characteristics of domestic workers in Montenegro

Total number	3,100
Share of domestic workers among all people at work	1.1%
Distribution by gender:	
Men	26%
Women	74%
Distribution by age:	
15-24	:
35-49	:
50+	58%
Distribution by educational level:	
ISCED 0-2	:
ISCED 3-4	74%
ISCED 5-8	:
Distribution by country of birth:	
Natives	71%
Non-natives	29%
Employment status:	
Employee	55%
Self-employed	45%
Distribution by sector of activity:	
Care	19%
Non-care	81%

Note: (:) Not zero but estimate has extremely low reliability.

Source: LFS 2023, MONSTAT.



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# A new labour landscape: social movement unionism and Georgia's independent labour organising

## Abstract

*This article reviews the current situation in Georgia through the specific lens of trade unionism and the role of new independent unions in the street protests that took place during 2024 in relation to the country's controversial 'foreign agent' law and then against the outcome of the general elections. In particular, it documents the strike by GUILD, a new union representing cultural workers, in December 2024 and which had a number of successful outcomes. While identifying the challenges which independent unions realistically face, including the need continuously to balance internal democracy with practical action, broaden the social vision without losing workplace focus and scale up efforts within the limits of resources, the vibrancy with which independent unions are approaching their task provides a strong contrast with the staid, conservative stance of the traditional trade union movement. The author concludes that whether the spark of the December 2024 strike is able to grow into a new fertile landscape for labour will depend significantly on activists' ability to turn fragile alliances into a lasting network of solidarity.*

**Keywords:** social movement unionism, social justice unionism, trade union renewal, independent unions, Georgia

## Introduction

In recent years, Georgia has experienced recurring waves of public mobilisation, including demonstrations to defend EU integration, protests against environmental destruction, the 2024 rallies against a Russian-style 'foreign influence' law and the mass protests that erupted after the 2024 parliamentary elections. These actions have drawn tens of thousands into the streets and created a climate that should have forced trade unions to decide whether they stand with the state or with the movements calling for social change.

The Georgian Trade Union Confederation (GTUC) remains the largest organisation in terms of formal membership; however, its longstanding strategy of cautious cooperation with government and employers has not prevented a dramatic fall in union density, from roughly 42% of hired workers in 2007 to just 18% in 2022, mirroring a wider collapse of collective bargaining coverage (Ulandssekretariatet 2022). In the vacuum created by decades of decline, a constellation of independent, sector-based unions has emerged which have become increasingly active and visible on the political stage. These new unions are often financed through transnational

networks for training and funding, resources that are essential but now threatened by the ‘foreign influence’ legislation that the European Commission has condemned as a ‘serious setback for democracy’ (European Commission 2025).

The tension between a collaborationist centre and an insurgent periphery reached a peak in December 2024 when members of the Independent Union of Workers in the Cultural Sector, GUILD, joined the mass demonstrations that erupted after the elections. They faced mass arrests and then launched a solidarity strike that spread through cultural institutions nationwide. International union federations, such as UNI MEI (the division of UNI representing workers in the media, entertainment, arts and sports sectors), issued urgent statements backing the detainees and urging the Georgian authorities to respect freedom of association (UNI Europa 2024). Calls for a broader general strike soon followed, although the initiative stalled amid GTUC ambivalence and heavy police pressure (OC Media 2024a). These events sharpened a familiar question: can Georgia’s labour movement transform itself from a narrow wage-bargaining actor into what scholars call ‘social movement unionism’ or its close cousin ‘social justice unionism’ – models that link workplace struggles to broader fights for democracy, equality and human rights (Julius et al. 2023; Scipes 2014; Stern 2013)?

There are plenty of examples of such unionism in South Africa, Brazil and Poland. But remarkably little attention has been paid to how these approaches might work in a small post-Soviet economy like Georgia, where neoliberal reforms have severely weakened labour standards even as civil society mobilisation remains vibrant. This article aims to explore that gap by examining how Georgian unions have responded to three intertwined pressures: a neoliberal growth model that has kept the official minimum wage at a symbolic 20 Georgian lari per month (about 6 euros); an authoritarian shift embodied in the ‘foreign influence’ bill; and the rise of new issue-based social movements, such as environmental and student-led groups, eager to build tactical alliances with organised labour.

The narrative that follows first traces the evolution of Georgia’s trade union landscape since independence and then examines the current political pressure on labour and civil society. It goes on to describe the December 2024 cultural sector workers’ strike as a critical turning point. The discussion then turns to the concepts of social movement unionism and social justice unionism to illustrate how these ideas help illuminate Georgia’s experience. Finally, it considers possible future paths for the country’s unions and its democracy.

By highlighting Georgia’s divided union landscape, this analysis points to broader themes: how models of social movement unionism can take root beyond their usual settings; the resilience of labour activism under hybrid semi-authoritarian regimes; and whether small sectoral guilds can foster national solidarity instead of deepening fragmentation. Ultimately, the divide between Georgia’s central and independent unions is not merely organisational, but strategic: a split between a logic of accommodation that no longer fits an era of democratic crisis and a logic of confrontation that offers a transformative path toward renewed worker agency and social justice.

## Historical and institutional background

In the final months of the Soviet era, many Georgian institutions severed their formal ties with Moscow well before the republic itself declared independence. The National Football League was launched in March 1990, replacing participation in the Soviet Championship. Only six months later, the country's trade union leadership did the same, breaking away from Soviet-wide structures just as the country was moving to a market economy. Although neither originated from grassroots activity, these moves were highly symbolic. In the decades that followed, both club football and labour relations fell into chronic regression, burdened by financial instability, shrinking crowds or memberships and weak public support.

The Georgian Trade Union Confederation (GTUC), formed after the break with Soviet structures, inherited not only the mass membership lists of Soviet-era unions but also a large collection of workers' sanatoriums, cultural centres and urban real estate. These assets soon became both a blessing and a curse. On the one hand, the sale of properties offered a rare buffer against the hyperinflation and industrial collapse which marked the early transition years. On the other hand, the process fuelled internal struggles over control of these assets and what Transparency International (2005: 4) later described as the 'threat [of] irrelevance' for an organisation unsure whether it was a social movement actor or a property management company.

External shocks intensified these structural weaknesses. Between 1991 and 1993, a military coup, civil war and armed conflicts in Abkhazia and Samachablo,<sup>1</sup> which were supported by Russia, tore at the fabric of the new republic while successive Russian embargoes in the 1990s and 2000s deepened economic decline and labour market informalisation. In this environment, the GTUC leadership chose a cautious, accommodationist posture toward government and employers: its officials accepted seats in the newly established Tripartite Social Partnership Commission (TSPC) but rarely mobilised members, despite the legal minimum wage stagnating at its symbolic level for more than two decades.

The result resembled what one activist later called 'tripartism without labour', a system in which state and employers negotiated on one side of the table while workers stood on the other without any credible form of protection. Union membership rates, which had hovered around 45% following the restoration of independence in 1990, fell to roughly 20% by the mid-2000s (Qristesiashvili 2010) and have since continued to decline, reflecting an approximately 95% decrease in membership.

Furthermore, surveys by the International Republican Institute, conducted between 2003 and the most recent wave in 2023, have consistently ranked trade unions among the least trusted public institutions in Georgia (see Figure 1), outscoring only the mafia when the latter was included in the questionnaire.

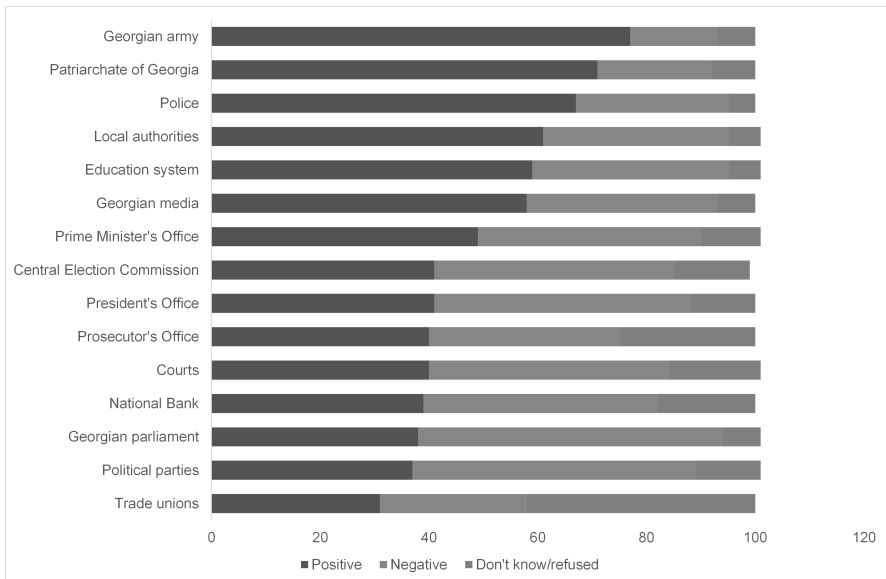
1 Editor's note: A Georgian historical district occupied since 2008 by Russia, lying within the Tskhinvali Region (controlled by the Republic of South Ossetia). The territory is officially referred to as Tskhinvali by Georgian authorities (after the name of its only city) but this revived old name – which is, however, significantly controversial – has become dominant among the Georgian public not least following the 2008 Russo-Georgian War.

According to the June 2005 survey, Georgians were more likely to consult their local AI Capones for help than their trade union and came bottom of the survey. (Transparency International Georgia 2010: 2)

Nonetheless, these hard-edged crises laid the foundation for an alternative trajectory. From the late 2010s onward, a new generation of sector-based independent unions has begun to emerge beyond the GTUC’s sphere of influence including, among others, unions in the medical, transport, media, cultural, health and social care, academia and mining sectors, as well as the Public Services Workers’ Union. Unlike the confederation, these organisations were born into precarity, without the benefit of Soviet-era property transfers or membership legacies, and thus dependent on transnational networks for training and funding.

Such dependence made them prime targets when, in 2024, the ruling party attempted to push through a ‘foreign influence’ law that would have stigmatised many civil society actors as agents of external powers. The resulting confrontation between the government and the independent unions marked a decisive break with the accommodationist approach that had shaped Georgian industrial relations since 1990. By that time, some of these unions had already managed to build basic infrastructure, strengthen their organisations and begin the shift towards more traditional membership-based funding arrangements.

Figure 1 – What is your opinion of each of the following institutions?



Source: International Republican Institute (2023).

## Political-legal environment and repression

Until quite recently, Georgia was praised in Washington and Frankfurt as a ‘model student’ of neoliberal reform. The World Bank ranked it among the easiest countries in the world to do business,<sup>2</sup> and the EU even granted Georgia conditional candidate status for membership in 2023. However, from late 2024 onward, the ruling Georgian Dream (GD) party took a sharp authoritarian turn, unleashing a flurry of new laws aimed at restricting civic space and protecting the government from accountability (Human Rights Watch 2024; Transparency International Georgia 2024).

Perhaps the most consequential was the Law on the Transparency of Foreign Influence. Originally introduced and then withdrawn in 2023 amid mass public protests, it was first adopted in May 2024 and then reintroduced in an even tighter form in March 2025. This law requires any organisation, including trade unions, that receives more than 20% of its funding from abroad to register as a ‘foreign agent’. Such organisations must submit quarterly funding reports and stamp a label on all their publications. Non-compliance carries a fine of up to 50,000 Georgian lari (approximately 15,000 euros) and, in the 2025 draft, criminal penalties of up to two years in prison (European Commission 2025). GD officials have justified the law as a defence against a supposed ‘foreign-funded revolution’ (see e.g. Nodia 2024).

This escalation of legal restrictions was soon followed by a post-election crisis. Between late November and mid-December 2024, as crowds gathered night after night on Tbilisi’s Rustaveli Avenue to protest at elections they saw as rigged, police repeatedly used tear gas and rubber bullets and even beat up journalists reporting on the scene. Around 224 people were arrested during those first weeks of protest. On 19 December 2024, when GUILD led a one-day solidarity strike alongside the protests, riot police stormed Tbilisi’s Rustaveli Theatre, detaining 47 people including well-known actors Andro Chichinadze and Giorgi Nakashidze (UNI Global Union 2024).

In March 2025, as the ‘foreign influence’ bill was formally reintroduced in parliament, student groups launched sit-ins at university campuses. The clampdown persisted: an estimated 181 protesters were arrested that month, observers later reporting that many public sector employees had lost their jobs for supporting the pro-EU demonstrations (Reuters 2025). These workers would soon go on to establish the Independent Professional Union of Public Servants ‘Article 78 of the Constitution’<sup>3</sup>. Accounts collected by the Public Defender’s Office describe what happened to many

- 2 It was in 32nd place, with a score of 76.8, when the World Bank stopped conducting its ‘Ease of Doing Business’ Index in 2020. Currently Georgia ranks third on the World Population Review’s replacement index, with a score of 77.7; and, interestingly, it scores top in terms of the labour-specific index (T4). See: <https://worldpopulationreview.com/country-rankings/ease-of-doing-business-index-by-country>, accessed 30 June 2025.
- 3 Article 78 of the Constitution of Georgia, entitled ‘Integration into European and Euro-Atlantic structures’, obliges the constitutional bodies to ‘take all measures within the scope of their competences to ensure the full integration of Georgia into the European Union and the North Atlantic Treaty Organization’. See Constitution of Georgia (Art. 78).

detainees behind the scenes: routine denial of access to lawyers; beatings inside police vans and detention centres; and pressure to sign pre-written confessions for ‘disobeying police orders’ (a misdemeanor under Article 173 of the Administrative Code). Amnesty International has labelled this pattern ‘punitive violence that may amount to torture’ (Amnesty International 2024).

### *International resonance*

Civil society groups have filed a freedom of association complaint to the ILO Committee on the Application of Standards, arguing that the strike ban and foreign agent regime violate Convention 87. The committee agreed in June 2025 to request detailed information from Tbilisi, the first step in a potential Commission of Inquiry (International Labour Organisation 2025).

Simultaneously, UNI Europa’s Media, Entertainment and Arts sector issued a solidarity statement urging GD to end the ‘alarming levels of violence’ and release detained cultural workers (UNI Global Union 2024). The European Parliament has debated conditioning macro-financial assistance on the withdrawal of the foreign influence law, although no formal suspension has yet been enforced.

Taken together, the legislative blitz and street-level repression have redrawn Georgia’s industrial relations map. What had been a passive tripartite model is evolving into a majoritarian corporatism where the state and business speak with one voice and labour, especially its independent wing, is now seen as a potential security threat. The following section examines the December 2024 solidarity strike to consider whether rising unions and social movements can still create spaces for resistance.

## Solidarity in action: the December 2024 cultural workers’ strike

### *Protest, arrests and a union decision*

On 28 November 2024, mass demonstrations erupted in Tbilisi after the Georgian Dream government abruptly announced it was ‘suspending’ the country’s EU accession talks. The protests grew by the day and so did the police response. By 13 December, Amnesty International (2024) had documented roughly 460 detentions, 300 cases of ill-treatment, and 80 hospitalisations resulting from the repression. Among those arrested were eleven well-known figures from the arts, including Chichinadze and comedian Onise Tskhadadze.

For GUILD, an independent professional union representing Georgia’s cultural sector workers, these arrests proved to be a turning point. GUILD, formed in 2020 and funded largely by international donors, had been debating internally whether labour organisations should remain ‘non-political’ or actively join the fight against the government’s authoritarian drift. At this point, the motivations driving individuals to participate as trade unionists emerged in two ways: on the one hand, the presence of a professional union active in the cultural sphere; and, on the other, employees’ incentives to become members once the union had been established (Iremadze et al. 2024).

The arrest of well-known actors and creative professionals persuaded the organisation to take a stand. On 4 December 2024, GUILD's executive board voted 17-2 to call a nationwide strike across all theatres, film studios and cultural venues where its members worked. Their demands were explicitly political: the immediate release of all detained protesters; the withdrawal of the draft 'foreign influence' bill; and the resumption of Georgia's EU membership talks.

### *Anatomy of the strike*

Once the strike was declared, its impact was felt almost immediately. Within 48 hours, at least 22 publicly funded theatres and cultural centres across the country had cancelled performances. By 6 December, major privately run cinemas had also shut their doors in solidarity (Intellinews 2024). The movement quickly drew in allies beyond the arts sector. Student unions from Tbilisi State University and various independent trade unions all joined the picket lines bringing food, setting up first-aid tents and helping to organise rallies outside venues like the iconic Rustaveli Theatre. To sustain the strike, GUILD launched an online crowdfunding campaign which raised an astonishing 92,000 lari in the first four weeks. This reserve of funds allowed the union to pay its striking members a daily allowance.

The protest movement also showed significant capability in creative and symbolic tactics. Striking artists and their supporters organised nightly 'people's readings' of plays and scripts that had been banned or censored by the authorities. Troupes of actors performed impromptu street theatre sketches satirising the government. And on 14 December, the strikers led a silent march of an estimated 12,000 people from Tbilisi Philharmonic Hall to parliament. The marchers carried theatre masks as their emblem, a powerful visual representation of a culture being literally silenced by the state.

### *A first taste of social movement unionism?*

For Georgia's labour movement, the December strike exemplified a new kind of unionism in action, displaying the hallmarks of social movement unionism and its social justice variant. Its demands went well beyond wages or workplace conditions to embrace broader democratic rights. Participants raised multiple slogans: 'Strike against violence', 'We are striking against repression' and 'Strike for the freedom of prisoners'.

The strike was also organised in an unusually inclusive way. Daily mass meetings and 'open assemblies' welcomed not just union members but students, environmental activists and other citizens. The agendas for each day's action were even broadcast live on social media, allowing people outside the union's ranks to follow along and contribute. In effect, the movement blurred the line between union members and the broader community.

Finally, by stopping cultural production, an area that is both an important export and a core part of Georgia's national identity, the strike drew public attention in a way that ordinary labour disputes rarely do. The artists' actions made international headlines and even forced Georgia's usually pro-government media to report on their demands.

Other independent unions also tried to show support. Small groups of delivery workers staged one-day ‘sympathy’ stoppages in solidarity with the cultural workers, although their participation was relatively limited. The GTUC, by contrast, remained on the sidelines, issuing a single press release that urged ‘dialogue’ between the strikers and the authorities. This stance only highlighted the widening rift between an accommodating old guard and a militant new generation (OC Media 2024).

### *Repression, resistance and the limits*

As the strike gathered momentum, the Georgian state moved to suppress it. The Ministry of Culture threatened to dismiss and replace the directors of any public theatre that refused to resume performances. Government auditors launched sudden inspections of theatre payrolls and accounts, searching for any excuse to punish the institutions involved.

Overall, 47 GUILD members were arrested in the post-election protests, while more than 100 were detained and went on to face various disciplinary proceedings in labour courts, which mostly imposed sanctions. Separately, the protesting Royal District Theatre had its funding cut and Temur Chekheidze’s workshop was closed and its staff laid off.

By early January 2025, the cultural workers’ strike had achieved some results. On 8 January, a Tbilisi court ordered the release on bail of eight of the eleven arrested artists, the most publicly known detainees remaining in custody awaiting trial. GUILD itself came out of the episode with its reputation greatly strengthened: its membership reportedly doubled by March 2025 as previously ‘apolitical’ cultural workers joined in large numbers after seeing the union in action.

Perhaps even more significantly, the protest created the beginnings of a shared organising infrastructure. The alliances formed during those turbulent weeks did not disappear when the theatres reopened. The student unions and independent labour organisations maintained joint social media channels to coordinate future actions. The emergency strike fund that had been put together was turned into a permanent ‘solidarity fund’ to support other causes. Indeed, in the months that followed, activists tapped into these networks to support new struggles, from efforts to protect the cultural and natural heritage in Balda<sup>4</sup> to the ongoing protests in the mining town of Chiatura.<sup>5</sup>

Nevertheless, the risks for Georgia’s independent unions have only grown. In May 2025, despite public backlash, the parliament proceeded with a final version of the ‘foreign influence’ law, highlighted by the International Center for Not-for-Profit Law (2025) as the ‘Georgian FARA’. Once this law comes into force, groups like GUILD and other unions sustained by external funding will face a fateful choice:

4 Balda Canyon is a natural monument and a protected area in the west of Georgia.

5 Protests began in Chiatura, also in the west of Georgia, at the end of February 2025 with a series of demands including the restoration of underground operations which had been suspended by the employer, Georgian Manganese, in October, citing ‘financial unprofitability’. This caused serious financial hardship in a town where GM is the largest employer. See OC Media (2025).

either register as ‘foreign agents’, accepting a label that will undermine their credibility, or cease any activities financed from abroad. If they violate the law, leaders could face criminal prosecution and up to two years in prison. In short, the very model that powered the December strike, relying on global solidarity networks and donor support, is now under legal threat.

The December 2024 cultural strike was the first nationwide action in Georgia to combine a traditional labour stoppage with mass street protest; in many ways, it is a textbook case of social movement unionism. It also revealed the strategic divide within Georgian labour. The independent unions have chosen open confrontation and broad coalitions as their way forward whereas the GTUC, still cushioned by domestic property income, publicly opposed the bill only after EU officials hinted that staying silent could put social dialogue funding at risk. Even then, its president limited the criticisms to ‘procedural shortcomings’, avoiding any mention of repression. On the day before the election, after more than two decades as president, Irakli Petriashvili appeared on the pro-government Imedi TV channel and suggested that it made little difference whether directives were coming from Moscow or Brussels, portraying the EU and Russia as similar external propaganda centres.

#### From social movement unionism to social justice unionism: widening the lens

The December events raise the question of whether Georgia’s labour movement is moving toward a model of social movement unionism or social justice unionism. Both concepts refer to unions expanding their focus beyond workplace issues to engage in broader social struggles, but each has its own origin and emphasis.

There is another frequently cited template, called social democratic unionism (Benner 2004; Mathers 2007) – or, alternatively, ‘radicalised political unionism’ (Upchurch et al. 2009) – which rests on a stable pact between strong unions and a social democratic party in government. This tradition, however, offers little explanatory power in Georgia where, since independence, no social democratic party, administration or allied actor has existed to underwrite such political exchange arrangements. Accordingly, the analysis in this article puts brackets around that model and turns instead to the two frameworks most relevant to Georgia’s independent unions: social movement unionism and social justice unionism. This section seeks briefly to explain these ideas and how they might apply.

Social movement unionism (SMU) is a term that started to gain wider use in the late 1980s among activists and researchers studying powerful waves of labour activism in the Global South. In countries such as Brazil, South Africa and South Korea, unions were not only fighting for higher wages but also pushing for democracy and human rights under authoritarian regimes. For example, South Africa’s COSATU stood up to apartheid, while Brazil’s CUT worked together with landless peasant movements. Writers like Peter Waterman and Kim Moody observe that these unions share three main features: strong participation by ordinary members in union decisions; strategic partnerships with community groups beyond the workplace; and a vision that reached ‘beyond the factory gate’, linking everyday workplace demands to bigger issues like political freedom and environmental protection. In other words, SMU means that unions become a core part of broader social movements. Many see

this approach as a way to rebuild labour's relevance at a time when neoliberal economic policies have been weakening traditional collective bargaining. The concept of 'social movement unionism' has thus become a central research theme, although debate on the topic has slowed somewhat since around 2010 (Scipes 2014).

Social justice unionism (SJU) emerged as a concept rather later, mainly in industrialised democracies. By the 2000s, researchers in the United States, Europe and Australia were documenting how some unions were deliberately broadening their agendas to include community issues and civil rights (Fairbrother 2008; Fairbrother and Webster 2008; Waterman 2004, 2008). Among them, Amanda Tattersall (2010) conducted detailed studies of union-community coalitions in cities like Sydney, Chicago and Los Angeles. She uses the term 'social justice unionism' to describe a long-term strategy where unions integrate social change goals – fighting racism, advancing gender equality and tackling climate change – into their everyday work and bargaining.

Unlike the often spontaneous, crisis-driven nature of SMU, SJU focuses on patiently building lasting coalitions and institutional partnerships. For example, unions might create formal alliances with immigrant rights groups or environmental NGOs, share office space and funding, and coordinate campaigns over several years. In SJU, power comes not just from large protests but also from sustained 'relational organizing', as Tattersall describes it, that can shape policy and public opinion over time.

In practical terms, SMU and SJU share the core idea that unions should advocate broader justice issues, not just their members' pay packets. The differences are in pace and structure: SMU tends to emerge in bursts around moments of political turmoil, whereas SJU is more of a steady, integrated approach in stable settings. But in reality, the line between them often blurs and many experts treat SJU as simply a more institutionalised form of SMU adapted to different contexts. However, even these broad models of unionism face significant challenges and ongoing debates.

One of the major ones is the tension between internal democracy and organisational efficiency. Giving the grassroots a strong voice can indeed slow down decision-making and make it more complex (Michels 1911). Some less ideologically driven members may feel disengaged by constant meetings and political discussions. On the other hand, advocates of union democracy argue that deep member engagement is a source of strength. Labour educators Mike Parker and Martha Gruelle (1999) insist that unions cannot grow truly powerful 'without democracy, [without] rank-and-file [workers] organizing themselves', since real power comes from an involved membership. Similarly, organiser Jane McAlevey emphasises that 'high participation' by rank-and-file workers makes unions more effective (McAlevey and Lawlor 2023), helping create a union that members feel they truly own.

Another key question is about labour's special role in a broad social coalition. Some community activists and scholars worry that, if a union spends too much energy on general social issues, it may fail to focus on its core responsibility: standing up for workers in their workplaces. Political scientist David Ost (2002), for example, describes this tension in eastern Europe in this same way: unions that start acting like broad social movements, pursuing political or community goals beyond the

workplace, often end up neglecting workplace representation. This, in turn, drives members away and leads to a decline in union strength. This view shows that many workers care most about concrete improvements in their working conditions and that a union risks losing support if it steps away from its main mission of representing them at work. Others argue that a union's ability to strike and bargain collectively is exactly what gives strength to social justice causes, providing real 'teeth' to efforts that might otherwise rely on protests or lobbying. For example, labour theorist Kim Moody (1997) argues that an essential feature of social movement unionism is precisely the ability to use union power, such as the strike, to support broader community struggles and give them real impact.

A third challenge involves resources and the ability to grow and sustain efforts over time. Experiments in social justice unionism (especially in North America) have often depended on significant outside funding, such as grants from particular foundations, and professional staff to manage community coalitions. These are luxuries that unions in a smaller economy like Georgia may not have. Comparative research suggests that, in low-resource contexts, such broad union strategies are harder to maintain in the long run. Indeed, most studies find that ambitious grassroots campaigns in post-communist countries struggle partly because of limited organisational capacity, which eventually leads unions to retreat to a narrower 'service' model focused on core workplace issues (e.g. Ost 2002).

In short, while models like SMU and SJU hold much promise, they must continuously balance internal democracy with practical action, broaden their social vision without losing workplace focus and scale up their efforts within the limits of their resources – challenges that scholars and activists alike continue to debate.

That said, countries like Georgia might also be a surprisingly fertile ground for these approaches to take root. Sudden political changes – like revolutions or shifts in government – along with the relatively open lines between civil society and politics, and the lack of strong, established 'social partner' institutions, can all create chances for new union strategies to emerge. Recent examples of community-based unionism in countries as diverse as Indonesia and Croatia show that, when formal union membership is low and workplaces are fragmented, unions can gain influence through moral authority and innovative partnerships rather than relying on sheer numbers alone. In Georgia, where union density is modest and many young workers have never been part of any union, a movement that captures hearts and minds through broad social campaigns might stand a better chance than traditional organising at factory level.

So, how does Georgia's case fit into the typical SMU and SJU models? There are several key indicators to consider. Are the unions connecting workers' economic demands with broader democratic or rights-based issues? Are they sharing leadership and decision-making with non-union allies, such as NGOs, student groups and community councils? Are they combining traditional labour tactics like strikes and pickets with other forms of activism, including street demonstrations, legal action or creative cultural resistance? And, finally, how are they funded: mainly through member dues or through a mix of dues, grants and grassroots donations?

On the evidence so far, Georgia's independent unions share many of these features. GUILD and its partners linked labour action to a pro-democracy cause. They opened their meetings to other movements and combined a work stoppage with mass protests and art-as-protest. They also relied on a mix of regular membership dues and outside crowdfunding.

The GTUC, in contrast, has not adopted these approaches. It has mostly focused on basic workplace issues, keeping its top-down structure, staying away from confrontational protests and relying on old assets and local funding.

Georgia's labour uprising, then, closely resembles the kind of social movement unionism and social justice unionism seen in other countries during important turning points, though on a smaller scale and with its own local flavour. The question now is whether this spark of social movement unionism can last and grow into something stable, or whether it will be extinguished by repression or by being absorbed into the system.

### Discussion: crossroads, constraints and trajectories

The events of December 2024 showed that Georgian unions can move beyond the narrow limits of wage bargaining and act as catalysts for broader democratic mobilisation. But one episode of activism, as inspiring as it was, does not automatically lead to a lasting movement. If the independent unions hope to build a durable form of social movement or social justice unionism, they will need to turn the extraordinary energy and structures of that moment into something more permanent.

That means facing two immediate challenges. First, shifting from one-off funding to more permanent sources of support. Crowdfunding and emergency donations were enough to pay for a single solidarity strike, but keeping a movement alive over time requires steady resources. Legal aid for arrested activists, training for new organisers and maintaining communications platforms all depend on reliable funding. With the 'foreign influence' law casting a long shadow, western grants may dry up or become too risky to accept. The independent unions might need to boost their member dues significantly or find new local fundraising methods to keep going in the long run. As their membership continues to grow across different sectors, these unions may also see an opportunity to build a shared independent confederation that can unite their efforts under one stronger voice.

Second, turning symbolic influence into real bargaining power. Shutting down theatres and organising creative street protests attracted media attention and won public sympathy. However, Georgia's economy does not depend on theatres; it relies on sectors such as transportation, mining, construction and public utilities. To shift the balance of power in full, the new labour movement will eventually need to build a presence in those strategic industries in which strikes or slowdowns can put economic pressure on the state and large employers. In other words, the moral victory of the cultural strike will need to be supported by real workplace power, or else the government may decide it can tolerate the protests without facing serious consequences.

### *The state's approach: criminalise, co-opt, divide*

The government's response has combined different strategies often used in semi-authoritarian systems: criminalisation, co-option and division. Rather than relying solely on direct repression, the authorities have introduced restrictive laws, provided special advantages to more cooperative unions and applied targeted pressure against independent groups. Together, these measures are designed to weaken organised labour, disrupt solidarity and limit the capacity of unions to challenge state power.

#### Criminalise

By passing laws with broad and vague wording, like the foreign agent registration law and a ban on 'political' strikes, the authorities have made many peaceful protests technically illegal. Even if these laws are not enforced consistently, they still have a strong discouraging effect. Unions and NGOs must now carefully consider every grant they accept or every protest they join, as they risk facing legal action or penalties. This constant legal threat hangs over activists, draining their time and energy as they try to defend themselves or keep up with the complicated regulations.

#### Co-opt

At the same time, the authorities have been good at bringing the GTUC into their sphere of influence, using a mix of rewards and pressure. GTUC leaders are invited to join official bodies, such as the National Tripartite Commission, attend government events and participate in EU-funded labour reform projects. They are also often welcomed by big corporations which promote a kind of 'corporate patriotism' that frames social peace as everyone's shared duty. These benefits come with strings attached: the GTUC is expected to keep a moderate tone and avoid open conflict.

#### Divide

Meanwhile, the state uses targeted pressure against the independent unions – including audits, negative media campaigns and arrests of well-known leaders – as a means of isolating and weakening them. Every hour an independent union spends dealing with tax inspectors, filling out paperwork or defending its leaders in court is an hour not spent organising workers or planning protests. By picking off one group at a time – today the miners, tomorrow the actors, maybe next week the teachers – the authorities are trying to stop these unions from working together as a united front. This is a divide-and-rule tactic aimed at the labour movement.

How far this approach will succeed in Georgia is still uncertain. Two factors, mostly outside the government's control, could shape what happens. One is the European Union's stance. If EU institutions decide to apply real pressure – for example, by linking financial aid or membership progress to respect for labour rights – it could make repression more costly. But if Brussels and European capitals limit their response to statements of concern, the government might feel it can act freely at home.

The other factor is public opinion in Georgia. The authorities want to label independent unions and NGOs as tools of foreign influence. But if the unions can show ordinary Georgians that this is really about their own freedoms, that today's 'foreign agent' could be your child's teacher or your favourite actor, and tomorrow maybe you, then the government's clampdown could backfire. Strong public support would make it much harder to keep up the pressure.

Examples from other countries show the different ways this could develop. In Turkey after 2016, the main union confederations survived by accepting quiet stagnation: they kept their seats at the table but lost the trust and energy of their members. In South Korea, after 1987, established unions eventually joined mass protests to reconnect with workers and rebuild their credibility. Poland offers yet another example: an organisational split, where old and new unions separated completely and began competing for recognition and international allies.

## Conclusion

The story of Georgia's unions is still being written. From the cultural workers' strike to the growing calls for a more democratic labour movement, the past year has shown both the promise and the fragility of a new kind of unionism. Georgia's labour movement now stands at a crossroads familiar to many countries facing creeping authoritarianism: embrace open confrontation and risk being crushed, or retreat into safe institutional corners and risk becoming irrelevant.

The December 2024 strike suggests that there may be a third way – a broader, more creative unionism that can turn workplace struggles into a shared call for democracy. But sustaining that vision will take more than courage: it requires building more substantial resources, deepening ties with communities and shaping a shared confederation that can hold diverse groups together under a common voice. Whether this spark grows into a movement with staying power or fades under the pressure of repression and fragmentation will depend less on the ingenuity of activists, which is already proven, and more on their ability to turn fragile alliances into a strong, lasting network of solidarity.

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