

THE IMPACT OF ACTIVE LABOUR POLICIES ON ECONOMIC GROWTH

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Abstract

How to cite this paper: Rexha, D., Ziberi, B., Hetemi, A., & Gorda, E. (2022). The impact of active labour policies on economic growth. *Corporate Governance and Organizational Behavior Review*, 6(1), 177–187. <https://doi.org/10.22495/cgobrv6i1p14>

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ISSN Online: 2521-1889
ISSN Print: 2521-1870

Received: 30.10.2021
Accepted: 07.03.2022

JEL Classification: E24, O11, E00
DOI: 10.22495/cgobrv6i1p14

This study aims to analyze the mechanisms of active labour market policy in the case of Kosovo and the impact on reducing the unemployment rate and increasing employment. This research is descriptive, analytic, and exploratory. The data used are secondary data in the quarter for the period 2016–2020, which are provided by the Kosovo Agency of Statistics. The study uses the OLS (ordinary least square) econometric model and Pearson correlation in order to assess the impact of unemployment and employment rate on Kosovo's GDP (gross domestic product). The paper concludes that Kosovo has approved a large number of programs for the activation of the unemployed, mainly young people, but generally young university graduates are in a higher structure and rate in the composition of the unemployment rate. It is generally accepted that university graduates as workforce are the key driver of economic growth and development (Ziberi, Rexha, & Ukshini, 2021). This allows us to come up with further recommendations, such as the active policies in labour market in the case of Kosovo to be designed in the future based on a cost-benefit perspective and in order to measure their effectiveness.

Keywords: Active Policy, Labour Market, OLS Model

Authors' individual contribution: Conceptualization — B.Z., D.R., A.H., and E.G.; Methodology — B.Z.; Data Curation — B.Z. and D.R.; Writing — Original Draft — B.Z., D.R., and A.H.; Writing — Review & Editing — B.Z., D.R., A.H., and E.G.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

Unemployment and its importance to society, the community, and the economy are topics of debate for years. The Republic of Kosovo has been sufficiently reformed since the war in almost all spheres. For this reason, special attention is paid to active labour market policy and programs included in the activation of the unemployed population and programs that are part of labour market policy. The main role in this regard is mainly played by the Ministry of Labour and Social Welfare in the case of the Republic of Kosovo as well as the Employment Agency of the Republic of Kosovo (APRK). The Ministry of Labour and Social Welfare (MLSW) is best known as one of the main actors in the creation and implementation of labour market policies and the construction of institutions for the labour market. The Ministry and other institutions are in

the process of increasing the implementation of their capacities as well as in coordinating the activities of various actors.

Labour market research and determinants of equilibrium are very important issues in addressing socio-economic problems. Employment is a vital aspect of the dynamics and stability of other socio-economic parameters in a country or population. In the narrow sense, it represents a stable or temporary economic-social relationship, a situation where labour resources are put to use for the production of goods and their exchange. Employment stands in the middle and connects the important categories of the labour force, capital, production, functioning as a very important indicator in a society (Riinvest Institute, 2003). As an economic relationship, employment appears and is realized in the market. Radical economic transformations in the country from a centralized

economy to a free economy also conditioned the labour market, which began to be subject to the law of supply and demand. During these years, the state, from the sole owner and employer role, which it had in the system of the centralized economy, began to take on the role of regulator of the relations of actors (employer-employee) of the labour market.

Why should we not ignore this high unemployment rate? There are many reasons. First, it is very expensive for the community. These are benefit payments that are very expensive and paid through personal taxes, who work. Then, the state gets less income when it is a part of the working-age population and does not work (less social contributions, less income tax, less VAT because the unemployed do not). Then, there is a problem at the individual level. The unemployed person is in a situation of inferiority, he no longer benefits from income, so the decline of his personal development can be observed. But it is also not a social influence: exclusion from society (workers are placed at the bottom of the social ladder, but at least they are in society), the extent of poverty, school failure, divorce, crime, stress, and deteriorating health, unemployment. Therefore, the increase in the number of excluded threatens social well-being. That is why we try to fight unemployment and reduce the level of unemployment, the number of unemployed. This means that we do not take into account inactive youth; Biagi and Lucifora (2005) investigated the educational and demographic effects of unemployment in 10 European countries in 1975 and 2002, through data analysis. According to the results, drastic changes in education and demographic characteristics are dependent on age and level of education. According to conventional policies, the labour market is comparable to all others and it is only companies that fight unemployment by reducing labour costs. This reduction is obtained by reducing wages for low-skilled jobs or services. In the face of this situation, when the supply of labour increases greatly, the amount of wages decreases, and conversely, if there is a small supply and a shortage of staff, wages increase.

Unemployment, in general, remains one of the main problems facing Kosovar society today. But, youth unemployment is much more pronounced and Kosovo's losses as a society from this unemployment, in the long run, will have a very high cost (Rinvest Institute, 2003; van Ours, 2000). Active labour market policies are the best mechanism on how state intervention in the labour market can be channeled and rationalized, with clear goals. Kosovo has established a practice of several years in the implementation of active labour market policies, but this practice needs to be strengthened to further develop (Shtetiweb, 2017). World experience has shown that the main motto in this regard is: Active employment policies are quite important, but due to their high cost they are subject to a prior selection, giving priority to those policies that pay off faster (van Ours, 2000).

The main purpose of this study is to reflect the active policies in the case of the Republic of Kosovo seen through the prism of the importance that active labour policies carry in order to alleviate the unemployment rate and increase employment.

This study aims, among other things, to measure the impact of employment and unemployment on the economic growth of the Republic of Kosovo.

The objectives of this study are:

1. To elaborate on the role of the Ministry of Labour and Social Welfare in terms of effective management of active and passive labour market policies.

2. To reflect the institutions and programs within the Kosovo Agency of Statistics that aim to reduce unemployment and increase employment.

3. To measure the impact of unemployment and employment on the economic growth of the Republic of Kosovo.

The active policies in the labour market play a crucial role in order to decrease the unemployment rate increasing the rate of employment. Thus, this study raises the following research questions:

RQ1: What are the types of current active policies implemented by the competent bodies in the Republic of Kosovo aimed at reducing unemployment?

RQ2: What are the types of passive policies implemented in the Republic of Kosovo to support the unemployed?

RQ3: In what correlation are the unemployment rate, the employment rate, and the economic growth in the case of the Republic of Kosovo?

The remainder of the paper is structured as follows. The second section presents a review of the literature by local and international authors. The third section reflects the research methodology, data collection, and the econometric model. The fourth section provides the research results. The fifth section reflects the discussion as well as the hypotheses testing. The sixth section is followed by conclusions and recommendations.

2. LITERATURE REVIEW

Active policies are of great interest for both policymakers and the citizens within a society. It is known worldwide that all countries despite their economic development and growth use these policies in order to activate the unemployed, especially youth and university graduates, unemployed. In recent years, there has been a growing interest in so-called active labour market policy as a means of fighting the persistent unemployment in Western Europe (Calmfors, 1994). The transition path from education to employment is a key determinant of sustainable economic growth and development (Ziberi, Rexha, & Ukshini, 2021).

Labour factor has been considered as the holder of the economic activity, however, manpower, namely its broader term "population", is at the same time the user of the product and the services (Ziberi, Rexha, & Gashi, 2021).

Much has been written about the effectiveness of active labour market measures based on evaluations carried out using micro-data, yet not enough about their effectiveness at the aggregate level (Escudero, 2018). A study by Yeyati, Montané, and Sartori (2019) finds that active labour programmes are more likely to yield positive results when GDP growth is higher and unemployment lower and that programmes aimed at building human capital show a significant positive impact.

Unemployment as a phenomenon is a controversy in itself that is given great importance by policymakers in the world. Young people aged 15 to 29 are more affected by unemployment than the rest of the population. Compared to the entire population, the youth unemployment rate is more or less twice as high. But one point should be noted. We calculate the unemployment rate by separating jobseekers from new workers.

The active policies used in general are as follows:

- Subsidized employment: When government employment offices employ people in public programs.

- Contractual relations: When the government signs a contract with the employer who offers work.

- Training programs: When employees are offered training programs for skills development, etc.

Other categorizations on the most important policies active in the labour market are listed by the Riinvest Institute (2003): employment services, employment promotion programs, and vocational training. Active labour market policy aims to improve labour efforts and create the conditions for the necessary adjustment between workers and the labour market. In this area, the main goals to be considered are 1) improving the education system; 2) better organization for training; 3) political support for self-employment (Reinvest, 2015).

Active labour market policies are instruments widely used by the European Commission to reduce the negative effects of the recent economic crisis on domestic labour markets. The success of these policies in achieving the objectives set at the European level has generally been seen to vary between countries, being analyzed mainly on the basis of national commitment to efficient or specific structural reforms that promote economic growth through equality and prosperity. The basic processes of economic development start through employment programs, initiated by the government, because unemployment affects the reduction of GDP, reduction of the budget, increase of corruption, nepotism, crime, etc.

The purpose of employment programs is very important and it is not discussed. Passive or active labour market policies and the relationship between them, which is variable, and in favor of the latter, are known, but the question arises related to the implementation of these programs: How much do the unemployed benefit from these policies/programs? The next legitimate questions are: How much and how programs are reviewed? How much and how do they fit into unemployment profiles?

Hypotheses raised in the study:

H1: The unemployment rate reduces gross domestic product in the case of the Republic of Kosovo.

H2: Employment rate positively affects economic growth.

H3: Gross domestic product is in positive correlation with the employment rate, while in negative correlation with the unemployment rate.

2.1. Active policies in the case of Kosovo

Kosovo as a new state is in the process of creating institutions and labour market policies. The experiences of other countries should be taken into account and used accordingly. These countries

have accumulated considerable experience in order to reform their labour market. The legal framework seeks to create an institutional environment where workers can find their protection and support.

The focus of this study is the active and passive labour market policies in the case of the Republic of Kosovo. For this reason, in this section, special attention is paid to active labour market policy and programs included for the activation of the unemployed population and programs that are part of passive labour market policy. The main role in this regard is mainly played by the Ministry of Labour and Social Welfare in the case of the Republic of Kosovo, as well as the Employment Agency of the Republic of Kosovo.

Through active labour market programs, employers are subsidized to hire and train unemployed jobseekers, creating new sustainable jobs, employing candidates offered by employment offices. The support (subsidy) from the state is given according to the definitions made in the employment promotion programs, approved by decisions of the Council of Ministers.

Active labour market policies aim to improve the position of the labour market for the unemployed. In many countries, training and financially supported jobs are elements of active labour market programs.

Since Kosovo gain its independence, the labour market has gained its true meaning and has significantly faced the Albanian society unemployment phenomenon. To combat this phenomenon, every government undertakes passive policy programs and drafts active labour market policies.

Active labour market policies are diverse, starting with mediation, counseling, and information services; promoting employment programs, self-employment; small and medium business promotion policies; professional qualification; preventive and regulatory policies for young people, etc. Faced with this reality, the government occupies the main weight in drafting these policies, represented by the Ministry covering the employment field.

2.2. The role of the Ministry of Labour and Social Welfare in the case of Kosovo

The competencies of the Ministry of Labour and Social Welfare within the Government of the Republic of Kosovo are numerous and strongly support active and passive labour market policies. The Ministry of Labour and Social Welfare, based on Regulation No.02/2011 for the areas of administrative responsibility of the Office of the Prime Minister and ministries have these competencies and responsibilities (Ministry of Labour and Social Welfare, 2020):

- Creates labour and social welfare policies and drafts and implements legislation in these areas.

- Supports and develops non-discriminatory labour and employment relations, taking into account applicable international labour standards.

- Monitors the progress of employment and social welfare and introduces active adequate measures to promote employment and reduce unemployment as well as adequate passive measures to meet the needs for social assistance for needy citizens.

- Supports action policy and work and social welfare practices for the protection of children and minors.
- Establishes standards for safety and protection at work of employees and supervises their implementation.
- Leads and supervises public administrative employment institutions and social care institutions, persons in need and cooperates with municipalities and institutions involved in the implementation of employment and social welfare policies.
- Supervises the supply and demand for the labour market and is committed to their compliance.
- Provides and supervises vocational training programs for the unemployed and jobseekers in terms of human resource development, to improve their employment opportunities.
- Encourages dialogue between the social partners (workers' organizations, trade unions, employers' organizations, and the government).
- Convenes the meetings of the Economic and Social Council (SEC), as the highest advisory body of the social partners for employment policies, social welfare, and other economic policies, aiming at the prevention and resolution of social conflicts and represents the Government of Kosovo in this body.
- Provides financial assistance from the funds allocated to families and individuals in need.
- Manages the use and development of infrastructure, which is related to work and social welfare in the responsibility of this ministry.
- Administers and supports the social security system, including the pension system and unemployment benefits.
- Provides financial and social support, emergency and permanent, through institutions or services set up for this purpose for citizens in need.
- Performs other tasks assigned to the Ministry by the relevant legislation in force.

Employment services and active labour market measures (MATP) for the unemployed (and other jobseekers) until recently were provided by MLSW, while from April 2017 they are provided by the APRK; MLSW remains responsible for policy-making and oversight of policy implementation by APRK (Ministry of Labour and Social Welfare, 2021, p.14). It is worth mentioning that the report of the MLSW also emphasizes that APRK provides services and measures for the unemployed through its mechanisms at the regional/local levels: 28 employment offices (EO); 8 vocational training centers (VTC); mobile centers.

Employment offices register and profile the unemployed (and other jobseekers) and provide counseling and mediation in regular employment or access to the MATP, such as wage subsidies, internships, etc., while VTCs provide vocational training and rehabilitation through training short-term modular.

The Employment Agency of the Republic of Kosovo is an independent body within the Ministry of Labour and Social Welfare and is the main provider of MATPs. The APRK is a public service provider in the labour market, which aims to manage the labour market and implement employment policies and professional training designed by the MLSW. The APRK implements the following MATPs (GIZ, 2019):

1. Vocational training (through VTC).
2. On-the-job training (TnP).
3. Labour market legislation in Kosovo has often been the focus of debates on the need to change it, either in terms of adopting the latest standards according to the World Labour Organization (ILO) or even to bring it subsidies wages (SiP).
4. Internships/Internship schemes (PnP).
5. Self-employment.
6. Entrepreneur (VN).

In line with the economic situation in Kosovo, the report also states that maternity leave is one of the provisions that have sparked the most debate in the country as businesses pay most of the leave (6 months at 70% of basic salary), it is often stressed that the law as such encourages discrimination in the labour market and discourages businesses from employing women and girls (Oda Ekonomike Amerikane në Kosovë, 2018).

Vocational training (through VTC)

The Ministry of Labour and Social Welfare, through the Employment Agency of the Republic of Kosovo, manages 8 VTCs which are concentrated in the eight regions of the Republic of Kosovo: Prishtina, Prizren, Peja, Gjakova, Ferizaj, Gjilan, Mitrovica, and Doljane (Northern part of Mitrovica) with 69 workshops and 30 different professions. In these centers, the training and rehabilitation are done of persons who are registered as jobseekers, unemployed, and those who receive career guidance services, at all employment offices in municipalities.

Numerous studies in the region, particularly in Eastern European countries, such as Croatia, Kosovo, Macedonia, and Serbia, attribute the main failures identified in the PA systems to 1) the lack of institutional cooperation between vocational training centers, employers, and social actors; 2) curricula that are focused on extensive research in the region (Ministry of Local Government Administration, 2020).

3. RESEARCH METHODOLOGY

Labour market policies and activation are becoming an integral part of the efforts of the Kosovo Government to link people to employment measures, thus contributing to the country's economic growth and the well-being of its citizens (GIZ, 2019). This study uses literature starting from the familiarity with the terminology from general to specific, reflecting the various programs as an integral part of active policy in the labour market in the case of the Republic of Kosovo.

The data used are secondary, which are provided by the Kosovo Agency of Statistics. This study is based on the econometric model OLS (ordinary least square regression) commonly known as the "OLS model", which consists of a dependent variable and one or more other variables in the role of factors that are expected to have an impact on the dependent variable defined in the model.

Econometrics is the application of statistical methods in economic data to give empirical content in economic relations. More precisely, it presents the quantitative analysis of current economic phenomena based on the development of theory and observation, related to appropriate methods of termination.

We have regression analysis which studies the relationships between the two or more variables. Regression analysis is a technique used to develop the equation in a straight line to make predictions in the future.

The regression equation is an equation that defines the ratios between two variables, the dependent variable (Y) and the independent variable (X). The regression equation is used to estimate the dependent variable based on the independent variable. The dependent variable is the projected or evaluated variable and the independent variable is the variable that provides the basis for the estimate. Regression analysis is used to predict the value of the dependent variable based on at least one independent variable, i.e., the dependent variable: the variable we want to predict or explain, and the independent variable: the variable used to explain the dependent variable.

OLS is the most common estimation method for linear models — and that is true for a good reason (Frost, n.d.). Simple regression is assumed to be a real relationship between Y and X for all possible values they can take and is known as the population regression function. In its structure, it includes the defining part and the error term. Simple regression can be estimated using the small squares method, under certain conditions to generate impartial and efficient estimators. The OLS method is the simplest method for analysis and is an evaluative approximation of the conditional mean

of the dependent variable when we have data on one or more independent variables.

On the left side of the equation is the dependent variable and on the right side of the equation are the independent variables, the OLS model takes the following form:

$$Y_i = \beta_0 + \beta_1 X1_i + \beta_2 X2_i + \mu_i \quad (1)$$

where, Y_i is the dependent variable, namely GDP growth, in our case of analysis;

β_0 is the constant;

β_1 is the parameter;

$X1_i$ is the factor, in our case the independent variable “employment”;

$X2_i$ is the factor, in our case the independent variable “unemployment”;

μ_i the error term.

Earlier we mentioned one-factor analysis but due to the limitations of analysis in only one variable there is not much practical application, so it is more appropriate to apply multifactorial analysis. If we add more variables to the model it means that more variation of the dependent variable will be explained. The parameter β represents the variation of the dependent variable when the independent variable has a unitary variation (Alto, 2019).

In our case of analysis, the data are provided for the three main conceptual variables of the econometric model, namely:

Figure 1. The variables employed in the econometric model OLS

Econometric variables	<i>Gross domestic product (GDP)</i> representative of economic growth: Represents the dependent variable of the model.
	<i>Employment rate</i> which is the factor influencing economic growth: With expected positive impact.
	<i>Unemployment rate</i> which is the second factor in economic growth: With expected negative impact.

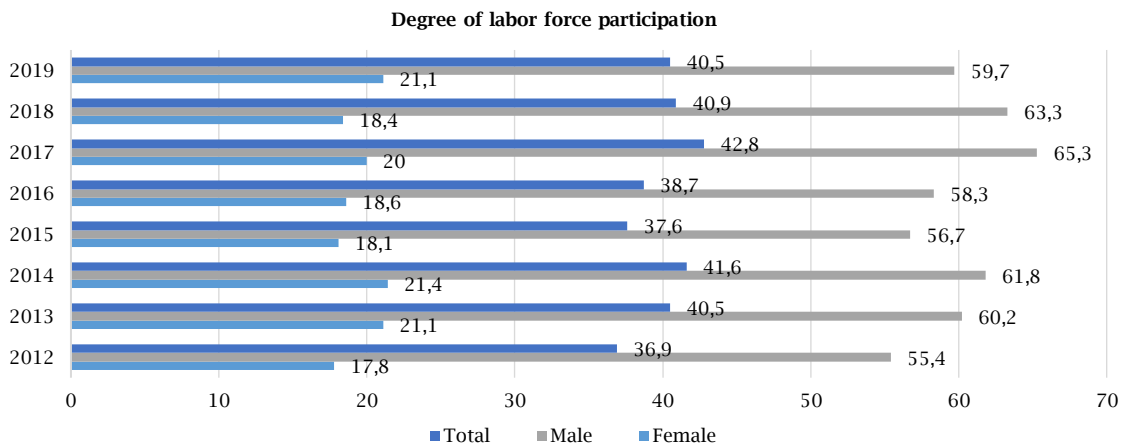
Source: Authors' elaboration.

4. RESULTS

This section of the study continues with the interpretation of the findings. First, the conceptual

variables are presented, then the econometric analyzes are presented to assess the association of the variables and their impact.

Figure 2. Labour force participation rate in case of Kosovo (2012-2019)

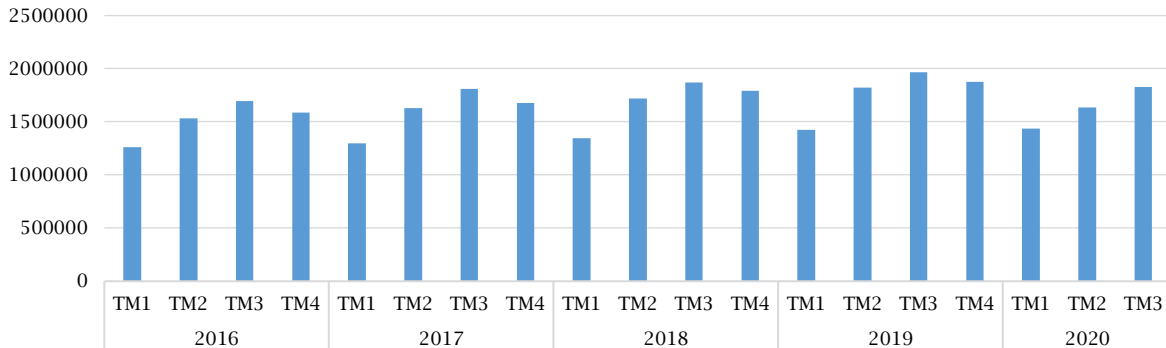


Source: Secondary data provided by the Kosovo Agency of Statistics, processed by the authors (<https://ask.rks-gov.net>).

Figure 2 presents the percentage of labour force participation rate for the male, female, and total categories. As we see, the participation in the male labour force in 2012 was 55.4% men and

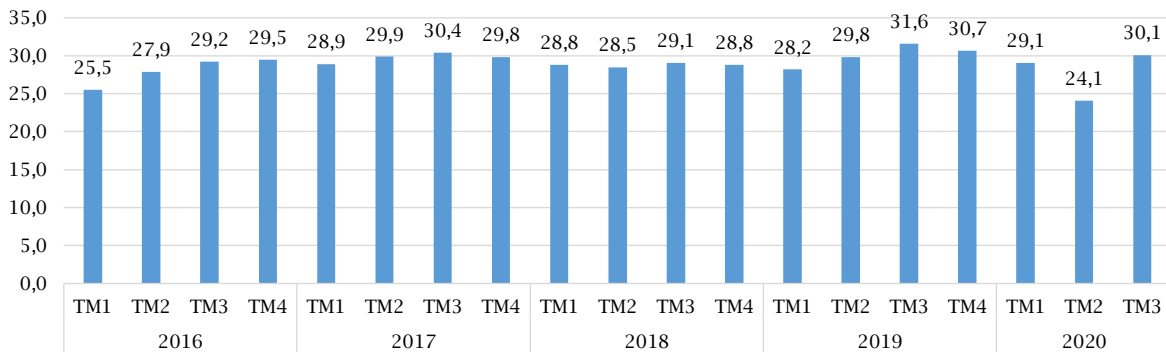
17.8% women, and in 2019 it reaches 59.7% men and 21.1% women so we see that it is a positive trend in increasing male employment but also values for women have increased positively.

Figure 3. GDP at current prices (2016–2019 quartile)



Source: The Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

Figure 4. The employment-to-population ratio (the employment rate)

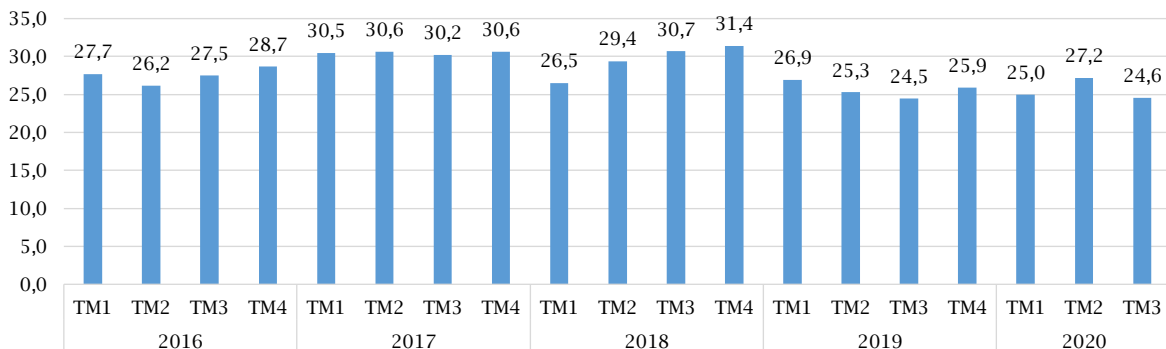


Source: The Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

As can be seen from the graph, the employment rate for the population is increasing. In the first quarter of 2016, it was 25.5%, while in the first quarter of 2020 it reaches 29.1%.

The highest rate is reached in the third quarter of 2019 at 31.6%. The lowest rate is in the second quarter of 2020, as a result of conditions from the COVID-19 pandemic.

Figure 5. Unemployment rate (2016–2020)



Source: Secondary data from the Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

The unemployment rate is declining. As we can see from the graph, in the first quarter of 2016 it was 27.7%, while at the end of 2020 in the third

quarter it reaches 24.6%. The highest unemployment rate is recorded in the fourth quarter of 2018.

Table 1. Unemployment rate by level of education and gender in Kosovo

Year	Gender	Without school	Classes VIII/IX	Vocational secondary education	High school gymnasium	Tertiary	Total
2013	Male	70.0	44.9	33.4	34.8	14.7	33.1
	Females	57.6	49.2	42.4	61.9	25.4	41.6
2014	Male	70.0	44.9	33.4	34.8	14.7	33.1
	Females	57.6	49.2	42.4	61.9	25.4	41.6
2015	Male	79.7	48.6	34.8	25.7	13.7	31.8
	Females	63.1	39.5	40.8	45.8	27.3	36.6
2016	Male	62.9	34.5	31.1	21.7	11.6	26.2
	Females	19.5	25.2	38.8	35.7	28.0	31.8
2017	Male	59.7	37.2	31.8	23.8	19.0	28.7
	Females	16.5	24.9	43.1	43.0	34.0	36.6
2018	Male	67.7	41.4	31.3	24.6	16.7	28.5
	Females	35.6	32.3	38.2	49.8	23.3	33.4
2019	Male	63.0	32.0	22.3	23.2	14.5	22.6
	Female	37.5	32.2	39.4	37.6	30.9	34.4

Source: The Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

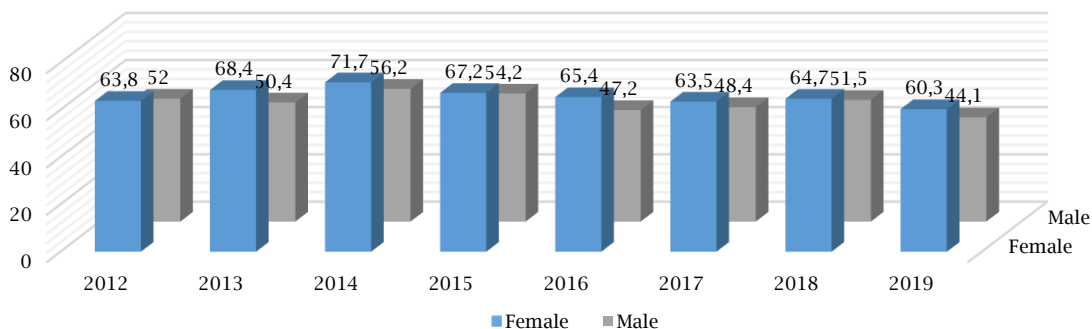
As we can see from the above table, the unemployment rate for tertiary education has increased for the period under consideration. In 2013, the unemployment rate with tertiary education for males was 14.7%, and for females

was 25.4%. In 2019, the unemployment rate for males reached 14.3% and for females 30.9%. In the whole structure, the rate of unemployment with tertiary education remains high.

Table 2. The employment rate by gender and age

Year	Gender	15-24 years	25-34 years	35-44 years	45-54 years	55-64 years	Total (15-64 years)
2012	Male	27.3	63.7	64.5	56.4	28.1	240.0
	Female	7.9	18.9	17.1	13.8	5.2	62.8
2013	Male	27.7	68.6	69.6	61.0	34.3	261.2
	Female	7.8	20.8	21.1	18.7	8.8	77.1
2014	Male	25.0	64.5	67.5	58.7	32.4	248.2
	Female	7.2	19.5	20.3	18.5	9.8	75.3
2015	Male	23.2	58.8	60.3	54.8	32.9	230.0
	Female	6.1	17.7	17.6	18.5	7.1	67.0
2016	Male	27.7	64.4	67.2	60.3	37.8	257.4
	Female	7.2	20.1	20.0	19.4	7.7	74.4
2017	Male	30.2	68.0	74.4	66.4	42.6	281.6
	Female	8.6	17.0	20.5	19.8	9.6	75.5
2018	Male	25.8	64.0	69.4	70.6	41.8	271.6
	Female	8.0	18.5	20.2	17.1	9.7	73.5
2019	Male	33.2	70.2	64.6	65.7	46.3	279.9
	Female	11.3	21.7	21.2	18.6	10.4	83.2

Source: The Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

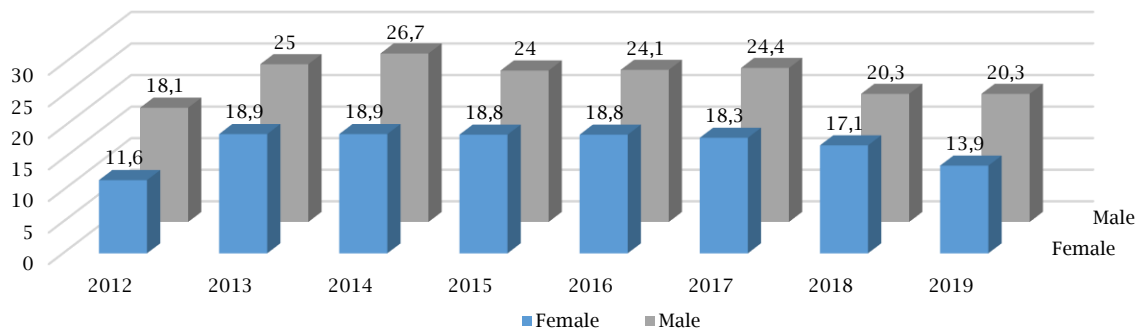
Figure 6. Youth unemployment rate (15-24 years)

Source: The Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

Figure 6 presents the percentage of unemployment rate among young people aged 15-24 years in the labour force for the male and female categories. As we see, the unemployment rate among young people in the male workforce in 2012 was 52.0% men and 63.8% women, while in 2019 it

reached 44.1% men and 60.03% women, so we see that it is a positive trend in reducing unemployment among young men while the values (in %) for women have not experienced a significant reduction in unemployment.

Figure 7. Percentage of unsustainable employment to total employment



Source: The Kosovo Agency of Statistics (<https://ask.rks-gov.net>).

Figure 7 presents the percentage of unsustainable employment to total employment for male and female categories from 2012 to 2019. As we see, the participation in the labour force of the category of men in 2012 was 18.1% and

11.6% of women category, while in 2019 it reached 13.9% women and 20.3% men, so we see that unstable employment is increasing, both women and men categories have undergone changes.

Table 3. Pearson correlation matrix

Variable	GDP at current prices	Employment to population ratio (employment rate)	Unemployment rate
GDP at current prices	1		
Employment-to-population ratio (employment rate)	0.539*	1	
Unemployment rate	-0.047	-0.062	1

Note: * Correlation is significant at the 0.05 level (2-tailed).
Source: Authors' calculations.

The Pearson correlation measures the strength of the relationship between two variables. In our terms of analysis, the Pearson correlation measures the strength of the relationship between conceptual variables such as GDP at current prices, employment rate, and unemployment rate. As active labour market plots devise programs to activate the unemployed and increase the employment rate, conceptual variables have also been selected in this context. As the expectations are that with active programs within the active policy in the labour market, to reduce the unemployment rate, consequently to increase the employment rate and in this case to increase the GDP.

In our case of correlation, as we can see from the matrix, GDP is strongly correlated with the variable, the employment rate at the coefficient

value is 0.539. This positive relationship is important as it is supported by theoretical macroeconomic aspects. Also, as we can see from the gross matrix, GDP is negatively related to the variable, the unemployment rate in the value of the Pearson coefficient is 0.047.

In this case, the negative link between unemployment and economic growth dates back to the historical developments of the major macroeconomic schools. To reinforce our findings, in the following we will present the results from the OLS regression that measures the impact of independent variables on the dependent variable.

In our case of the model-dependent variable analysis, the GDP is defined, while the model-independent variables are defined as the employment rate and the unemployment rate.

Table 4. OLS model summary

Model summary ^b				
Model	R	R-square	Adjusted R-square	Std. error of the estimate
1	0.539 ^a	0.290	0.202	188354.199

Notes: a. Predictors: (Constant), Unemployment rate, Employment rate; b. Dependent variable: GDP at current prices.
Source: Authors' calculations.

From the table above we notice that the coefficient R is 0.539. In this case, we say that

the model selected in our case of analysis is important.

Table 5. The importance of variables in the model (P-value)

Model		Coefficients ^a				
		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	-225310.916	943716.135		-0.239	0.814
	Employment-to-population ratio (employment rate)	65719.870	25775.575	0.538	2.550	0.021
	Unemployment rate	-1240.026	19088.457	-0.014	-0.065	0.949

Note: a. Dependent variable: Employment-to-population ratio (Employment rate).

Source: Authors' calculations.

The table above presents the coefficients of the model variables in our case of analysis, the independent variables in the model we have, the employment rate and the unemployment rate, and the model-dependent variable GDP.

We will present the significance of the coefficients through p-value where the condition of an independent variable to be considered valid in the model, a p-value less than or equal to 0.005.

As we see from the table, the value of the significance of the p-value of the variable employment rate is important in the model since the p-value is less than 0.05, in our case is 0.021. In this case, the increase per unit of employment will have a positive impact on the economic growth of Kosovo. We can also see that in our model conditions, the unemployment variable is insignificant since the p-value does not meet the alpha level condition (smaller than 0.05).

5. DISCUSSION

Active labour market policies are a topic of debate in all countries and this becomes more pronounced for economically poor countries, such as our countries, and mainly Kosovo. Although our state has designed many programs to activate the unemployed on average, the unemployment rate from the first quarter of 2016 to the quarter of 2020 (on average) remains the same. Thus, we can say that the programs or measures taken within the active labour market plot in the case of Kosovo are not showing results. Regardless of the reorganization and the way of supervising the functioning of the programs, the total unemployment rate seems to remain in place. It is, therefore, worth noting that these programs have been approved without prior cost-benefit analysis and after approval have not been evaluated for their effectiveness.

To test the hypotheses in this study, secondary data for the period 2016-2020 in the quarter were used. Data analysis and testing were done with the SPSS program.

The first hypothesis (*H1*) was tested with reference to linear regression OLS. Based on the significant results, we conclude that the increase in the employment rate has a positive impact on the economic growth of the Republic of Kosovo. The hypothesis of the study is accepted and based on this fact, it is suggested, among other things, to increase the commitment to the effectiveness of programs for activating the unemployed, in which case it has a positive impact on the economic growth of the country.

The second hypothesis (*H2*) is accepted by referring to the results from the Pearson correlation. Where based on the coefficients we come to the conclusion that the GDP is in a positive correlation with the employment rate and in a negative

correlation with the unemployment rate. As a result, unemployment continues to be at the same rate, approximately at the rate of 27% from 2016 to 2020 for quarters, and this result is an indicator of the non-functioning of programs for the activation of the unemployed in the case of Kosovo.

The third hypothesis (*H3*) is tested according to the Pearson correlation where we refer to the negative coefficient (0.047) concretely, the unemployment rate is negatively correlated with GDP at the value of the Pearson coefficient (0.047). Specifically, based on the analysis of this study, research hypotheses are accepted.

6. CONCLUSION

This study, which in the nature of research is descriptive and exploratory, aims to present active and passive policies in the labour market in Kosovo and assesses the impact of employment and unemployment on the economic growth of Kosovo.

Undoubtedly, in all developing countries, as well as in our case in Kosovo, a large number of programs have been adopted to support employment growth and reduce the unemployment rate. Many international institutions have attempted to assess the effect of employment measures and programs that have been undertaken over the years by the competent bodies of the Government of Kosovo. However, the data from the Kosovo Agency of Statistics, which are elaborated above in the study, testify to the inefficiency of programs in which case the unemployment rate still remains very high, especially in the structure by age and gender. Where university graduates and women still remain a challenge in the labour market in the case of Kosovo.

The findings of the study, based on Pearson correlation analysis, show that GDP is positively related to the employment rate and negatively related to the unemployment rate. Consequently, active labour market policies aimed at activating the unemployed claim to increase (GAP, 2013).

This means that the expected impact of these programs on reducing unemployment is quite low at the macro level, related to the consistently high unemployment rates in Kosovo and the consistently low employment rates for women even with incentive programs. employment devoted to them.

A very valuable piece of information on the skills required in the labour market are the surveys, which should be done systematically and with improved methodologies and used to improve the programs offered by the vocational education and training system. To address the lack of skills profiles that are most needed at a time when the "compliance" process is considered one of the most important moments for the future sustainability of active labour market policies.

Today in Kosovo, active programs in the labour market are relatively developed, however, it is necessary to review and measure the effectiveness of the measures. Programs such as training, vocational training, various programs of active and passive pluralism measures in the labour market should be at a higher level of information in which citizens should be aware and registered as unemployed and actively looking for work.

Active policies have also been adopted by countries in transition as an effective way to combat high unemployment. However, this process has not always been efficiently complete as the lack of constant information simultaneously causes an information asymmetry, which means that firms often do not recognize unemployed jobseekers just as the latter do not recognize countries vacant in specific sectors or in the general market, always the formal one of labour (Polo, 2016). Active labour market policies are different and adapted by governments, taking into account institutional development, labour force, demographic movements, etc.

This study has its limitations due to its importance both in theory and in practice. The main limitation is the inability to measure the effectiveness of specific programs within the active and passive labour market policy itself in the case of Kosovo. These analyzes are suggested to be evaluated in the future by other researchers. In the absence of an individual study to measure such policy effects, it is necessary for government authorities to be extremely committed to highlighting the importance of programs and the effectiveness of their implementation. Based on the findings of this study, some comprehensive recommendations are enumerated further.

Update surveys used by the Kosovo Agency of Statistics to increase the credibility of data on labour market indicators in the case of Kosovo. To design

programs for the activation of the unemployed for which a cost-benefit analysis will be performed, i.e., to analyze the a priori effects from the program or concrete measures. To inform the public about the programs, opportunities, and conditions for application. To inform citizens about all types of programs and their importance. To increase the cooperation between the interested third parties, i.e., the unemployed-active jobseekers and the employment position. Furthermore, a unification of the data collection system is needed in order to allow for a better assessment that will provide specific recommendations on how specific employment programs should be improved.

For transition economies, such as Kosovo, special importance should be given to expanding the level of training and retraining for unemployed jobseekers among young people, women, and the long-term unemployed.

Further, developing flexible and widely demonstrable skills seems to be a key element for more successful outcomes.

Above all, the experience of Central and Southeastern European countries with active labour market policies has shown that it is realistically possible to transform institutions and undertake policies by establishing efficient measurement and evaluation mechanisms even for a short period of time.

It is necessary to analyze each of their existing models, in order to better recommend the reforms that lead to new models of public administration in EU countries. Entrepreneurship and self-employment programs promote employment and generally generate results for a very small proportion of unemployed jobseekers. These programs have been more successful for the part of unemployed jobseekers who possess certain skills and have been shown to be less effective for volunteer groups, such as women or less qualified groups.

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