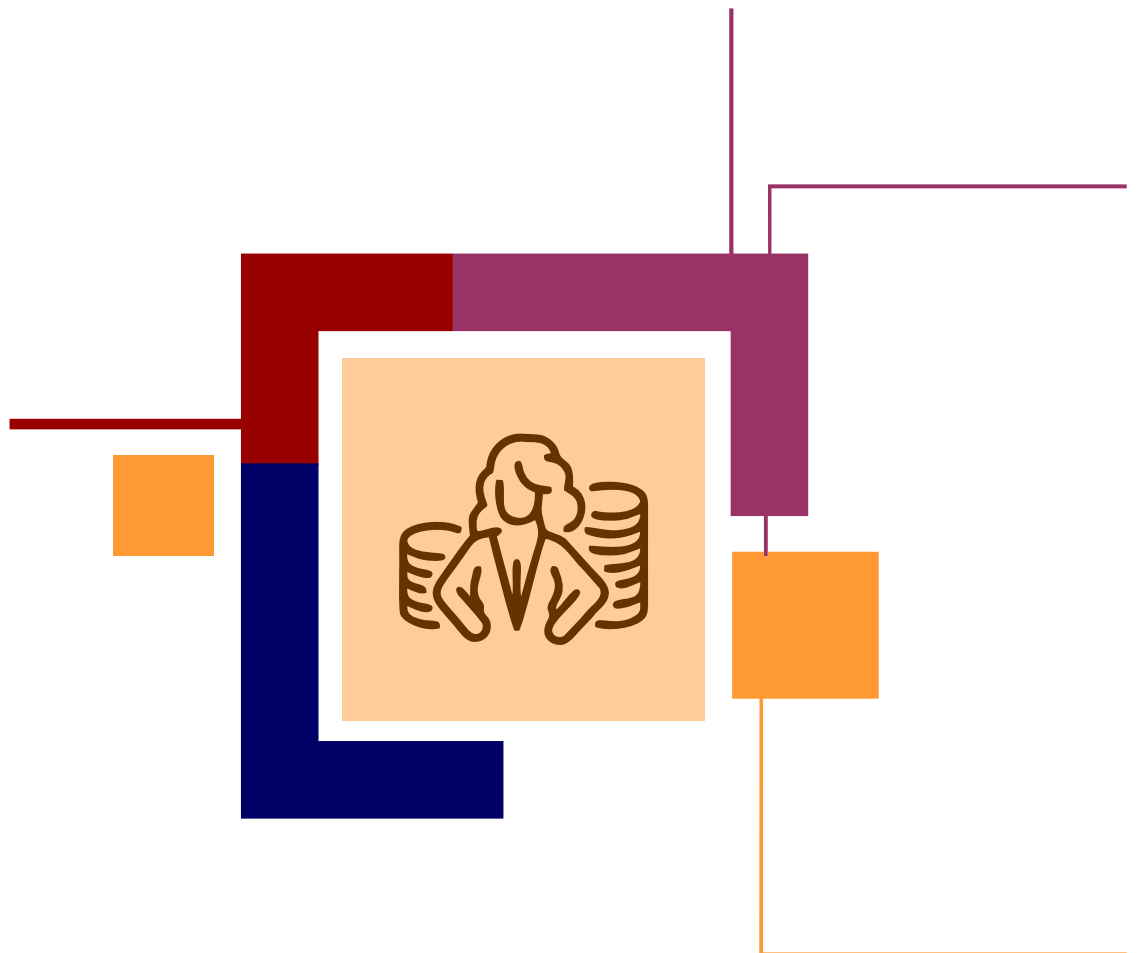

Unlocking potential: the economic cost of women's untapped potential



CONTENTS

Executive summary.....	1
I. Introduction.....	2
II. Barriers to Women’s Labour Force Participation.....	4
III. Economic cost of low female labour force participation rate	8
IV. Policy Recommendations.....	11

PREPARED BY:

Alban Hashani
Erisa Kallaba
Saxhide Mustafa
Visar Vokrri

PUBLISHED BY:

RIINVEST INSTITUTE
Andrea Gropa Prishtina 10000.
Republika e Kosovës
Tel: + 381 (0)38 244320
www.riinvestinstitute.org

This policy brief was carried out in the framework of the “Expanding Choices: Gender-Responsive Family Policies for the Private sector in the Western Balkans – Phase 2” project implemented in Kosovo by Riinvest Institute – Women’s Economic Forum, supported by the United Nations Population Fund (UNFPA), financed by the Austrian Development Agency (ADA), the operational unit of Austrian Development Cooperation (ADC).

Executive summary

Gender gaps in labour force participation persist worldwide, but in Kosovo remain among the widest.¹ Despite having the youngest population in Europe, Kosovo faces high unemployment and inactivity rates, particularly among women, resulting in deep disparities in the labour market and hindering the country's growth potential.

Multiple barriers keep women from participating fully in the labour force. Gender norms, unpaid care work, limited institutional support, gender discrimination, and the concentration of women in lower-paying or slower-growing occupations constrain their opportunities in the labour market. They also remain underrepresented in leadership roles and entrepreneurship. These gaps reflect structural inequalities that extend across all segments of the labour market.

The cost of these disparities is substantial. Beyond the question of fairness, they place a heavy drag on Kosovo's growth potential. Although it is widely agreed that closing gender employment gaps drives growth, the scale of these gains remains poorly measured in many developing countries. To calculate this loss, the Gender Employment Gap Index (GEGI) is applied. The GEGI is a simple and transparent tool that uses macroeconomic data to estimate the long-run gains in GDP per capita from closing gender employment gaps. Its basic version compares male and female shares of total employment, while the full version goes further by accounting for job quality, distinguishing between "better" and "other" forms of employment. To complement this, we also simulated a scenario where only the labour force participation gap was closed, to isolate the gains from increased participation alone.

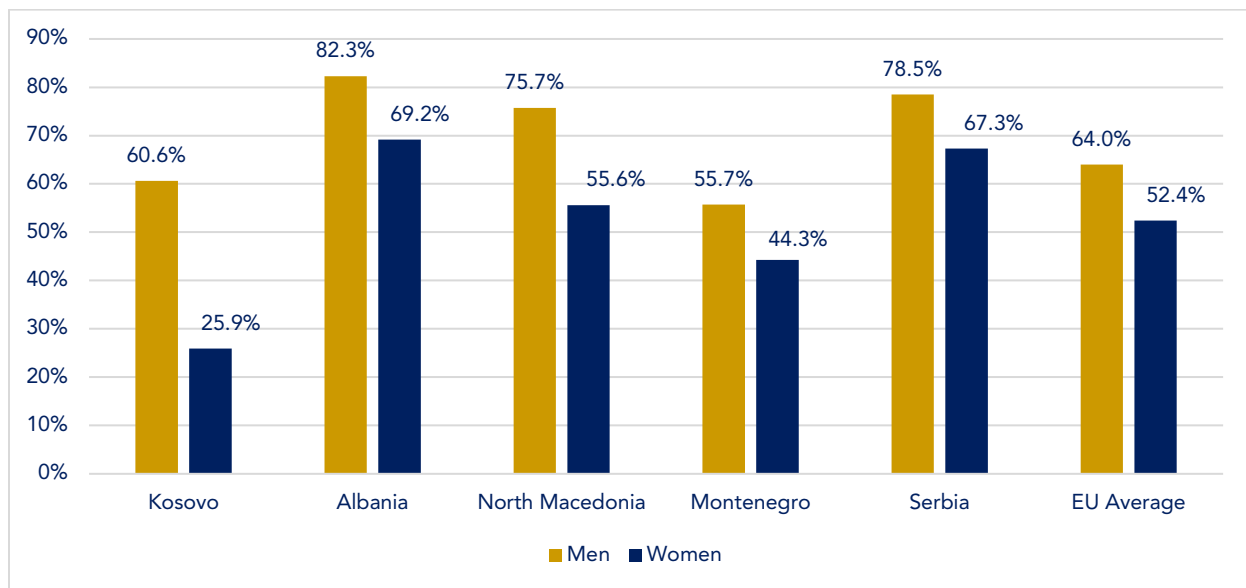
For Kosovo, the results are striking. Closing gender gaps in employment could increase GDP per capita by 19.4 percent under the basic measure and by 21.1 percent under the full version. Even closing the labour force participation gap would only lift GDP per capita by 5.9 percent. These figures underscore the importance of policies that promote women's inclusion in the labour market, not only as a matter of fairness, but also as a powerful driver of the country's economic growth.

¹ Halim, D., O'Sullivan, M.B. and Sahay, A., 2023. Increasing female labor force participation. *World Bank Group Gender Thematic Notes Series, Evidence and Practice Note*. World Bank Washington DC. <http://hdl.handle.net/10986/39435>

I. Introduction

Kosovo has the lowest female labour force participation rate in Europe and the fifth lowest worldwide.² Women make up half of the country's population, yet only one in four women (25 percent) participates in the labour market, compared to 60.9 percent of men. This creates a gender gap of 34.7 percentage points, which is 2.5 times higher than the Western Balkan average (13.95 p.p.), and three times higher than the EU average (11.6 p.p.) (see Figure 1).

Figure 1: Gender disparities in labour force participation in the Western Balkans and EU average

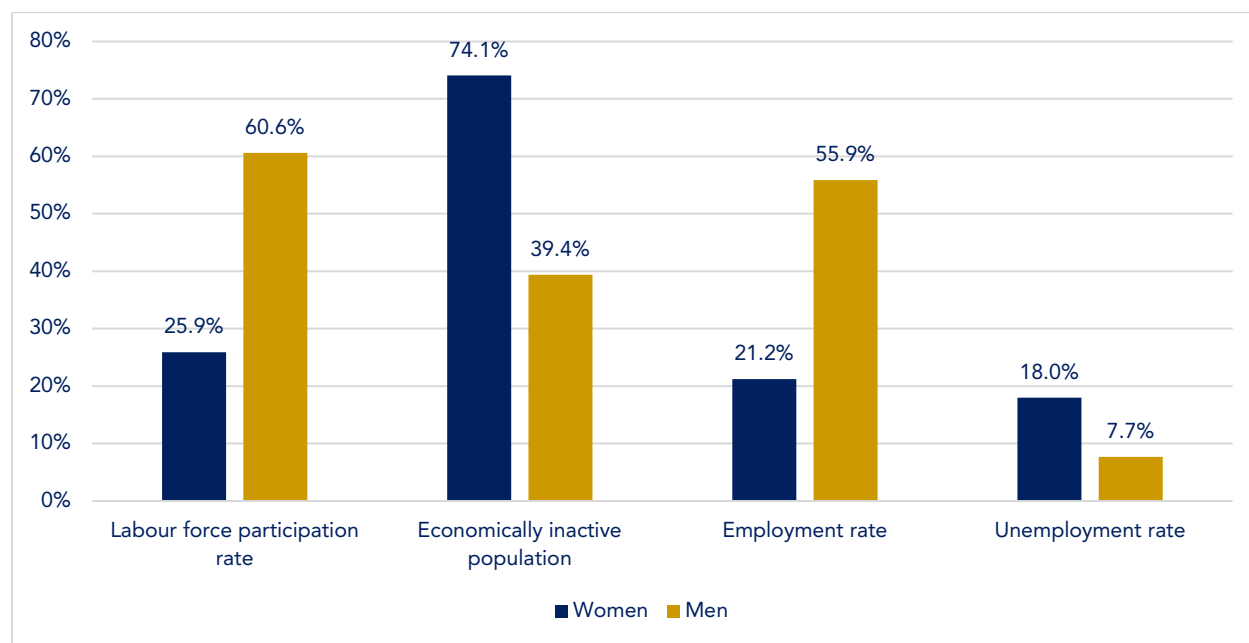


Source: The data are drawn from the respective national statistical agencies of Kosovo, Montenegro, North Macedonia, Albania, and Serbia, while EU figures are taken from the World Bank.

The employment rate among women of working age in Kosovo is 21.2 percent, which is way below the EU average of 70.8 percent. On the other hand, women's unemployment rate is 19 percent, more than double that of men's, and three times higher than the EU average (6.1 percent) (see Figure 2).

² IMF (2025). Labor Market and Gender: Republic of Kosovo. [Labor Market and Gender: Republic of Kosovo](#)

Figure 2: Key labour market indicators by gender



Source: Kosovo Agency of Statistics

These figures highlight a crucial problem: Kosovo is failing to utilise half of its economic potential. This policy brief aims to quantify the economic cost of women's low employment and participation, building on the barriers to labour market inclusion that have been evidenced in previous studies, and to provide concrete policy recommendations to enhance their integration.

II. Barriers to Women's Labour Force Participation

Women's exclusion from the labour market is not simply a matter of choice, but rather a combination of structural and institutional barriers that make it challenging for them to enter or remain in the labour market.

1. Gender Norms and Stereotypes

Persistent gender norms and stereotypes continue to restrict women's economic participation in Kosovo. While norms are rules of conduct that are considered acceptable within a society; gender norms relate specifically to gender differences, and consist of deeply entrenched and widely accepted beliefs regarding gender roles, power relations and expectations that govern human behaviours in different social contexts.^{3,4} In practice, these traditional expectations have assigned women the role of primary caregivers, and men the role of financial providers, limiting women's choices in education, employment and career progression.⁵ Such norms also reinforce employer biases, resulting in hiring discrimination, slower career advancements and underrepresentation of women in leadership positions. This has contributed to a continuous cycle of lower labour force participation and reduced earnings for women compared to men.

As will be discussed in the following sections, many of the key barriers to women's labour force participation stem from these norms, which influence both the law and culture within the workplaces. Addressing these norms is therefore essential for advancing gender equality in the labour market.

2. Care Responsibilities

One of the most significant and persistent constraints to women's labour market participation is the disproportionate burden of unpaid care work. Labour Force Survey data show that the primary reason why women in Kosovo do not work is family responsibilities, particularly childcare. The limited availability of affordable childcare services cannot meet the existing demand, leaving women to fill the gap. In 2021, there were only 44 public preschool institutions and 177 private ones across the country, with stark disparities between urban and rural areas.⁶ As a result, women spend on average 7.2 hours per day on family responsibilities (including childcare and eldercare), compared to 2.5 hours for men.⁷ This disparity underscores how

³ UN Women (2023). Changing norms in support of women's economic empowerment.

⁴ UNICEF (2025). Technical note on gender norms.

⁵ UNDP (2022). Youth attitudes towards gender and social norms, development and human security in Kosovo.

⁶ Riinvest Institute (2022). Position paper regarding childcare centers in Kosovo.

⁷ MCC (2018). Studimi i fuqisë punëtore dhe shfrytëzimit të kohës në Kosovë.

gender norms reinforce the expectation that women take on the bulk of care work, while men contribute significantly less, and how current workplaces fail to accommodate employees with care responsibilities, thus reinforcing the norm. Over 90 percent of unemployed women report that if they could afford childcare services, they would seek employment.⁸

Eldercare poses another constraint on the time women could spend in the labour market. Given the limited availability of elderly care services, such as support for older adults, in-home help with daily activities, specialized services like nursing care, daily centres, a low number of long-term care centres in Kosovo, and the social stigma regarding placing the elderly in these care centres, eldercare is provided at home, mainly by women carers.⁹ Consequently, women spend more time outside the labour market than men, which undermines their human capital accumulation, reduces productivity, and limits their chances of finding employment.

3. The Gendered Shortcoming of Labour Legislation

Even when women navigate household responsibilities to enter the labour market, they still encounter significant structural disincentives, particularly in the private sector. The current labour law discriminates against women in the labour market. With the financial burden of maternity leave falling mainly on employers, private companies are discouraged from hiring women. On the other hand, birth-related leave is unequally distributed between women and men, with mothers taking up to twelve months of maternity leave, and fathers being eligible for only two days of paid and up to two weeks of unpaid paternity leave.¹⁰ This further reinforces traditional gender norms and can make employers less willing to hire women due to their prolonged time away from the workplace and the market in general.

Reforming the provision on parental leave in accordance with the EU directive on Work-Life Balance would not only reduce employer bias, but also promote more equitable caregiving responsibilities at home.¹¹ Additionally, more gender-responsive labour legislation would require employers to provide family-friendly workplace options that support all employees. The government should also assume part of this burden, as such a policy is designed to tackle discrimination against women in employment.¹²

⁸ KWN (2016). Who cares? Demand, supply and options for expanding childcare availability in Kosovo.

⁹ European Commission (2021). ESPN Thematic Report on long-term care for older people.

¹⁰ Official Gazette of the Republic of Kosovo (2010). Law No.03/L-212 on Labour. [LAW NO.03/L-212 ON LABOUR](#)

¹¹ UNFPA (2021). Expanding choices through Family-Friendly Policies. [Expanding Choices through Family-Friendly Policies – Kosovo Women's Network](#)

¹² WEF (2017). National Agenda for Women's Economic Empowerment. [National Agenda for Women's Economic Empowerment](#)

4. Lack of Family-Friendly Workplaces

With women carrying the majority of care responsibilities, a significant structural barrier to their labour market inclusion is that many workplaces are not designed to accommodate employee's caregiving responsibilities. Without family-friendly policies and practices, caregivers are often forced to choose between work and family, which leads to lower participation rates, higher job turnover, and career interruptions.

Family-friendly policies include but are not limited to: flexible work arrangements; part-time or working from home; family medical leave and health insurance (especially for children); parental leave for mothers and fathers; childcare assistance, either financially or through on-site childcare facilities; and policies on equal opportunities, protection from discrimination and sexual harassment.¹³

Evidence from other countries shows that adapting these policies (particularly subsidised or on-site childcare services) has a positive impact on the female labour force participation rate.¹⁴ In Kosovo, where family responsibilities are the leading reason why women remain out of the labour market, implementing these measures would provide both financial and time incentives for women and other carers to enter the workforce. Importantly, these policies should be implemented through a gender lens, ensuring care responsibilities are shared equally between genders and that traditional gender norms are not entrenched.

5. Skill mismatch and education choices

Beyond institutional barriers, another critical factor limiting women's participation in the labour market is the dual mismatch of skills and occupations. While women account for the majority of students in higher education, their presence in technical and high-demand fields such as ICT and engineering remains very limited.

Instead, women are disproportionately concentrated in education, healthcare, and other sectors with lower wages and weaker growth prospects. This occupational segregation reinforces the skills mismatch: women often acquire qualifications that are less valued in the labour market, while employers in dynamic sectors struggle to fill vacancies.¹⁵ As a result, many women report that inadequate or misaligned qualifications prevent them from finding employment. This

¹³ UNFPA (2023). Guidelines for family-friendly workplaces. Expanding choices: Gender-responsive family policies for the private and public sectors in Kosovo.

¹⁴ UNICEF (2019). Linking family-friendly policies to women's economic empowerment.

¹⁵ Riinvest (2020). Gratë në tregun e punës. [Grate_ne_tregun_e_punes1667834358.pdf](#)

imbalance comes at a cost for the whole economy, as it leaves a large share of human potential underutilised in low-growth sectors, while high-growth sectors face unmet demand for skilled labour.

6. Leadership and Entrepreneurship

Women are not only underrepresented in sectors with high growth potential, but also in leadership and entrepreneurship roles, which require skills and experience often developed through sustained labour market participation. These positions are critical for long-term career advancement and financial independence. Yet fewer than 35 percent of women in both the public and private sectors express interest in leadership roles, often constrained by household responsibilities, social stigma, and weak institutional support.¹⁶ This limits women's career progression and excludes them from key decision-making spaces.

A similar pattern is evident in entrepreneurship. Only 18 percent of businesses are owned by women, and a further 2.3 percent are co-owned by at least one woman.¹⁷ Women entrepreneurs play an essential role as role models, helping to drive higher rates of female entrepreneurship. They are also more likely to employ women, thereby expanding labour market participation and fostering a more gender-equitable society.

These persistent gender gaps in employment, leadership, and entrepreneurship have lasting consequences. Interrupted careers and lower lifetime earnings reduce women's social contributions, leading to smaller pensions and a higher risk of old-age poverty.

¹⁶ Riinvest Institute (2022). Vendimarrja e grave në sektorin public dhe privat në Kosovë. [Vendimarrja e grave ne sektorin publik dhe privat-11673602499.pdf](#)

¹⁷ GAP Institute (2023). Women and Minority Entrepreneurship in Kosovo. [69232_Women and Minority Entrepreneurship.pdf](#)

III. Economic cost of low female labour force participation rate

Excluding women from the labour market imposes a significant, measurable cost on Kosovo's economy. Increasing female labour force participation would not only significantly boost Gross Domestic Product (GDP), but also enhance household income and social resilience.¹⁸ At the micro level, greater female participation improves household welfare, strengthens women's financial independence, and contributes to more balanced decision-making within families. At the macro level, it increases aggregate demand, supports innovation and productivity, and creates a more diversified and resilient economy. Higher participation would also strengthen public finances through increased tax revenues and social security contributions, while reducing dependency ratios and the burden on social assistance schemes. In addition, reducing the gender gap in employment would bring Kosovo closer to the EU average, which is essential in the context of EU integration and labour market alignment. In a country where youth emigration and demographic decline are major concerns, mobilising women's labour potential becomes not just an issue of fairness, but also of long-term competitiveness and economic necessity.

Using the Gender Employment Gap Index (GEGI), developed by Pennings (2022), we estimate the potential increase in Kosovo's GDP per capita by closing gender employment gaps.^{19,20} Data on employment are taken from the Tax Administration in Kosovo (December 2024) and labour market data from the Kosovo Agency of Statistics (Labour Force Survey, 2022).^{21,22}

The basic GEGI Index for Kosovo stands at 19.4 percent, suggesting that equalising women's employment rates with men's would raise long-term GDP per capita by nearly one-fifth. This means that closing the gap would generate billions of euros in additional output over the coming decades, significantly raising living standards and reducing poverty. The opportunity cost of inaction, by contrast, is continued underutilisation of half of the labour force, persistent inequality, and slower growth.

¹⁸ Verick, Sh. (2018). Female labor force participation and development. [IZA World of Labor - Female labor force participation and development](#)

¹⁹ GEGI Index measures the difference between male employment to male working age population ratio (L_m) and female employment to female working-age population ratio (L_f) as a share of total employment to working age population ratio (L_m+L_f). The following equation is used:

$$\text{Basic Gender Employment Gap GEGI Index} = 100\% * L_m - L_f / L_m + L_f$$

²⁰ Pennings, S. (2022) A Gender Employment Gap Index (GEGI) - A simple measure of the Economic Gains from Closing Gender Employment Gaps, with an Application to the Pacific Islands.

²¹ Tax Administration of Kosovo (2025). Data on Employment for 2025. [Open Data - Administrata Tatimore e Kosovës](#)

²² ASK (2025). Key labor market statistics. [Indikatorët kryesorë të tregut të punës \(%\), 2012 - 2024.](#)

Since the basic GEGI Index does not account for job type, and the assumption that men and women work different jobs stands, the analysis extends to the full GEGI Index. The full GEGI Index adjusts for job type between better employment and other employment.^{23,24}

The full GEGI Index shows that if women worked at the same rate and in the same jobs as men, GDP per capita would grow by 21.1 percent in the long term. In a comparative perspective, this is the second highest potential gain in the Western Balkans (after Bosnia and Herzegovina), underscoring the urgency of reforms to close the gender employment gap. The message is clear: investing in women's labour market participation is not a social cost but a crucial economic strategy for growth, stability, and resilience (see Table 1).

Table 1: Full GEGI Index in the Western Balkans, by country

Country	Full GEGI Index
Bosnia and Herzegovina	23.50%
Kosovo	<u>21.10%</u>
North Macedonia	17.00%
Albania	15.80%
Serbia	8.50%
Montenegro	8.30%

Source: Data for Kosovo is calculated by the author, while data for the rest of the WB is taken from Pennings (2022).

An alternative scenario considers the impact of closing only the labour force participation gap, while keeping employment rates within each gender unchanged.²⁵ In this case, participation would rise to 60.6 percent for both men and women, with employment rates remaining at 92.3

²³ The definition for better employment is taken from Pennings (2020) and captures the employment categories that are relatively rare in low-income countries but are common in high-income countries, suggesting their association with higher productivity. Other employment includes employment in agriculture, forestry and fishing in Kosovo. See: [The Utilization-adjusted Human Capital Index \(UHCI\)](#)

²⁴ To calculate the full GEGI index, the following equation is used:

$$\text{Full GEGI Index} = \text{BEGAP} + (1 - \omega)\text{OEGAP}$$

The weight (ω) represents the respective weights of better (BER) and other (OER) employment in GDP, based on the share of workers per each employment type in the total employment. To calculate the weight, the following formula is used:

$$\omega = h \cdot (\text{BERM} + \text{BERF}) / (h \cdot \text{BERM} + \text{BERF} + \text{OERM} + \text{OERF}) \text{ where } h = \text{HCI} / \text{HCIMin}$$

The human capital index which is used to calculate h (productivity), is taken from the World Bank calculations for Kosovo in 2020 and it is equal to 0.57, while HCI_{min} is taken from Pennings (2022), and is equal to 0.2.

²⁵ Labour force participation rate refers to the percentage of the working-age population that is either employed, or actively seeking employment. The employment rate on the contrary includes the percentage of the working-age population that is currently employed.

percent for men and 82 percent for women. The results suggest that closing this gap alone would increase GDP per capita by 5.9 percent in the long run, equivalent to about €340 per person. While this gain is smaller compared to the full GEGI scenario, it nevertheless demonstrates that even partial progress in narrowing participation disparities can yield substantial macroeconomic benefits.

These findings make it clear that gender inequality is not only unfair; it is also costing Kosovo billions in lost growth and missed opportunities. Closing these gender gaps would significantly enhance growth potential, raise household incomes, and improve overall living standards. Beyond the clear economic gains, greater female participation would strengthen social cohesion, reduce poverty, and contribute to a more inclusive and resilient society. Targeted reforms to improve female labour force participation and access to quality employment are therefore essential to unlocking Kosovo's full economic potential. Such reforms would align Kosovo more closely with EU labour market standards, help address demographic and emigration challenges, and create a fairer distribution of opportunities between women and men.

IV. Policy Recommendations

The current labour market shifts and changes in the demographic structure in Kosovo push for greater participation of women in the labour market. Building on the barriers identified above, the following policy recommendations are directed at three key stakeholders: government, local actors (municipalities), and the private sector.

Government level recommendations:

- **Expand affordable childcare:** Increase the number of childcare facilities and introduce public-private partnerships and voucher schemes to reduce costs for families with children. The time that women spend on childcare can be allocated to paid work, incentivising more women to enter the labour market, and also facilitating a faster return to the labour market for mothers who are on maternity leave.
- **Revision of the labour law:** The current labour law requires broader reform to address the structural disadvantages women face in the labour market. One priority is aligning the provision on parental leave with the EU Directive on Work-Life Balance (2019/1158). This requires introducing four months of parental leave, which is a right for both parents, is non-transferable and needs to be taken any time before the child turns 12. Additionally, the paternity leave should be extended to a minimum of 10 days. This would help reduce employer bias and encourage shared caregiving, mitigating the career penalties that currently fall disproportionately on women.²⁶ However, parental leave reform is not enough. The law should also provide a framework for regulating family-friendly workplaces more broadly. This includes enabling flexible work arrangements, ensuring the inclusion of both parents in care responsibilities, and possibly, setting a minimum standard for company-provided childcare support (either through on-site facilities, or subsidies).
- **Extend school hours:** Increase school hours and provide government-subsidised free after-school care to ease the mismatch between school timetables and working hours, helping mothers remain in employment.

²⁶ UNFPA (2021). Expanding choices through Family-Friendly Policies. [Expanding Choices through Family-Friendly Policies – Kosovo Women's Network](#)

Local level recommendations:

- **Strengthen career guidance in schools:** Strengthen career guidance in schools and expand training in high-growth, male dominated sectors (e.g. ICT, engineering) to improve women's access to better-paying jobs.
- **Promote vocational training:** Increase women's access to vocational training programs, where demand for workers is high, such as ICT, engineering and renewable energy, so their chances of employment are higher, and skill mismatching is reduced.
- **Collaborate with the private sector to foster inclusive workplaces:** Incentivize the businesses to create family-friendly workplaces with the goal of hiring and retaining women in the labour market. Simultaneously, provide the private sector with the resources to improve hiring practices and foster inclusive environments.
- **Launch community-based campaigns:** Partner with communities and women's associations to run awareness campaigns to challenge traditional norms and stereotypes and to promote positive role models and success stories of balancing work and life responsibilities, as well as employers that foster inclusive environments.

Private sector recommendations:

- **Incentivise family-friendly workplaces:** Companies can play a crucial role in promoting gender equality and supporting carer's return to work. Key measures include:
- **Adapting flexible work arrangements** (e.g. remote work, core working hours, compressed working hours, job sharing) to ease the balance between work and family responsibilities. For carers, flexible arrangements enable them to remain in employment during periods when they have care responsibilities. For employers, this means retaining the experienced staff, consequently reducing recruitment and training costs.
- **Providing parental leave** for both men and women to ensure childcare responsibilities are shared more equally within the household. Introducing non-transferable entitlements to parental leave is likely to increase uptake among fathers, leading for care responsibilities to become more "gender equalizing". This reduces discrimination in hiring, as the costs of care responsibilities are shared between mothers and fathers. Additionally, it reduces the career penalty that falls disproportionately on mothers.
- **Promote and normalize the use of parental leave by all employees:** Managers and senior leadership can lead by example and highlight the benefits of father engagement

for both the family and the company. In addition, you can provide workshops for engaged parenting to support fathers in the company.

- **Offering on-site childcare facilities or subsidising childcare services**, especially in sectors with greater involvement of women. Affordable and accessible childcare is one of the strongest determinants of whether women can return to work after childbirth. Employers who provide childcare support benefit from higher return rates among mothers and other carers. This policy would be especially effective in cases when workplaces cannot offer flexibility in working hours, so instead they provide on-site childcare facilities, or other financial incentives to childcare services.
- **Using gender-sensitive language** in all communications and providing staff training regarding the implementation of family-friendly workplace policies. This helps ensure policies are not only adopted, but actively practiced within the team. Moreover, training managers and HR staff in gender equality and anti-discrimination principles will reduce bias in hiring and promotion.
- **Ensuring equal representation of women and men in leadership positions.** Higher leadership rates among women provide role models for younger women entering the workforce. A more equal leadership structure also impacts company performance, as these companies outperform in terms of innovation and financial performance.

Finally, beyond policy reforms, **shifting social norms and beliefs**, especially in rural areas where discrimination remains strong, is crucial for enabling lasting change.