



# EMBRACING THE DIGITAL AGE

The future of work in the Western Balkans.  
New forms of employment and platform work



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**Driven by social, economic and technological changes, labour markets are becoming more flexible in the European Union and EU Neighbourhood countries. This translates into growth in novel employment relationships, which differ from “traditional work” in terms of working conditions, content, and regulatory and legal ramifications.**

## Setting the scene

Despite growth and improved labour markets, Western Balkan economies face challenges with regard to employment and human capital development. Trends include the increased prevalence of flexible employment and platform work. There are four key areas for understanding trends and taking policy decisions: skills and infrastructure; skills and human capital; regulations for non-standard and new forms of employment.

The ETF's research, conducted between November 2021 and May 2022, focused on new forms of employment, including platform work, and the implications on youth employment policies and skills development. The analysis covered six Western Balkan countries: Albania, Bosnia and Herzegovina, Kosovo\*, Montenegro, North Macedonia and Serbia.

Multiple data sources and findings were triangulated. The process involved desk research, interviews, and big data analytics, including an analysis of automatically collected data. Interviews targeted policymakers, business and worker association leaders, executives of platform companies, and people working with the latter. A stakeholder survey complemented the reflection on policy priorities.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## Digital skills and infrastructure

Digitalisation is fuelling new forms of work. Internet access and digital skills are prerequisites to integration into the digital economy with its new forms of work.

Despite growing access to broadband, the regional average of households with Internet in 2020 lagged behind that of the EU: 82% vs. 91%. Digital skill levels are uneven, with Serbia and Montenegro ahead of the pack and Kosovo, Albania and Bosnia and Herzegovina trailing. On average, 20% of individuals in the region possessed above average digital skills compared to 25% in the EU in 2019.

Digital strategies rank high on the agendas of Western Balkan governments, with an emphasis on economic development, education and digitalisation of the public sector. The Western Balkan Digital Skills Multi Stakeholder Working Group was established in 2020. National initiatives include Serbia's comprehensive Strategy for Digital Skills Development. Across the region, there are a growing number of programmes in collaboration with international agencies and non-governmental organizations.

## Skills and human capital

Many citizens in the Western Balkans lack the skills needed to compete in an integrated global economy and are incapable of adapting quickly to shifting demands in the labour market. Western Balkan employers often complain about skills mismatches. They blame what they call flawed education systems. Formal education fails to provide skills needed in the workplace. Generally, gaps are wider for "non-routine" tasks, typically managerial, professional and high-level technological jobs. Participation in adult learning remains low, while people who acquire skills by alternative means often cannot obtain official recognition. Some firms invest in their own training programmes.

Shortages of skilled labour are exacerbated by emigration. Brain drain is an issue in the region, especially in Albania, Bosnia and Herzegovina, and Montenegro.

Western Balkan policymakers are targeting young people. Vocational education and training (VET) systems are being overhauled; curriculum reform is combined with more emphasis on practical workplace experience. Working more closely with the private sector, governments provide support, e.g., via wage and tax subsidies for training, internships and employment. In 2021, Western Balkan governments agreed to introduce EU-inspired Youth Guarantee schemes to address the needs of young people not in employment, education or training (NEET). Beyond employment promotion programmes, Youth Guarantee interventions focus on developing digital, green, language, entrepreneurial and career management skills.

## Employment

The working-age population (ages 15-64) continues to shrink in most Western Balkan countries due primarily to ageing and emigration. Labour markets exhibit low activity and employment rates, along with high rates of unemployment and informality. Less-favoured groups, such as women and youth, are particularly hard hit.

Unemployment rates are declining. Yet, at 16.5%<sup>1</sup>, the figure remained twice that of the EU average in 2020. The pandemic took its toll, especially in Montenegro, which depends heavily on tourism.

Unemployment numbers don't tell the whole story, however, especially given high rates of informality – around 20-30% in most countries. In Albania the figure stood at 40% in 2019. Both unemployment and informality are higher among women and young people.

To combat joblessness, policymakers often promote self-employment and entrepreneurship via training, workshops, mentoring, career counselling, business plan development support, and grants.

1 Data from the Observatory on employment in the Western Balkans prepared by the Regional Cooperation Council's (RCC) Employment and Social Affairs Platform 2 (ESAP2) Project  
<https://www.esap.online/observatory/indicators/12/unemployment>

## Non-standard and new forms of employment

Atypical work is on the upswing in the Western Balkans – often due to the lack of well-paid, high-quality jobs. There are two main categories:

- Non-standard employment includes temporary, part-time and on-call work. It may involve temporary agencies or multiparty employment relationships. It also includes cases of misclassification of employees as independent contractors. Digitalisation is a driving force.
- New forms of employment refer to a diverse set of working relationships gaining ground since about 2000. They are characterised by changing working patterns, contractual relationships and durations, places, and schedules. They often rely on information and communication technologies (ICT). They include remote and freelance portfolio work, co-working, casual labour, and platform work.

These forms of work offer more flexibility, helping people juggle professional and family obligations and other pursuits. They are particularly attractive to students and family caregivers. Yet they present risks not yet adequately addressed by public policy. Few of these relationships are covered by existing regulations. Some new forms of work, especially those associated with digitalisation, are not tracked by official statistics.

These relationships can be precarious. Young people and women, are more likely to work in atypical settings. Sometimes workers accept fixed-term and part-time work because they have no choice.



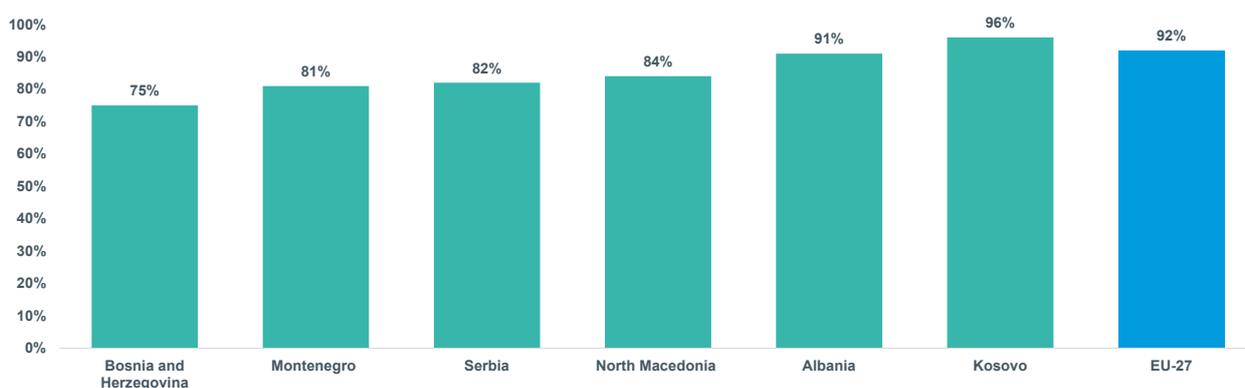
# Platform work in the Western Balkans

Platform work has become one of the most visible new forms of work and is increasingly prominent in all six countries of the Western Balkans. As in other economies around the world, there are two types of platform work:

- digital labour platforms for remote services: remote delivery of electronically transmittable services (e.g., via freelance marketplaces)
- digital labour platforms for on-location services: delivery of services is physical, but the matching and administration of consumers and service providers are digital.

## Underlying factors for new platforms / platform work in the Western Balkans

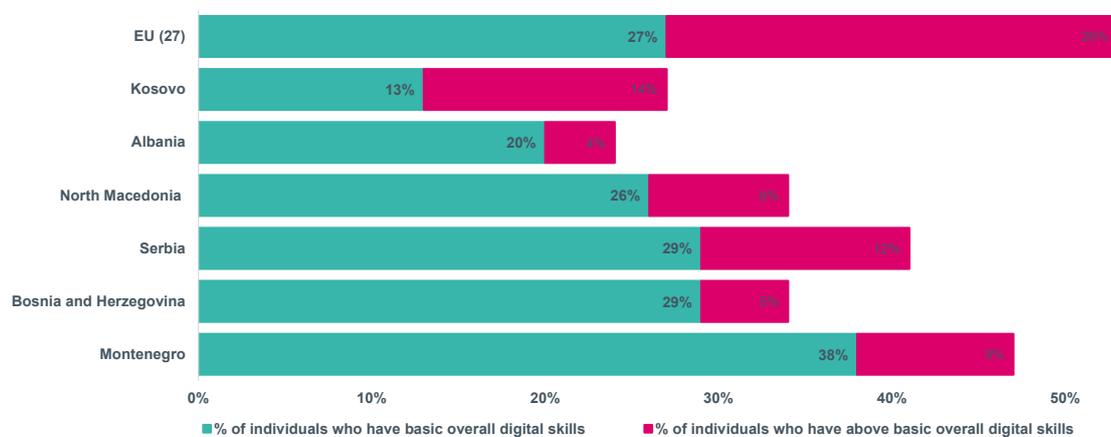
### Technology and digitalisation - Households with internet access in 2020 (%)



Source: Data retrieved from Eurostat, available here.

Note: Data on Kosovo is from 2020 as data on 2021 was not available.

### Digital skills - Level of digital skills in 2019

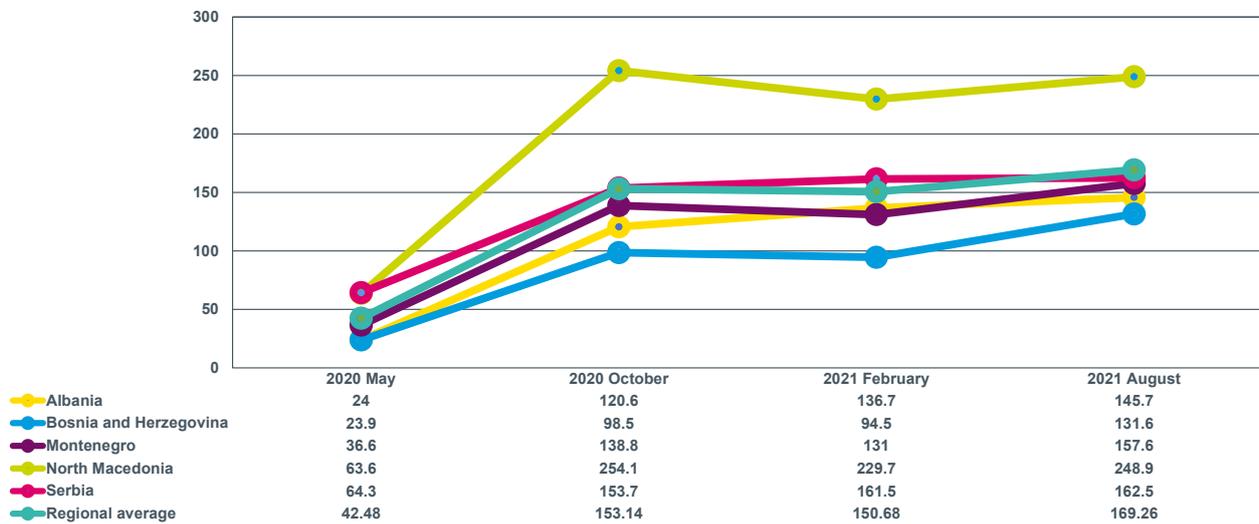


## Remote platform work

### Prevalence in the Western Balkans

Western Balkan freelancers have become known for their presence on global online platforms. Five (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia) ranked among the global top 10 for the number of freelancers per 1,000 people in 2018. The number of workers from the region on international platforms increased more than 3.5 times from 2017. The lion's share of the growth has taken place in Serbia.

### Number of online freelancers per 100,000 population on Upwork, Freelancer.com and Guru.com platforms



Source: Compiled by PPMI using data from Public Policy Research Center (2021). Gigmetar reports are available here.

Note: Data on Kosovo was not available.

Western Balkan platform freelancers are well represented among creative and multimedia professionals and software development and other tech work.

Evidence suggests that platforms offer significantly higher wages as compared to traditional jobs. Western Balkan remote platform workers,

on average, ask for rates between USD 14-18, considerably below the USD 20-plus requested by residents of EU Member States.

About two-thirds of platform freelancers in the region are men. In the EU and Eastern Partnership countries, occupational choices vary by gender. Women lead the way in writing and translation. Men have the edge everywhere else, especially in software development and other tech work. Men tend to demand higher hourly rates than women, but that is partly a reflection the kinds of services they offer.

As elsewhere, remote platform workers in the Western Balkans tend to be younger than their location-based peers. They also tend to be equipped with the requisite digital and soft skills. They often get started as students or complement other jobs in the traditional economy.

Skill pre-requisites vary widely - from clerical and data entry tasks, which require merely basic digital literacy, to software development projects that involve specialized knowledge. Platform workers must develop their own skills. Except in few high-end realms, platforms do not offer training.

Career prospects would seem uncertain, partially because individuals must take responsibility for their own advancement. It is also unclear whether the skills gained in platform work can be recognised in the traditional market. Conversely, some freelancers report having developed stable relationships with clients abroad.



## On-location platform work

### *Prevalence in the Western Balkans*

Location-based platform work grew in the Western Balkans during the COVID-19 pandemic. Food-delivery and ride-hailing led the way, followed by domestic services (e.g., repair and cleaning) and caregiving. Some firms date to 2015, but the 2020-2021 COVID-19 pandemic produced a surge in start-ups and activity, notably in the delivery sector. Ride-hailing and domestic services witnessed moderate growth, hampered as they were by lockdowns and social distancing.

Western Balkan firms dominate this market. International competitors have not gained strong footholds, especially when compared to the EU and Eastern Partnership markets.

Research identified 33 on-location platforms in the Western Balkans in four main categories:

- Delivery – couriers who bring food, groceries, medicine, etc.
- Ride-hailing – taxi services
- Domestic services – non-qualified or qualified workers providing home or other ancillary services (e.g., plumbing, cleaning, personal training, photography, event planning, tutoring).
- Care services – babysitting, nursing for the elderly, etc.

Few reliable figures exist, partly because official statistics often do not account for them and partly because firms are reluctant to disclose data.

People tend to find platform work through social media and digital marketing campaigns. Once on the inside, they rely on social media groups to exchange ideas.

Research indicates that the supply of platform workers is likely to grow. Many people have no other job prospects. Others appreciate the flexibility, relatively high pay, and low barriers to entry.

Growth is likely to continue as market leaders for domestic and care service platforms face little competition. Platform executives call regulations outdated and unclear. International firms also cite potential political instability as a disincentive.



On-location platform work serves as a secondary job or as the primary source of income. Worker

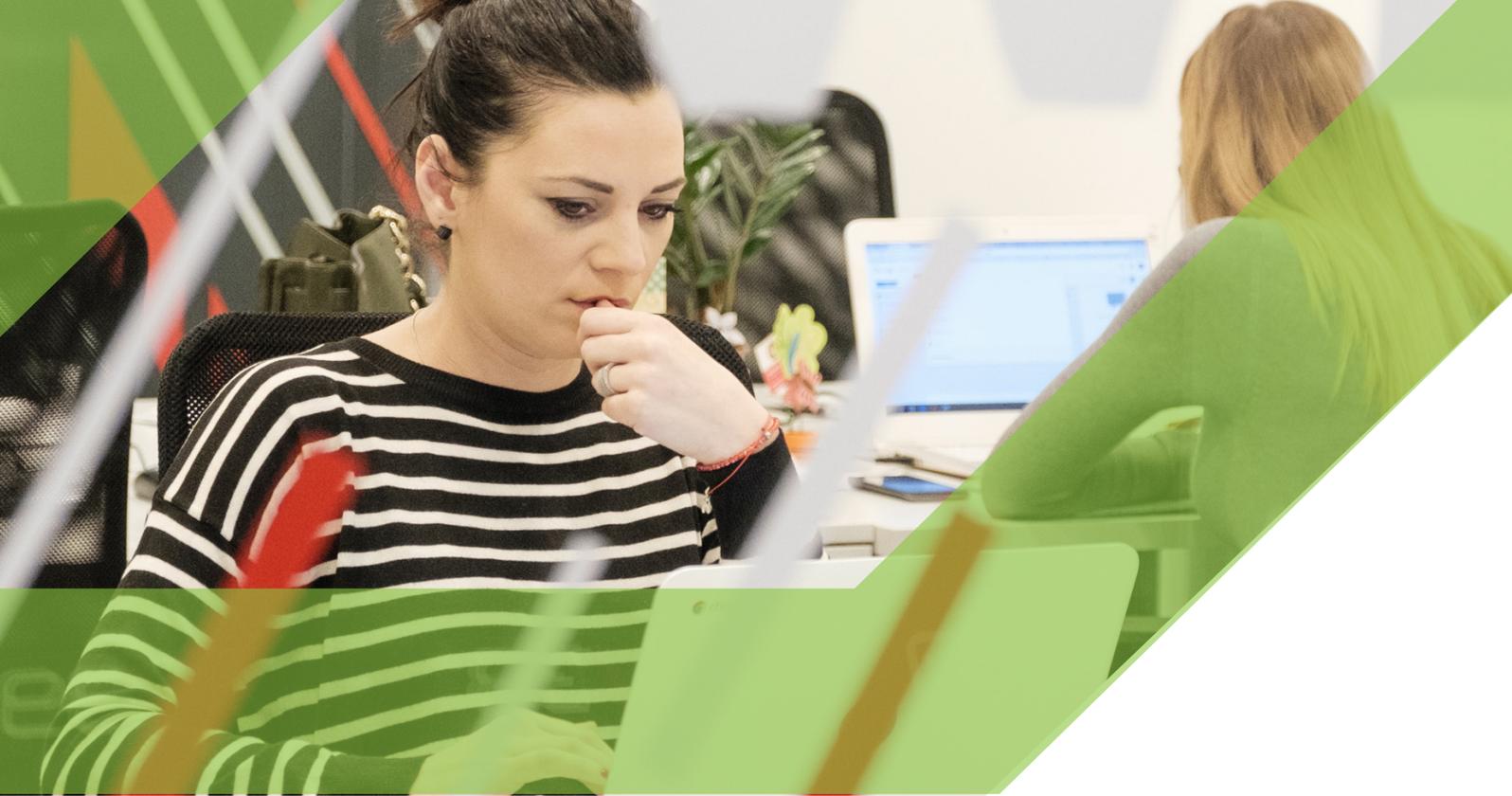
interviews suggested that most people see it as temporary. Students appreciate the flexibility and the ability to work part-time. People who lost previous jobs might look at it as a full-time alternative to unemployment.

Gender distribution varies by type of service. Most delivery personnel and ride-hailing drivers are men. Both genders are represented among domestic services, with a slight edge to men. Women lead the way on care services.

Most people say that on-location platform work provides decent pay in the regional context. Earnings depend on the platform and the contract. Some people get hourly fees. More commonly, they earn piecemeal, e.g., per delivery. On-location platform workers can earn more than they could in traditional jobs.

Skill requirements vary from basic or low (e.g., driving or cleaning) to high (e.g., engineering, tutoring skills, or photography), but the low-skill variety is more commonplace. At the same time, there is evidence that many people are overqualified, opting for low-skill platform work because they can't find anything else.

	REMOTE PLATFORMS	ON LOCATION PLATFORMS
AGE	Students (and first-time job seekers) 25-35	Students, 25-40
GENDER	60-70% male	80-90% male
EDUCATION	Tertiary education, knowledge of foreign languages	Secondary or higher education
PAY	Often better paid than counterparts in traditional economy	Better or as well paid as counterparts in traditional economy
CONTRACT	i. self-employed/entrepreneurs in most countries ii. Often in informal economy	i) Standard employment (ALB, BIH, KOS) ii) service contracts (almost all countries, except Serbia), iii) self-employed/entrepreneurs; iv) some in informal economy
SKILLS DEVELOPMENT	usually equipped with digital and soft skills individually invest in new skills	requires only basic skills, little opportunity for developing new skills



### **Platform business models**

Western Balkans firms rely less on algorithms than their EU-based counterparts. As in the EU, most on-location platforms tend to operate and consider themselves as intermediaries rather than employers. Some rely on commissions, others focus on advertising. Some Western Balkan platforms do employ people with conventional contracts.

### **Labour market status of platform workers**

Policy responses have been slow, albeit with some movement recently. Albania wants to attract so-called digital nomads, and Montenegro is considering following suit. There are efforts to find ways to bring freelancers, including platform workers, into the tax system. But proposals for specific levies on freelancers were squelched after protests in both Montenegro and Serbia. In 2021, the Serbian government created a working group to examine the regulation of platform work. There is more focus on the issue of undeclared work as opposed to working conditions and misclassification.

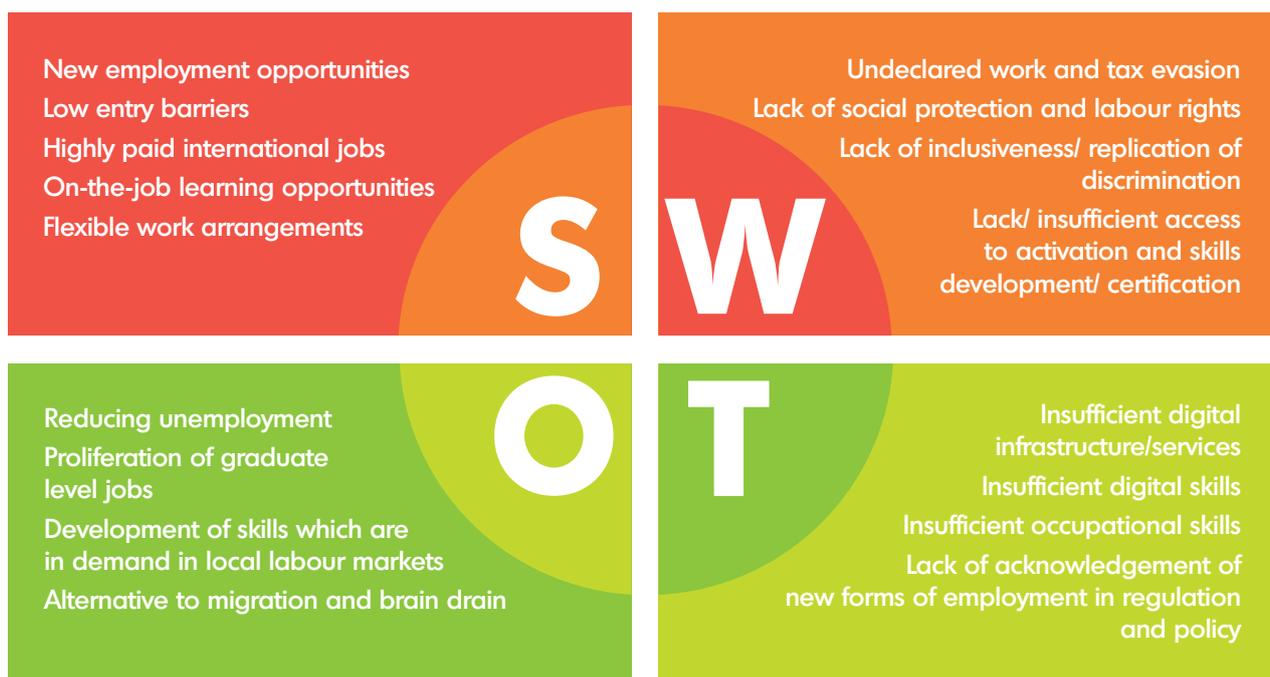
There is little data about the contractual status of platform workers. Fieldwork at the national level indicates a mixture of self-employment and employment - except in Montenegro and North Macedonia, where service contracts prevail. In some countries, such as North Macedonia, self-employed people cannot legally operate as platform workers. This forces people into informality. There is evidence that some people do platform work while registered as unemployed.

On-location workers are more likely to have employment contracts than remote platform workers. They are also more likely to be employed than their counterparts in the EU. Contractual arrangements vary. Some people have service contracts with platforms; others with the end clients, a practice prevalent for domestic services. Others work through intermediary agencies.

The legal status of remote platform workers varies by country. In Serbia, for example, freelancers must register as entrepreneurs. In Bosnia and Herzegovina and Montenegro, self-employment falls under labour law. Policymakers in different countries are exploring various ways to tax the income of freelancers who work with platforms abroad. But the lack of monitoring, enforcement, and suitable regulations leads to a substantial amount of informality and undeclared income.

## Challenges, opportunities and policy pointers

A SWOT analysis can help analyse new forms of employment, including platform work, in the Western Balkans. SWOT stands for strengths, weaknesses, opportunities and threats. We focused on three key areas: education and skills development; digitalisation; and labour market regulation and policies.



# Policy Dimensions

## Digitalisation

As digitalisation continues apace, the public and private sectors need to find ways to work together more effectively. Digital infrastructure and digital competencies are key preconditions to profit from new opportunities. This would include efforts to promote more inclusion and better monitoring. E-services offer a promising area for cooperation. This could include policies related to money transfers, accounting, and tax filing. Meanwhile, policymakers should keep their eyes on the ICT ball when it comes to job creation and economic development.

## Labour market

All too often policies have failed to address regulatory challenges brought by rapid pace of developments. Even with greater flexibility, the rights of individual workers must be ensured. This includes social and health benefits. As a starting point, the employment statuses and tax obligations of platform workers and freelancers should be clarified. A more sensible approach would help individuals and increase tax compliance.



## Education and training

Continuing training and adult education are key to address skills mismatches and shortages. Key competences and transversal skills deserve attention. Services supporting career management and providing counselling.

Stakeholders see the recognition of work experience and skills gained in new forms of employment as priority action.

## Evidence for policy making

Proper monitoring is essential to evidence-based policymaking. A systematic approach to data collection, including from the digital labour platforms, would support anticipating and mitigating challenges.

Policymakers should also strive to identify and promote key sectors and occupations to improve economic growth.





European Training Foundation

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