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## Gender and ethnicity in post-conflict Kosovo

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Research Paper No. 2008/43

## **Gender and Ethnicity in Post-Conflict Kosovo**

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### **Abstract**

The paper examines the comparative economic wellbeing of female- and male-headed households among Serbs and Albanians in post-conflict Kosovo. Evidence from the living standards measurement study (LSMS) household survey, 2001, shows that Serb households, both those headed by women and men, are worse off than Albanians households. We find that female-headed households do not generally suffer more than male-headed households, but there is substantial variation among ethnic groups. While Albanian female-headed households are marginally better-off than Albanian male-headed households, Serb female-headed households have the lowest standard of living.

Keywords: consumption, ethnicity, gender

JEL classification: I32, O12, J15

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## Acronyms

BPAK	Banking and Payments Authority of Kosovo
CEE	Central and Eastern Europe
CSA	central fiscal authority
HH	households
LSMS	living standards measurement study
UNMIK	UN Mission in Kosovo

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## 1 Introduction

It is stylized in development literature that female-headed households are more vulnerable to adverse economic conditions such as poverty (Buvinic and Gupta 1997; Barros, Fox and Mendonca 1997). Indeed, even in mature industrialized economies such as the United States, the poverty rate among female-headed families without a husband present was 28.3 per cent in 2005 while the corresponding proportion for married couples was 5.5 per cent and 13.4 per cent for male-headed families with no wife present (DeNavas-Walt, Proctor and Lee 2006: table 4). A growing, but as yet nascent, literature goes on to argue that this vulnerability is exacerbated during and in the aftermath of conflicts, often because women find it more difficult to find formal sector employment with the attendant benefits (Loughna and Vicente 1997; Deininger and Castagnini 2004). We make a contribution to that literature by examining the differences in per capita consumption levels between male- and female-headed households in Serbian and Albanian households in the strife-torn Balkan region of Kosovo.

We use regression models to identify covariates of per capita household expenditure in Kosovo,<sup>1</sup> and use the regression estimates to address two empirical questions: (i) whether, *ceteris paribus*, an average female-headed household in Kosovo is worse off than an average male-headed household, and, (ii) whether the extent of relative deprivation by gender applies equally to both ethnic groups, that is, whether the extent of relative deprivation of Serb female-headed households is greater (less) than that of Albanian female-headed households. The exact empirical methodology is discussed later in this paper.

Our results suggest that female-headed households generally do not suffer more than male-headed households, but there is substantial variation among ethnic groups. In fact, Albanian female-headed households are marginally better-off than Albanian male-headed households. The living standard of Serb households is lower than that of Albanians households, and Serb female-headed households suffer substantially lower living standard than male-headed households. Indeed, Serb female-headed households have the lowest standard of living among the four groups defined by ethnicity and gender of head of household.

The rest of the paper is structured as follows: In section 2, we provide a brief background of the context of our analysis, namely, Kosovo. The empirical methodology is described in section 3. The data and estimation results are reported in section 4. Finally, section 5 concludes.

## 2 Kosovo

Kosovo is a small landlocked territory on the Balkan Peninsula. The political strife in Kosovo involving the Serbs and Albanians can be traced back to 1948 (Artisien 1984). While the shared political ideology between Yugoslavia and Albania pre-empted an Albanian response to Yugoslavia's re-annexation of Kosovo in 1945, after Yugoslavia's

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<sup>1</sup> Throughout this paper, per capita household expenditure is used synonymously with per adult equivalent expenditure.

expulsion from the Cominform in 1948, the Albanian government raised the issue of Kosovo's 'unsettled' status, presumably with Soviet backing. The Kosovo issue was put on a backburner after Rankovic's departure in 1968, and, over time, the Yugoslav government granted the autonomous province of Kosovo two major concessions: the borders of the autonomous province could not be changed without the consent of the residents of the province, and, by 1974, the province had the same rights as the republics of the Yugoslav Federation.

The hostilities resumed after the death of Tito, and both the Serbs and Albanians hardened their positions, even as the province witnessed significant Serb (and Montenegrin) out-migration to other parts of Yugoslavia. The hostilities escalated in 1989 as the Milosevic government began removing Kosovo's autonomy. In 1990, Kosovo Albanians declared independence from Serbia, and Albania recognized Kosovo's independent status in 1991. The resultant armed conflict lasted until 1999, with NATO intervening militarily to persuade Milosevic to withdraw Serb forces from Kosovo. Since 1999, Kosovo has been a protectorate under the guidelines of UN Security Council Resolution number 1244.

Even prior to the changes in Central and Eastern Europe (CEE), people in Kosovo were poor by the standards of the region. In 1988, the year before Kosovo's autonomous status was revoked, the per capita output in Kosovo was only 28 per cent of the average per capita output in Yugoslavia. The economic crisis in Kosovo was aggravated during the 1991-99 period. The civil war reduced the number of able-bodied people of working age, damaged the housing stock and utilities such as power and telecommunication, and disrupted the flow of commerce. A reconstruction boom financed by international donors significantly aided the recovery of the economy soon after the end to the war. By the second half of 2000, agricultural output was estimated to have reached 75 per cent of its pre-conflict level, the investment-GDP ratio had climbed to almost 40 per cent, and per capita GDP stood at US\$759. This recovery was marked by two major distortions, namely, total domestic consumption in 2000 was 146 per cent of GDP and imports stood at approximately 80 per cent of GDP.

The UN Mission in Kosovo (UNMIK) is responsible for Kosovo's administration and has established institutions to support the process of economic re-invigoration. The UNMIK helped to create a central fiscal authority (CSA); this authority implements tax policy and formulates an independent budget for Kosovo that is non-overlapping with the budgets of (former state of) Serbia and Montenegro. Together the UNMIK and CSA established a new tax system and a tax administration to replace both the old system inherited from Yugoslavia and the parallel tax systems that had emerged during the conflict. The import regime was simplified and deregulated; no quantitative restrictions remain and the tariff rate is a flat 10 per cent for all goods and services. A department of reconstruction was created to coordinate donor assistance with public investments. Finally, the jobs of overseeing the payments system and domestic banks were entrusted to the newly created Banking and Payments Authority of Kosovo (BPAK).

The economic recovery continued through 2001 with Kosovo's 2001 per capita GDP growing at a rate of 18.4 per cent. However, the earlier imbalances persisted. For example, total consumption in 2001 was 121 per cent of GDP, which clearly is not sustainable in the long run. Moreover, despite the high consumption-to-GDP ratio, most Serbs and Albanians lived in poverty. Bhaumik, Gang and Yun (2006a) estimate

headcount poverty among Serb and Albanian households to be 57.4 per cent and 45.5 per cent, respectively.

### 3 Empirical strategy

We use regression models to identify covariates of per capita expenditure of households, a measure of living standard, in our sample. The focus of our analysis is the gender and ethnicity of the household head. Other characteristics contributing to the level of a household's per capita expenditure are well-documented in the literature (see Bhaumik, Gang and Yun 2006b). For example, per capita expenditure may decrease with youth and old age dependency ratios, i.e., the proportion of household members in the age groups 0-15 years and over 65 years. The presence of young children and elderly people, whose employability and earning abilities are low, reduces the overall labour power of the household and, in some cases, working-age household members are not able to participate fully in the labour market because they are required to care for family members, as Pezzin and Schone (1998) discuss. Even among working-age adults, the ability to participate effectively in the labor market may depend on age and gender, as Scott, Berger and Garen (1995) and Stanley and Jarrell (1998) suggest. Hence, we take into account the age distribution of the households—the proportion of household members in each age category—as well as the proportion of males among working age adults.

Per capita expenditure is also influenced by the earnings potential of the working age household members which, in turn, depends on their educational attainment. The literature suggests that both employability and the returns on education vary significantly for individuals with different levels of education, e.g., Grubb (1993) and Arum and Shavit (1995). To capture this effect, we include the proportion of working-age household members with different levels and types of education, namely, no formal education, primary education, general secondary education, vocational training, and tertiary or university education.

The wealth of a household may also be an important determinant of its income and expenditure. We measure the tangible wealth of households in Kosovo by the extent of their land ownership and the value of their livestock. As land and livestock contribute directly towards expenditure, these are particularly relevant in a geographic region where markets were either disturbed or non-existent due to the prolonged military conflict. Furthermore, we take into account social capital in the form of extended families and networks of friends who also contribute towards the economic wellbeing of a household. The literature on *inter vivos* transfers argues that such social capital plays a crucial role in expenditure smoothing both in developing and developed economies, as Bhaumik and Nugent (2000) discuss. Therefore, the proportion of households that receive private transfers from friends and extended family is an important factor to consider. In the same vein, public transfers may add to the wellbeing of households but these two types of transfers should be treated differently because, as Maitra and Ray (2003) suggest, their marginal impacts on the expenditure of a household are different. Hence, we also take account of the proportion of households that receive public support because of some disability among their adult members. However, the disability card may more of a reflection of the failing health of one or more adult household members, i.e., the health related capabilities of the household, rather than public transfers *per se*.

In addition to these stylized potential covariates, some other factors may also influence per capita household expenditure in the specific context of Kosovo. For example, the location of a household and whether or not it was uprooted from its place of origin may contribute significantly to its economic wellbeing or economic deprivation. Geographic displacement brought about by war leads not only to job loss and subsequently long-term unemployment, but can also disrupt established social networks. Because of the war, migration may not have been voluntary and migrants might have lost wealth. In addition, emigration out of the country may not have affected all income classes evenly. Therefore, we include the proportion of households living in urban areas as well as the proportion of households that reported having had to migrate after the disintegration of Yugoslavia.

Our empirical strategy involves the estimation of three sets of regression models. First, we estimate the following model separately for the Serb and the Albanian households in our sample:

$$PCHE = \alpha_0 + \alpha_1 FEMHEADED + \Phi'X + u, \quad (1)$$

where  $PCHE$  is (log) per capita household expenditure,  $FEMHEADED$  is a dummy variable that takes the value unity for female-headed households,  $X$  is a vector of the control variables discussed above, and  $u$  is the familiar *iid* error term. Next, we estimate a similar specification for female-headed households:

$$PCHE = \beta_0 + \beta_1 SERB + \Omega'X + v, \quad (2)$$

where  $SERB$  is a dummy variable that takes the value unity for Serb-headed households, and  $v$  is the *iid* error term. Finally, we estimate the following model for the pooled sample of all households:

$$PCHE = \delta_0 + \delta_1 SERB + \delta_2 FEMHEADED + \delta_3 (SERB \times FEMHEADED) + \Psi'X + \varepsilon, \quad (3)$$

where  $\varepsilon$  is the *iid* error term.

If, indeed, female-headed households in Kosovo are worse off than male-headed households, then the coefficients of the  $FEMHEADED$  variable in Equation (1) should be negative for both the Serb and Albanian samples. A comparison of the estimates of  $\alpha_1$  for the Serb and Albanian samples would also provide an indication about whether the relative deprivation of female-headed households is more (less) among Serbs than among Albanians. Equation (2) directly sheds light on this latter issue. If the extent of deprivation, as manifested in lower per capita household expenditure, is higher for Serb female-headed households, then the coefficient of the  $SERB$  dummy variable would be negative, and vice versa.

Finally, it is easily seen that the models outlined by Equations (1) and (2) are nested in Equation (3), and the estimates of  $\delta_1$ ,  $\delta_2$  and  $\delta_3$  shed light on the same two issues, thereby facilitating a robustness check for our results. Specifically,  $\delta_0$  is the estimate for the baseline category, namely, Albanian male-headed households,  $\delta_1$  is the general difference in per capita household expenditure between Serbs and Albanians,  $\delta_2$  is the

general difference in the same between female and male headed households, and  $\delta_3$  is the special effect of being a Serbian female headed household.<sup>2</sup> For Albanian households, the difference in the per capita expenditures of an average female-headed household and an average male-headed household is  $\delta_2$  [=  $(\delta_0 + \delta_2) - \delta_0$ ]. Similarly, for Serb households, the difference in the per capita expenditures of an average female-headed household and an average male-headed household is  $\delta_2 + \delta_3$  [=  $(\delta_0 + \delta_1 + \delta_2 + \delta_3) - (\delta_0 + \delta_1)$ ]. Hence, the coefficient of the interaction term,  $\delta_3$ , represents the extra burden of being female-headed among Serb households.

#### 4 Data and empirical results

To better assess the economic wellbeing of the population in Kosovo, including the width, depth, and correlates of poverty, the World Bank organized a living standards measurement survey (LSMS). The survey, carried out between September and December of 2000, collected data from 2880 households and is statistically representative of both the Albanians and Serbs in Kosovo. After accounting for missing values, the survey provides information on 2101 Albanian households and 416 Serbian households.<sup>3</sup>

We report key descriptive statistics associated with the variables of interest in Table 1. In keeping with our empirical strategy, we report comparative figures for male- and female-headed Serb and Albanian households, as well as for all male- and female-headed households in the sample. The descriptive statistics indicate the following:

- In general, female-headed households have per capita consumption levels 3.6 per cent below male-headed households (122.11 vs. 126.64).
- Albanian female-headed households have per capita consumption levels 2.3 per cent above Albanian male-headed households (131.07 vs. 128.09).
- Serbian female-headed households have per capita consumption levels 23.9 per cent below Serbian male-headed households (87.36 vs. 114.77).
- The incidence (headcount ratio) of poverty is greater for female-headed households regardless of ethnicity.
- There are relatively more female-headed households among Serbs.
- Age structure, educational attainment, assets and transfers differ by ethnicity and gender, indicating it is important to account for these factors in discussing the true extent of gender and ethnicity gaps.

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<sup>2</sup> As is true in any discussion using regression analysis, the coefficients represent partial effects, meaning the changes in per capita household expenditure when the value of dummy variable changes from zero to one, e.g., changing from Albanian households to Serb households, while keeping values of other household characteristics constant.

<sup>3</sup> The survey over-samples Serbian households. In a sample containing only these two ethnic groups in Kosovo, Serbs should account for 7.4 per cent and Albanians 92.6 per cent of the observations. In our data, 83 per cent of the households are Albanians and the rest are Serbs.



The regression estimates are reported in Table 2. The rationale for the use of these models and the associated specifications were discussed earlier. The F-statistics for the specifications are significant at the 1 per cent level, indicating that the regression models yield meaningful results. Further, the adjusted R-squared values, which range from 0.18 to 0.29 and are comparable with other cross-section estimates of per capita expenditure functions for similar-sized samples, indicate that the regression specifications explain inter-household variations in per capita expenditures quite well.

The regression estimates indicate that the presence of young and elderly people in the households reduces the per capita expenditure of households. For example, in the combined sample of all 2517 households, an increase in the proportion of children in

Table 1  
Mean household characteristics

	Albanians		Serbs		Serbs & Albanians	
	Female	Male	Female	Male	Female	Male
Per capital HH expenditure and poverty incidence						
Per capita expenditure (DM)	131.07	128.09	87.36	114.77	122.11	126.64
Headcount poverty ratio	0.50	0.45	0.77	0.54	0.56	0.46
Ethnicity of household head						
Dummy = 1 if head is a Serb					0.20	0.11
Demographic characteristics of households						
Proportion of HH members in age groups:						
0-15 yrs	0.30	0.33	0.11	0.19	0.26	0.31
16-25 yrs	0.27	0.21	0.15	0.16	0.25	0.20
26-35 yrs	0.13	0.14	0.09	0.13	0.13	0.14
36-45 yrs	0.09	0.11	0.10	0.13	0.09	0.11
46-55 yrs	0.10	0.10	0.10	0.15	0.10	0.11
56-65 yrs	0.06	0.07	0.24	0.15	0.09	0.08
older than 65 yrs	0.05	0.04	0.21	0.09	0.08	0.05
Proportion of male HH members	0.29	0.49	0.19	0.53	0.27	0.49
Education of working age household members						
Proportion of working age adults with:						
no formal education	0.12	0.09	0.08	0.02	0.11	0.08
primary education	0.47	0.45	0.42	0.30	0.46	0.43
secondary education	0.27	0.30	0.39	0.53	0.30	0.32
vocational education	0.09	0.08	0.07	0.07	0.08	0.08
university education	0.06	0.09	0.05	0.08	0.06	0.09
Household assets						
Acres of land owned by HH	0.06	0.07	0.03	0.13	0.06	0.08
Value of domestic animals owned by HH	0.44	0.57	0.22	0.50	0.40	0.56
Public and private transfers						
Dummy = 1 if at least one HH member has disability card	0.05	0.10	0.10	0.10	0.06	0.10
Dummy = 1 if at least one HH member receives private transfers	0.62	0.42	0.10	0.04	0.51	0.38
Location and migration						
Dummy = 1 if head of the HH migrated from native place of residence	0.68	0.76	0.06	0.09	0.56	0.69
Dummy = 1 if HH resides in an urban area	0.31	0.27	0.56	0.40	0.37	0.29
Sample size	139	1962	54	362	193	2324

Table 2  
Female-headed households, ethnicity and per capita consumption

	Equation 1		Equation 2	Equation 3
	Albanians	Serbs	Female-headed	All
Constant	4.35 *** (0.11)	3.92 *** (0.23)	4.34 *** (0.24)	4.40 *** (0.10)
Gender and ethnicity of household heads				
Dummy = 1 if head is a Serb			- 0.59 *** (0.13)	- 0.29 *** (0.03)
Dummy = 1 if head is a female	0.07 *** (0.05)	- 0.08 (0.09)		0.07 (0.05)
Female-headed × Serb head				- 0.19 * (0.10)
Demographic characteristics of households				
Proportion of HH members in age groups:	- 0.60 *** (0.10)	- 0.43 ** (0.21)	- 0.47 * (0.25)	- 0.61 *** (0.09)
0-15 yrs	- 0.28 *** (0.08)	- 0.24 (0.17)	0.46 ** (0.20)	- 0.26 *** (0.08)
16-25 yrs	0.04 (0.09)	0.10 (0.16)	0.35 (0.24)	0.03 (0.08)
36-45 yrs	0.14 (0.10)	- 0.16 (0.17)	- 0.10 (0.29)	0.02 (0.09)
46-55 yrs	0.05 (0.12)	- 0.25 (0.18)	0.02 (0.27)	- 0.10 (0.10)
56-65 yrs	- 0.21 (0.14)	- 0.31 * (0.17)	- 0.21 (0.27)	- 0.29 *** (0.10)
older than 65 yrs	0.14 (0.09)	0.20 (0.16)	- 0.36 * (0.19)	0.16 ** (0.08)
Proportion of male HH members				
Education of working age household members				
Proportion of working age adults with:	0.24 *** (0.08)	0.31 * (0.18)	0.27 (0.18)	0.22 *** (0.07)
primary education	0.69 *** (0.08)	0.87 *** (0.19)	0.71 *** (0.21)	0.68 *** (0.08)
secondary education	0.63 *** (0.11)	0.92 *** (0.22)	0.50 ** (0.20)	0.65 *** (0.10)
vocational education	0.93 *** (0.09)	1.44 *** (0.21)	0.91 *** (0.27)	0.95 *** (0.09)
university education				
Household assets				
Acres of land owned by HH	0.32 ** (0.15)	0.01 (0.01)	1.46 *** (0.57)	0.06 (0.04)
Value of domestic animals owned by HH	0.07 *** (0.02)	0.05 (0.03)	- 0.01 (0.07)	0.08 *** (0.02)
Public and private transfers				
Dummy = 1 if at least one HH member has disability card	- 0.01 (0.04)	- 0.12 * (0.07)	0.15 * (0.09)	- 0.02 (0.04)
Dummy = 1 if at least one HH member receives private transfers	0.06 ** (0.02)	0.31 *** (0.10)	0.11 (0.08)	0.07 *** (0.02)
Location and migration				
Dummy = 1 if head of HH migrated from native place of residence	0.001 (0.03)	- 0.12 * (0.10)	- 0.22 ** (0.10)	- 0.01 (0.03)
Dummy = 1 if HH resides in an urban area	0.02 (0.03)	0.03 (0.05)	0.17 (0.11)	0.02 (0.03)
F-statistic	26.23 ***	10.61 ***	5.04 ***	30.53 ***
Adjust R-square	0.18	0.29	0.27	0.19
Sample size	2101	416	193	2517

Note: The values within parentheses are robust standard errors.  
\*\*\*, \*\* and \* indicate significance at 1 per cent, 5 per cent and 10 per cent levels, respectively.

the age groups of 0-15 years and even 16-25, as also people older than 65 years, reduces (log) per capita expenditures by 0.61, 0.26 and 0.29 log-points, respectively. Per capita expenditure increases with the human capital of working age household members; the increase is higher for households whose working age members have secondary or tertiary education, as opposed to primary or vocational education. It increases with household assets as captured by the value of domestic animals, and is higher for households that receive private transfers. These results are reasonable on their own, and are consistent with the results reported by Bhaumik, Gang and Yun (2006b).

The estimates for the smaller sample of 193 female-headed households indicate that the presence of young children in the 0-15 year age group and elderly people over 66 years reduces per capita expenditure of these households. However, presence of young people in the 16-25 year age group increases their per capita expenditure, possibly indicating that in female-headed households children and younger adults close to adulthood contribute to the household income by participating in the labor force relatively early. Education of working age adults once again adds to the per capita expenditure of these households. However, in contrast to the estimates of the overall sample of 2517 households, per capita expenditure of female-headed households is positively affected by land ownership and *public* transfers, the proxy for which is the ownership of a disability card by at least one household member. In further contrast to the estimates of the overall sample, per capita expenditure of female-headed households is negatively affected by migration, typically as a consequence of the unrest in the region.

The regression results also clearly show the differential impacts of ethnicity and gender in Kosovo on per capita household expenditure while holding other household characteristics unchanged. The reported estimates of Equation 1 indicate that, other things remaining the same, female-headed Albanian households are actually *better off* than their male-headed counterparts ( $\alpha_{1,Albanian} = 0.07 > 0$  at the 1 per cent level), while, though not statistically significant probably due to small sample size, female-headed households among Serbs are worse off than male-headed households ( $\alpha_{1,Serb} = -0.08$ ). The significant and negative coefficient of Serb dummy variable in Equation 2 ( $\beta_1 = -0.59 < 0$  at the 1 per cent level) confirms that among the female-headed households ethnicity still matters. The compounded effect of ethnicity and gender is further verified by the estimates reported in the last column of the table.<sup>4</sup>

To recapitulate, from the last column of the table, the benchmark for this regression model is the male-headed Albanian household. The estimates indicate that Serb households, irrespective of the gender of the household, have a lower per capita household expenditure, on average, than the benchmark male-headed Albanian households ( $\delta_1 = -0.29 < 0$  at the 1 per cent level). Further, while the estimate of the interaction term between Serb-headed and female-headed households,  $\delta_3 = -0.19 < 0$ , significant at 10 per cent level, indicates that the degree of deprivation of female-headed households relative to male-headed households among Serb households is further exacerbated when compared to the degree of deprivation by the gender of head among Albanian households.

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<sup>4</sup> Regression results are consistent with the descriptive statistics reported in Table 1 that indicate that the distribution of per capita household expenditure is defined by the following hierarchical pattern: Albanian female-headed households > Albanian male-headed households > Serb male-headed households > Serb female-headed households.

## **6 Concluding remarks**

The conflict that reigned during most of the 1990s left the already quite poor Kosovo even more vulnerable. A recent literature has found, quite reasonably, that women suffer more as a result of conflict. We do not find this—at least we do not find this unequivocally. Controlling for a number of confounding factors, and using per capita adult equivalent expenditure as our metric, the majority of female-headed households in Kosovo are on average marginally better-off than male-headed households. However, this finding does not apply when we look at the both ethnic group level. Though among Albanian households, female-headed households are statistically significantly better off than male-headed households, there might be some detrimental effect of being female-headed among Serb households. Therefore, there are compounded gender and ethnicity effects in the standard of living of Kosovo households. This finding may indicate that we need to study welfare in fragile states, where conflicts among ethnicities or tribes or political ideologies are at the forefront, not only from ethnicity/tribe/ideology perspectives, but also from gender perspectives.

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