

## **CHARACTERISTICS OF THE LABOR MARKET AND EMPLOYMENT POLICIES IN KOSOVO**

**Artan Haziri**

Institute Afas, Pristina, Kosovo

[artanhaziri@live.com](mailto:artanhaziri@live.com)

### **Abstract**

*The most worrying aspect of the labor market in Kosovo is the high unemployment rate which reflects with the numerous problems in Kosovo society. The labor market in Kosovo during the period 2002 to 2013 was consistently followed by a different set of anomalies which have led to the raising concerns of the Kosovo population which are reflected not only by the unemployed, but also the active part of the population which in the absence of functioning of the collective contract, failure of unions, low average wage and a series of violations of workers' rights more and more is undergoing development gap in the labor market. Kosovo is the most highest rate of unemployment in the region which is around 50%. Unemployment rate by SOK has increased from 2002 to 2012 on an average rate of 0.8% per year. This percentage was in the beginning more sensitive, but since 2005 has started to have a slight increase. From the statistical data shows that unemployment is the highest in young persons (16-24 years), this age includes about 40% of the total number of unemployed. Also, the unemployment rate appears too high even to women though are not very active. Viewing these data mean that unemployment in Kosovo is mostly long term it is estimated that about 80% of the unemployed are long-term unemployed for more than 12 months. This condition appears as unemployment will remain for a long time the main challenges of the economy and society in general. To make this situation more clearly we take data of the macroeconomics department within the ministry of economy and finances showing that to remain in the same level of current unemployment should be a real increase of the Gross National Product of 4.7% while if we would halve unemployment by 2025 would require a real growth of Gross National Product more than 7.3%.*

*Keywords: Labor market, Employment policies, Job market, National product, Kosovo*

## INTRODUCTION

At first glance unemployment is attributed more to poor countries and countries in political and economic transition, but nowadays unemployment has included countries with high growth! To talk about unemployment is a special thing for me, but to talk about unemployment in the European Union represents for me a great privilege, although probably will not give any solution about unemployment, but I will try at least to give a definition and explanation, or maybe even a real thing how to come to a better employment and higher economic stability growth in the EU. The issue of unemployment is and always has been one of the biggest problems of macroeconomics, where experts in this field always had to be visionary at the right time, at the right time and in the right way to take actions that will not cause any economic collapse that will cause then macroeconomic disorders.

Economic problems have always been a challenge for the leaders of this subject that always follow the most progressive ways that in their country enable higher employment, better development, a better future for the youth, people, place and the globe in general, because a proverb says: "The economy is in recession when your neighbor is unemployed, falls into crisis when you become unemployed" (Harry Truman). This statement suggests that the unemployment issue requires to be careful that the best way is to create the most progressive methods to reach to send the country into higher economic development. Unemployment in the EU Almost in most European Union countries is growing. This redundancy according to experts of the economy are caused as a result of not drafting properly macroeconomic policies. Countries that are in the greatest crisis of unemployment are Greece, Spain, Italy, France and several other member states of the EU, but among those who mostly have problems with unemployment and its economic viability is Greece, which, despite the large funds that are provided by the IMF (International Monetary Fund) and WB (World Bank), still continues to have great problems in its financial system.

### The economic problems in Greece

Known German magazine, Der SPIGEL, recently published that: the black hole in Greece's budget is 20 billion euros. The magazine refers to data collected by Greece's international creditors. "This amount is twice as the initial calculations. Greece can receive the next tranche of financial aid only if it cover this deficit ", writes German magazine. Since June, Greece is waiting for this installment that worth 31 billion euros, while the recession in the Balkan country is greater than predicted. The Greek economy continues to shrink at alarming rates and forecasts for next year are not optimistic. The draft budget for the year 2013 presented to Parliament by the Greek government provided an economic decline of 3.8 percent for Greece.

Meanwhile, this year, the decline of the economy is expected to go up to 6.5 percent, exceeding the initial forecast of 4.8 percent. In the draft budget of the year 2013 are forecasted other austerity measures that would cut public spending, primarily pensions and salaries of administration to 8 billion euros. Cuts and demand of credit international providers are required to deliver the next installment of the loan. For the fifth consecutive year the Greek economy is in free fall and 2013 will be the sixth year. But the worst does not end here. Another report which was published by the Greek Statistical Authority says unemployment in Greece has reached over 25%. More than a quarter of the active population in Greece is covered by unemployment in July with a growing percentage with 25.1 percent against 17.8 percent in July 2011 and 24.8 percent in June, announced Greek Statistical Authority (ASE). "The number of unemployed has reached 1.261 million against 3.7 million people who have been in business," said in a statement ASE. The unemployment rate in Greece has doubled since the beginning of the debt crisis in 2010. Another analysis that was done by Eurostat says that Greece is one of the most expensive countries in the Eurozone. Although there was five consecutive years in recession, Greece still is one of the most expensive countries in the eurozone, announced the European Agency for Statistics –Eurostat.

“Milk and its derivatives are 31.5 percent more expensive than average prices in the eurozone, while the bread and cereals are 16 percent more expensive for buyers', reported Eurostat. Greece is the most expensive even for furniture and electronic equipment. According to the Greek Ministry of Development, the high price of consumer goods is dedicated to expensive transport, especially in the islands, and high taxes.

### **Economic problems in France**

Number of unemployed in France crossed the border of three million people for the first time since 1999, show the data of Ministry of Labour. In August, 23,900 French were added to the ranks of the unemployed, increasing their number to 3.01 million. More troubling was the fact that the unemployment rate rose to 9 percent last month, the 16th consecutive month that marks the rise. Labour Minister Michel Deo, briefly commented that "these figures are clearly bad". However, the government blamed the previous administration for this condition. "These three million unemployed are victims of failed reforms and economic policies of the past few years. The government is implementing immediate reforms, but will need to spend some time before first results come ", added the Minister of Labour in his statement. In recent months, some of the largest French companies have cut number of their employees. Together, the automaker "Peugeot", the airline "Air-France KLM", the network of supermarkets "Carrefour" and medical company "Sanofi" have cut tens of thousands of jobs. Alongside the high

unemployment which dominates in the country in recent years, France has adopted a new budget that would increase taxes. It will significantly increase taxes, in an attempt to reduce the government deficit to 30 billion euros. The government hopes to reduce its budget deficit from 4.5 percent of Gross Domestic Product at 3 percent. "This is a fighting budget. A budget to restore the health of the country. A budget to fight the debt that does not stop growing. A budget for social justice. A budget for growth and preparation for the future. It is a sturdy and responsive budget ". Two-thirds of the money to reduce the deficit will come from increases of taxes for wealthy families and surpluses and budget cuts. This increase of taxes will affect only 10% of French taxpayers

### **Economic problems in Spain**

The latest data on unemployment in Spain show that Spain is facing its deficit greater that occurred in recent years. Unemployment in the country is alarming that 33% of young people are unemployed. This means that there are more people under 25 who do not have a job, versus those who have. Generally report that Eurostat has made few months ago says that unemployment in Spain is 25%. Spain's public debt has reached in the end of June another historic record with 75.9 percent of GDP, a level of concern, as the country is suffering frp, tension markets.

Spanish debt, which rose by 9.2 points in a year, also passed the limit set by the Stability Pact of the EU by 60 percent, but remains lower than public debt in the eurozone to 88.2 percent in first quarter. Public debt will continue to grow in 2012 as the government has forecast an increase to 79.8 percent of GDP at the end of the year, a forecast that does not take into account the European loan to Spanish banks, which may reach 100 billion euros and increase the debt by 10 points. Spain says the country's economic recession deepens.

The Central Bank report that the country's economy shrank during the period from July to September, for the fifth quarter in a row. Also, the number of unemployed in Spain has increased, reaching the figure of 25 per cent of the working population.

Kosovo's labor market is characterized by several features that distinguish it from other countries in the region. That which makes the difference is that from all the data indicated that one of third of the population is under 16 and over 50% is up to 24 years. So what affects the level of unemployment from year to year is the biggest entry of young people into the labor market despite high immigration tries to mitigate such a situation, however, the impact of entries can not be mitigated.

Because of the special characteristics of the labor market in Kosovo, such as very young population then this mean that those who are unemployed are aged 16-24 years who constitute about 40% of the total number of unemployed. The reason for this is what we stated above because they for the first time enter the labor market. This could express through this table:

Chart 1. The age structure of the unemployed (2012)

Age	Male	Female	Total
16-24	39.2%	41.4%	40.2%
25-34	30.4%	30.6%	30.5%
35-44	18.1%	19.5%	18.8%
45-54	8.0%	6.7%	7.4%
55-64	4.4%	1.8%	3.2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>

Unemployment as a serious macroeconomic disease is a significant cause of poverty in a country. In 2004, wages accounted for 55.2 percent of monthly household income, while remittances in cash from abroad accounted for 13.2 percent and 10 percent were unspecified sources of income (Statistical Office of Kosovo (SOK), Kosova in figures, Prishtinë, 2005).

## EMPLOYMENT POLICIES

The social protection system in Kosovo consists of social assistance benefits, the basic pension system and invalid pension, completed with a special scheme for war invalids. Expenditure on social transfers are equivalent to 27 percent of the public budget and estimated to incur an annual increase of 3 percent over the period 2008 to 2013 (from 113 million. € to 125 million €) (Ministry of Economy and Finance (MEF), Kosovo 2006-2008 Medium Term Expenditure Framework –Prishtinë, 2006.).

Fiscal and budgetary reforms undertaken since 2001 have generated significant local profits, that allowed Kosovo to increase budget spending, despite a reduction in donations from donors. Between 2003 and 2004 the increase in capital expenditure on wages and public salaries - the latter increased by 20 percent - resulting in a fiscal deficit of 5.4 percent of GDP. Data from the collection of taxes reveal that over three quarters of the revenue collected at border points and just 11 percent at the municipal level.

Enterprise sector in Kosovo is dominated by micro-enterprises. Most firms are organized in the form of self-owned enterprises or partnerships with fewer than five employees, and where 75.2 percent of their are individual businesses. Based on data from the business registration office, the percentage of manufacturing activities has increased during the last five years by

about one to two percent per year. In 2005, about 54,000 companies were registered, 57 percent in trade, hotels and restaurants, 8.7 percent in manufacturing and less than 1.6 përqind në agriculture.

Information about the contribution of the manufacturing sector in GDP are incomplete due to the lack registration of manufacturing enterprises and little information about public and social enterprises (POEs and SOEs). These last two types of enterprises face problems as old-fashioned assets, financial underperformance and unclear employment relationships.

In 2003 it was estimated that there were approximately 16,000 active employees in POE and 18,000 in SOEs, with an almost equal number of employees on administrative leave. The liquidation of these companies and spin-off of their assets began in 2005, where during the same year were sold about 239 companies with a capital of € 160 million.

As we stated above Kosovo is the most highest rate of unemployment in the region, while initially should raised some concerns that characterize the labor market during 2002-2013. Economic stagnation of many parameters in place results even in strangulation of the labor market. Unemployment is not the only concern for the population of Kosovo, part of this concern are the active part of the population who work without regulation of collective contract, low average wages, violations of workers' rights which are consequence of malfunctioning to full union. Another problem is the creation of an inappropriate macroeconomic policy to provide conditions for the operation of the national labor market, which would maintain current jobs and create new jobs.

The average age of the population in Kosovo belongs to the young and able to work. Employees or those who continuously seek work are only 58 percent and it precedes a low standard and a poor economic situation.

Reforms in the education system, tax breaks for private sector benefits in the field of agriculture, stockbreeding and other areas, will create new conditions of employment, greater economic circulation and all of this will directly impact on improving labor market and social welfare

The most troubling aspect are inadequate policies governed by the relevant institutions till now or to say it clearly complete failure to the problems created over the years and their collection and solution that is becoming more and more complex.

## **CHARACTERISTICS OF THE LABOR MARKET**

Regarding this will mention some features that the years have followed the economy of Kosovo from which is directly affected the labor market.

- Tightening of tax - especially in the private sector ranging from production or import of raw material to the final products, has made that this sector as a result to have the reduction in the number of employees or even if it does not reduce the number of workers then most workers' has faced and faces more problems and violations of their rights consistently.
- Another feature is the lack of harmonization of appropriate macroeconomic policy to ensure favorable conditions of labor market activity in national terms, which will create new work places but also to create continuity for current places of work.
- Schedules of lengthy labor, low wages, seasonal jobs cuts are the main factors leading to the deterioration physical and psychological of the population which faced daily worries, depression and illness on long-term consequences which are a cost separately for individual, family and society in general.
- Non application of educational reforms or lack of medium and long term strategies for vocational education which could prepare skilled and adequate staff for self-employment, especially in the agribusiness sector.

From all those mentioned above we see that during the period 2002 to 2013 do not have any employment strategy with specific objectives and priorities which will enhance the motivation and expectation for the near future that could lower or at least taming unemployment in Kosovo. Considering the specifics of Kosovo in terms of natural resources which present significant potential for satisfying economic development and simultaneously a favorable labor market, the use of agricultural land we see as a solution that would help on reducing unemployment. The territory of Kosovo is represented by 53% of agricultural land, 41% is forest land and 5.2 is the next area. So by using this fund land need great attention to the promotion of agriculture (agribusiness) and training as a self-employment opportunity.

## RECOMMENDATIONS

Are strategic and concrete which have approximately followed the region although with different specifications:

- Creation of new jobs is one of the most serious challenges facing the economy of a country, However must make continuous efforts to achieve such a thing for this need a planned strategy of employment with targets and priorities;
- Improved performance of employment services network within the existing capacity;
- Human capital investment consistently is one of the priorities of the governing bodies;
- Improving and training lifelong;



- Drafting of programs for creation of new jobs and retaining existing ones;
- Creating a positive climate for business and investment, increase competition among SMEs in the local market initially and then at the regional and global, applying technology development and information;
- Reduction of administrative barriers and creating facilities for business;
- Bridging the throat of the informal sector.

By following these recommendations, the labor market could become more attractive and advantageous for all jobseekers and current employees that their energies would guide with high productivity at work.

It is characteristic that employment in the public sector in Kosovo is frozen until 2015 so that the main burden of absorbing army of unemployed no doubt falls to the private sector, because spending budget framework 2013-2015 does not provide such a thing. To occur such a thing is necessary to create better opportunities for businesses in order to increase employment.

Viewed in years to secondary and tertiary sectors have been declining in number of vacancies reported except to the primary sector, which has had especially increase for 2008 was 3% and 17% since 2009 even for the coming years trends have been very slow that will not give any hope for a near future that could create any positive hope in alleviating unemployment.

## CONCLUSIONS

By analyzing all that was mentioned above about the labor market in Kosovo conclude that the high rate of unemployment is as a result of non-developed economy where remains largely non-utilization of available manpower.

Kosovo should create favorable policies to attract foreign capital in order to use the advantages that are offered especially in the aspect of the young people.

Strategic orientation of the Kosovar economy should be state policy of favoring the development of small and medium enterprises as generator of economic development on occasion will allow creation of new jobs, especially for young Kosovar. Also the budget management and its control is one of the substantial elements regarding for creation of new jobs, especially in lowering the costs in the social safety net focusing only on those who really need.

Use of natural resources as significant potential in economic development, especially th fund of agricultural land is an important factor towards alleviating the level of unemployment as



an acute illness in Kosovo that already absorbs the largest number of employees or better to say self-employed during these years.

Having regard the unemployment rate, which is correlates negatively with the level of education should take measure to an increased level of qualification for relevant professions that a dominant role will play professional schools in preparing young people for certain areas. This, in order to increase productivity as well as the self-initiative to open businesses and self individual self-employment.

So, the whole process requires a commitment of all fundamental actors operating in Kosovo starting from government, business representatives, groups of interest, in order to draft appropriate strategies to ensure healthy economic growth.

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