

## **THE LABOR MARKET IN KOSOVO AND NEIGHBOURING COUNTRIES**

**Artan Haziri**

Institute Afas, Pristina, Kosovo

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

### **Abstract**

*This article contains review and insight on unemployment with special emphasis in Kosovo and neighboring countries surrounding Kosovo such as Albania and Serbia. In many economic debates of economic policymakers unemployment always has been disturbing factor. From the empirical analysis, the negative and positive effects are possible. We have gathered enough information from accurate sources of theoretical and conceptual sources related to this sensitive matter as well as important. From much analysis we see that the Western Balkan countries differ from the Eastern European countries which are closely related to the diagnosis of unemployment. Countries of these regions have had less success than those in Eastern Europe in terms of foreign direct investment. Also these countries face with different choices in regard to reforms and the law for the protection of workplace. Legislation for the protection of jobs, which causes financial and time costs associated with dismissal from work, seems to have an opposite effect to the intended effect and does not prevent high unemployment. Also improvement of business environment is a key factor in reducing unemployment and creating jobs. Based on the experiences of Bulgaria, Lithuania and Poland new businesses create 30% of new working places in economies in transition. So this theme focuses on the basic issues and the suggestion of establishment of appropriate measures for increasing employment practices with the only purpose of reducing the unemployment and increasing welfare.*

*Keywords: Labor, Market, Kosovo, Neighboring Countries, Economic*

## INTRODUCTION

### Main indicators of Labour Market in Kosovo

Unemployment is one of the biggest challenges for Human Development in Kosovo, The highest rate of unemployment among women is more prevalent at age group 15-24. Age groups capable of work and unable to find employment due to the low level of investment, lack of effective employment policies, as well as the low level of qualification of the labor force looking for work. The high percentage of unemployment among young people is always a separate concern for social stability. Ministry of Labour and Social Welfare (MPMS) estimates that the total number of unemployed registered at the Employment Office (PO) has been 325,261 people at the end of 2013 and if we compare with 2012 the number of unemployed was 335,260, which means that in 2012 we have a decrease in number of unemployed to nearly 10,000. Kosovo's labor market can absorb barely 325,261 jobseekers and other people entering the labor market every year.

The high level of unemployment in Kosovo is attributed to several reasons, including the weak basis of the initial production, structural reforms related to privatization, low levels of domestic and foreign investment, lack of active and efficient employment and low qualifications of jobseekers. The unemployment rate in Kosovo in 2009 was 45 percent based on the data prepared by the Statistical Agency of Kosovo (SAK), namely the Department of Social Statistics (DSS). The highest rate of unemployment is more prevalent at the age 15-24, and among females.

Table 1: Main Indicators of Labour Market

Main indicators of labour market (%)	Male	Female	Total
The rate of participation in labor power	60.2	21.1	40.5
The inactivity rate	39.8	78.9	59.5
Employment to population ratio (employment rate)	44.0	12.9	28.4
% Vulnerable employment to total employment	25.0	18.9	23.6
Unemployment rate	26.9	38.8	30.0
The scale of the youth unemployment (15-24 years old)	50.4	68.4	55.9

Table 1 presents a broad overview on the status of the labor market of Kosovo's population based on the Labour Force Survey 2013. Among the most important results, as shown in Figure 1 and elaborated in detail in this report are:

- Almost two thirds of Kosovo's population is on working age (15-64 years). It is expected that population of working age will be increased rapidly over the next decade as Kosovo has one of the youngest populations in Europe.

- From the working age population, 59.5% are not economically active, which means that they are not employed and were not actively looking for employment during the past four weeks and / or are not ready to start working within two weeks.
- From 40.5% of the population that is economically active, 30.0% (144,829 people) are unemployed.
- This means that 70.0% (338,364) of the economically active are employed, creating an employment to population ratio (employment rate) of 28.4%.
- From 59.5% of working age population that is inactive, 20.2% (143,700 people) do not look for work because they believe there is no job. Discouraged workers make up 12.1% of the working age population, with similar levels for men and women.
- There are significant gender differences in the labor market
- About one in five (21.1%) women of working age are active in the labor market, compared with three-fifths (61.2%) men working-age.
- Among persons in the labor force, unemployment is much higher for women than for men (38.8% compared with 26.9%).
- The employment rate among women of working age is only 12.9%, compared with 40.0% for men. This very low degree of unemployment among women stems from a combination of very low participation in the labor force and high unemployment.
- Women were mainly employed in the education and health sector (40% of employed women). Men were mainly employed in the manufacturing, trade and construction (employing more than 40% of employed men).
- In 2013, young people in Kosovo had two more times likely to be unemployed than adults. Among persons aged 15-24 in the labor force, 55.9% were unemployed. Unemployment is higher among young women (68.4%) than young men (50.5%).
- 35.3% of those aged 15 to 24 years in Kosovo were not in education, employment or training. This figure is 40.9% for young women compared to 30.0% for young men.
- Most of those employees say that work full time.
- 87.8 percent of respondents reported that they work full time in their main job, no major gender differences.
- The reasons for working part-time differ between the sexes, as women take on the role of care within the family, and reduce the hours available for employment.
- Reason number one why men do not work full time , was the lack of a full-time job.
- Respondents who work in the government sector reported working fewer hours than employees in the private sector. Gender differences were small, especially in the

government sector, where working hours looked more regular; Men and women who work in private companies, worked longer hours.

- 23.6% of employed belong to the category of vulnerable employment / unstable. This means that they are either employed in their business (for own-account workers), or contribute to a family business (paid or unpaid)
- Only 31.2% of employed persons had a permanent contract in their main job, while 68.8% had a temporary contract. Persons who have temporary contracts, were asked why they had this kind of contract and 90.5% of respondents reported that was no other contract available. Net salaries of most employees were between 300 € and 400 € per month. There are many small observed gender differences.

## Overview of the Labor Market in 2012 & 2013

Table 2: Overview of the Labor Market in 2012 & 2013

	Kosove 2012	Kosove 2013
<b>The inactivity rate (%)</b>	<b>63.1</b>	<b>59.5</b>
<b>The rate of participation in labor power (%)</b>	<b>36.9</b>	<b>40.51</b>
Male	55.4	60.2
Female	17.8	21.1
<b>The employment rate</b>	<b>25.6</b>	<b>28.4</b>
Male	39.9	44.0
Female	10.7	12.9
<b>Part time (as % of employees)</b>	<b>11.1</b>	<b>11.9</b>
Male	11.3	11.1
Female	10.3	14.3
<b>Temporary employees (as % of employees)</b>	<b>73.0</b>	<b>68.8</b>
Male	73.2	68.9
Female	72.5	68.7
<b>Self-employed (as % of employees)</b>	<b>19.8</b>	<b>22.9</b>
Male	22.7	26.0
Female	8.3	12.8
<b>The unemployment rate</b>	<b>30.9</b>	<b>30.0</b>
Male	28.1	26.9
Female	40.0	38.8
<b>The unemployment rate among young people (% of 15-24 years old)</b>	<b>55.3</b>	<b>55.9</b>
Male	52.0	50.4
Female	63.8	68.4
<b>Long-term unemployment (12 + months unemployed)</b>	<b>59.8</b>	<b>68.9</b>
Male	59.1	71.08
Female	61.3	68.98

Table 2 shows that most labor market indicators have remained similar to those of the past two years. This is not surprising, considering the lack of major changes in the economy of Kosovo from 2012 to 2013 and modest growth rate during this period. The unemployment rate decreased only slightly, from 30.9% to 30.0%. The most significant change occurred in the rate of labor force participation, which increased from 36.9% to 40.5%.

From 2012 to 2013, the working age population increased by only 2,611 people, but the number recorded as economically active increased by 45,000. The number of people listed as employed has increased approximately 35,000, increasing the rate of employment (or employment to population ratio) of about three per cent from 25.6% to 28.4%. It is possible that increases in labor force participation and employment in 2013 are overstated. These indicators seem to be not fully reported in LFS 2012, while the LFS 2013 was more inclusive in terms of registration of minor works, including unpaid family work. Therefore, some of the apparent increase in 2013 are likely attributable to the improvement of the survey methodology. However, there is also the possibility that a part of the growth, employment, is due to rising real job, by the growth of new business registrations in 2013.

### COMPARISON OF KEY STATISTICS BETWEEN NEIGHBORING COUNTRIES

Labour Market Statistics of 2013 show that the labor market in Kosovo is in more serious situation compared to other countries of the Western Balkans and the 28 European Union country members.

The participation rate in the labor force in Kosovo is 40.5% while in the Western Balkan countries ranges from 43% to 68%.

Table 3. Comparison of Key Statistics between Neighboring Countries

PLACE	The rate of participation in labor power		Employment to population ratio		Unemployment rate	
	TOTAL	FEMALE	TOTAL	FEMALE	TOTAL	FEMALE
<b>Kosovo</b>	40.5	21.1	28.4	12.9	30.0	38.8
<b>Albania</b>	61.3	50.1	50.5	42.7	17.7	14.7
<b>IRFJ</b>	63.9	50.8	44.0	35.3	31.2	30.5
<b>Serbia</b>	60.4	50.7	46.4	38.3	23.1	24.3
<b>Montenegro</b>	59.0	52.1	47.4	41.5	19.7	20.4
<b>Bosnia &amp; Herzegovina</b>	43.6	32.5	31.6	23.0	27.5	29.0

Some of these differences has to do with the fact that Kosovo has a young population and many of these youth are still in school (and therefore classified as inactive). The concern is that over time the possibility that inactive population increase remains high

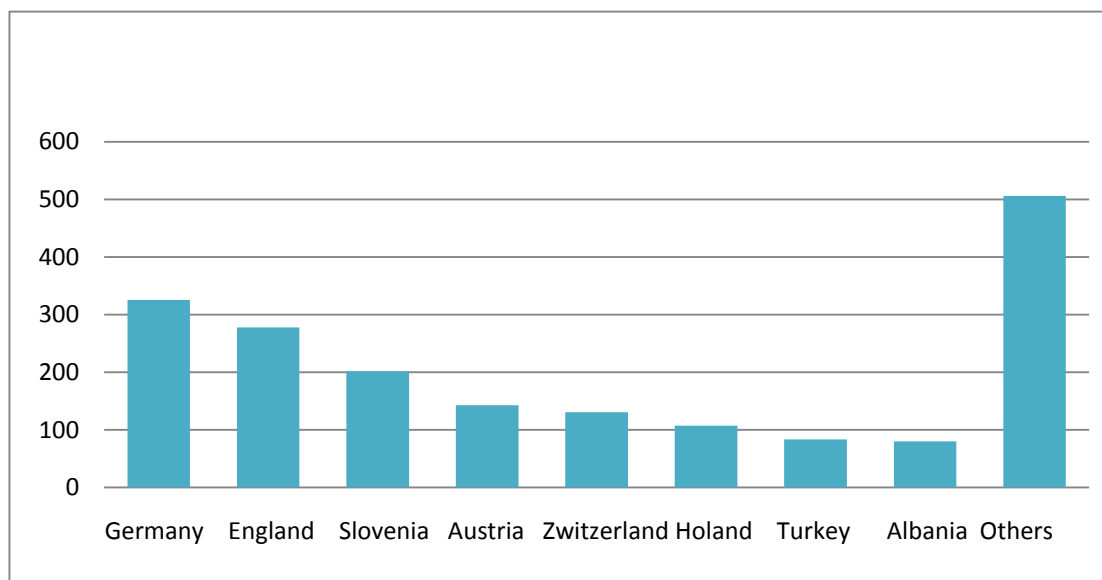
because each year approximately 36,000 young workers are added to the working age population (ie. 14-year-olds will be 15 years old), while only about 10,000 will be removed from the working age population (ie. 64-year-olds become 65 years old).

The rate of labor force participation of women is much lower in Kosovo than in neighboring countries.

Only 28.4% of the working age population in Kosovo is employed compared with an average rate of employment of 44% for the Western Balkan countries. After Macedonia, the unemployment rate in Kosovo is the highest in the region. The female unemployment rate in Kosovo is the highest among the countries of the Western Balkans

### INVESTMENTS IN KOSOVO BY COUNTRIES AND SECTORS (2007-2011)

Chart 1: Foreign direct investment by country (2007-2011)



The chart shows that foreign investments in Kosovo are mainly from EU countries dominated by Germany, England, Slovenia and Austria with over 1 billion investment together. Also important place in foreign direct investment in Kosovo occupy Turkey and Albania. FDI was the highest in 2007 (440.7 million) and has recorded a significant decrease each year from 2007.

In 2008 FDI amounted to 366.4 million euros, 287.4 million in the year 2009, in the year 2010 365.8 million, in 2011-393.8 million and in 2012 - 228.6 million, while in 2013 - 255.6 million. One of the reasons for the significant decrease in FDI in the period 2008-2010 can be attributed to the global financial crisis. It is also important to note that privatization of public

enterprises usually brings large amounts of foreign direct investment, therefore the decrease can be attributed to recent waves of privatization in the country. However, the same can not be said for the period 2011 to 2013.

The main reasons for declining FDI can largely be attributed to the bad image of Kosovo, created by the high level of corruption, extortion, organized crime and bureaucracy and other similar problems.

## **THE IMPACT OF NEIGHBORING COUNTRIES IN THE LABOR MARKET IN KOSOVO**

### ***Albania***

Albania after the war is present in Kosovo with direct investment thus affecting greatly in the labor market, taking into consideration although not for the value of the investment but from the number of businesses leads in Kosovo, where only 6 months of this year are opened 20 new businesses.

Table 4. Albania's Investment

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
<b>Albania</b>	3.4	21.9	23.3	20.3	11.2	4.7	<b>84.79</b>

The table 4 shows that Albania from 2007 to 2012 has invested 84.79 million euros, investments of Albania are mainly capital investments which are largely oriented in these sectors: Real Estate, Construction and Manufacturing.

### ***Labour market Kosovo-Albania***

Albania has decided to enlarge its possible working force ending obligation that people of Kosovo have to obtain a work permit to work in Albania. The decision also is applied to ethnic Albanians living in the Presevo Valley.

It also facilitates the future of Kosovar students studying in Albania in order to develop their professional career in country.

This means that new working places are created by increased investment and the removal of bureaucratic barriers.

### ***The Impact on the Labor Market - Serbia***

Reports in economic field amongst Kosovo and Serbia are mainly influenced by politics, as a result of the war in 1998-1999, especially after the declaration of independence of the Republic of Kosovo on 17 February 2008, which Serbia still not recognize internationally.

Besides non-recognizing ,Serbia with its mechanisms has made continuous setbacks thus not allowing Kosovo to become part of organizations and institutions with economic character in terms of international and regional levels, obstacles that the last years have passed by the relevant institutions with international support, where special role have Kosovo-Serbia bilateral talks with the mediation of the EU and which are still ongoing.

Investments of Serbian state in Kosovo are mainly through illegal routes, and concentrated in the north, and in areas with Serb majority.

According to information Serbia since the war has invested over 1 billion euros in Kosovo, in support of parallel structures in the north of the State, where most of them are mostly spent on the road, but also in the construction of factories, buildings, residential and the construction of other infrastructure buildings.

Only in 2013, Serbia has invested over 200 million euros in the north, bypassing the legal side and neglecting the Government of Kosovo for investments.

Data on the impact of Serbia in the labor market in Kosovo show that Serbia until 2012 has funded illegal parallel structures in Kosovo, in municipal administration and public parallel institutions, such as educational institutions, courts, security etc.

### **New Enterprises According to Origin of Capital**

Table 5: Number of New Enterprises according to Origin of Capital and the Number of Employees in 2012

CATEGORY, Number of Employees	TOTAL	ORIGIN OF CAPITAL	
		Foreign	National
	<b>9592</b>	<b>70</b>	<b>9522</b>
1-4	<b>9266</b>	59	9207
5-9	<b>229</b>	3	226
10-19	<b>61</b>	2	59
20-49	<b>23</b>	4	19
50-99	<b>7</b>	2	5
100-499	<b>5</b>	-	1
+500	<b>1</b>	-	1



Table 6: Number of New Enterprises According to Origin of Capital and the Number of Employees in 2013

CATEGORY, Number of Employees	Total	Origin of Capital	
		Foreign	National
	<b>9421</b>	<b>42</b>	<b>9379</b>
1-4	<b>9152</b>	37	9115
5-9	<b>206</b>	1	205
10-19	<b>43</b>	1	42
20-49	<b>12</b>	1	11
50-99	<b>6</b>	1	5
100-499	<b>2</b>	1	1
+500	-	-	-

## CONCLUSIONS AND RECOMMENDATIONS

Statistics on labor market indicators are still scattered and not comprehensive. In order to have a sound governance policy of the labor market is essential to have a unified system of information of the labor market and to have comprehensive statistics, where it is known that because of the lack of abundant statistics, in terms of decisions, decisions can be taken deficient.

The reform and modernization of public employment services, design of policies at the MPMS, the formation of the division for policy making and implementation of labor market policies and the creation of national employment service is very important for Kosovo.

Ministry of labor and social welfare should formulate a strategy at the appropriate level which the objectives set in the strategy must meet the criteria : Specific, Measurable, Attainable, Realistic and timely (SMART) and this should be carefully monitored to ensure effective performance for the purpose of this strategy. The low level of economic development and the inability to generate new working places affects that RKS has a structural unemployment, where the relationship amongst the supply and demand is very in very high disproportion..

In this case MLSW should identify operational objectives in order to harmonize supply and demand in the labor market by making efforts to: develop and expand employment policies, to reform and modernize public employment services, to strengthen the capacity of vocational training centers, to develop an information system in order to expand active measures of the labor market .

So Kosovo is necessary, first of all, to strengthen the commitment to the rule of law and to ensure a sustainable growth rate of long-term. Only under these conditions can be created the space needed to mitigate the high level of unemployment and poverty. The economic situation in Kosovo is not good and from this it is necessary to improve

economic policies that would favor the development of local businesses.. Among the reasons that have affected the situation of businesses are inadequate policies fiscal, lack of institutional support towards local businesses, corruption, bureaucracy, procedural delays, loans and high interest banking as well as breakdown of law that many times has brought problems to business.

This shows that economic growth in Kosovo, which as a result is unemployment, is low and it can be provided with improvements in education, quality of financial management, market access and availability of public infrastructure.

Kosovo needs further technical assistance from the international community, in order to continue the trend of capacity building in the field of governance, the economy and finance. However, it must change the character and volume for a sustainable economic development and it can be achieved through these steps:

- a) Education and human capital formation, which have an impact on the effectiveness of other types of capital and facilitate the acquisition of technology ;
- b) Financial quality, development of financial markets (measured by domestic private credit report along GDP);
- c) The opening of international trade, which has an impact on the level of competition market, and technological innovation.
- d) Loads of government (measured by budget report alongside GDP);
- e) Availability of public services and infrastructure;
- f) Governance (institutional capacity and quality, lack of corruption, enforcement of contracts, law and order)

## REFERENCES

Annual report of the labor force (AFP), [www.labour.gov.za/DOL/documents/annual-reports](http://www.labour.gov.za/DOL/documents/annual-reports)

Central Bank of Kosovo (CBK) Report, <http://www.bqk-kos.org>

Economic Profile, Agency for Investment and support of enterprises in Kosovo, <http://www.invest-ks.org/en/Economic-Profile>

Key Data, Statistical Agency of Kosovo, <http://www.kryeministri-ks.net/?page=2,207>

Ministry of Trade and Industry, <http://www.mti-ks.org/en-us/Ministry-of-Trade-and-Industry>