

DEMAND AND SUPPLY OF LABOUR MARKET IN KOSOVO

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Abstract

The labour market is an entirety of relationships that arises between employers represented by the state or private sectors and employees, according to applicable labour legislation and international conventions. In economy, the market represents the entirety of measures that allow or facilitate the exchange between customers and sellers, so all production factors are marketed. The labour market occupies a big place in the economy. And what does the labour market represent? Just like any other market, normally, also the labour market also presupposes facing the demand and supply of labour and the achievement of balances on the main indicators of the economy. Until it is thrown in the market, labour is commodity. Every commodity has its values and benefits. Each of them can be used in different directions. Often this usage does not depend on its own values and is not used for the best value and quality. Examples in this regard can be given too much, but we are focusing on lively work (leaving out materialized work). Live work is performed by human, who may have the ability to perform different kind of work. As an ancient Greek philosopher said, a human can not do all the things good. He can be good at one job but not on the other. The possessor of this abilities would like to use (exhale and sell them in the market) his best abilities. And this is understandable because in that case he would give the highest effectiveness and would secure (under normal circumstances) higher incomes. But, this doesn't occur in every occasion .In most occasion occurs quite the opposite. Thus, for example, an intellectual with all the desire to deal with his intellectual work, in many cases (nowadays you can meet thousands of them ,working ordinary jobs in or outside the country), is deprived of such a right and he is forced to abandon his profession by working on another job, which gives less effectiveness and provides less income.

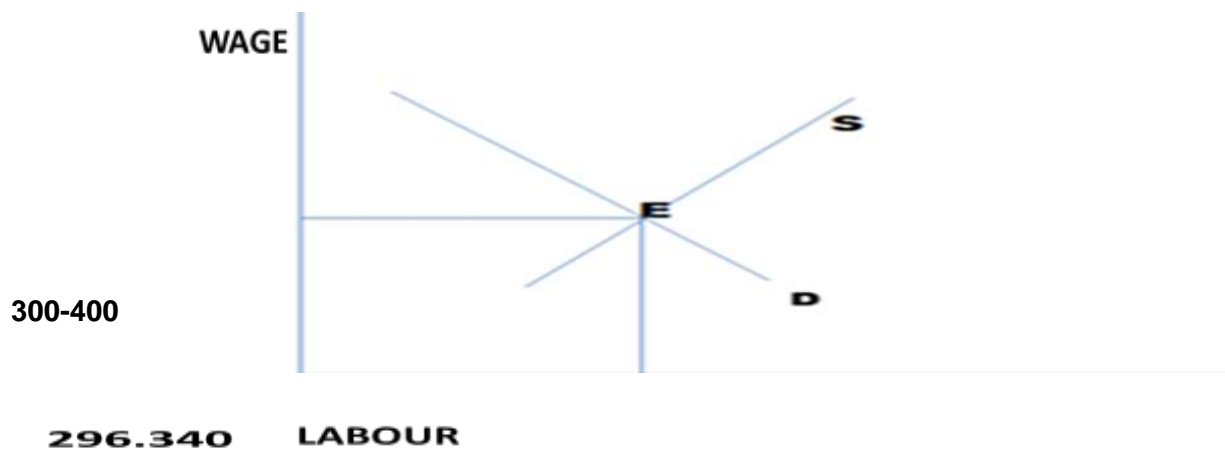
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INTRODUCTION

Labour market research and equilibrium determinants are very important issues in treating socio-economic problems. Employment is a vital aspect of the dynamics and stability of other socio-economic parameters in a country or population. In the narrow sense, it represents a stable or temporary economic-social relationship, a situation where labour resources are used for the production of goods and their exchange. Employment stands in the middle and connects important categories of labour force, capital, production, functioning as a very important indicator in a society. (Rinvest Institute, 2003). As an economic relationship, employment appears in the market and it is realized in it.

Equilibrium of the labour market

Labour demand and supply, as well as the achievement of the equilibrium, presented through the threshold for the number of employees who have managed to obtain a job in relation to the employer's job requirement. Labour supply is defined as the number of working hours that individuals are willing and able to offer in the labour market, compared to the wage offered by the employer over a defined period of time.

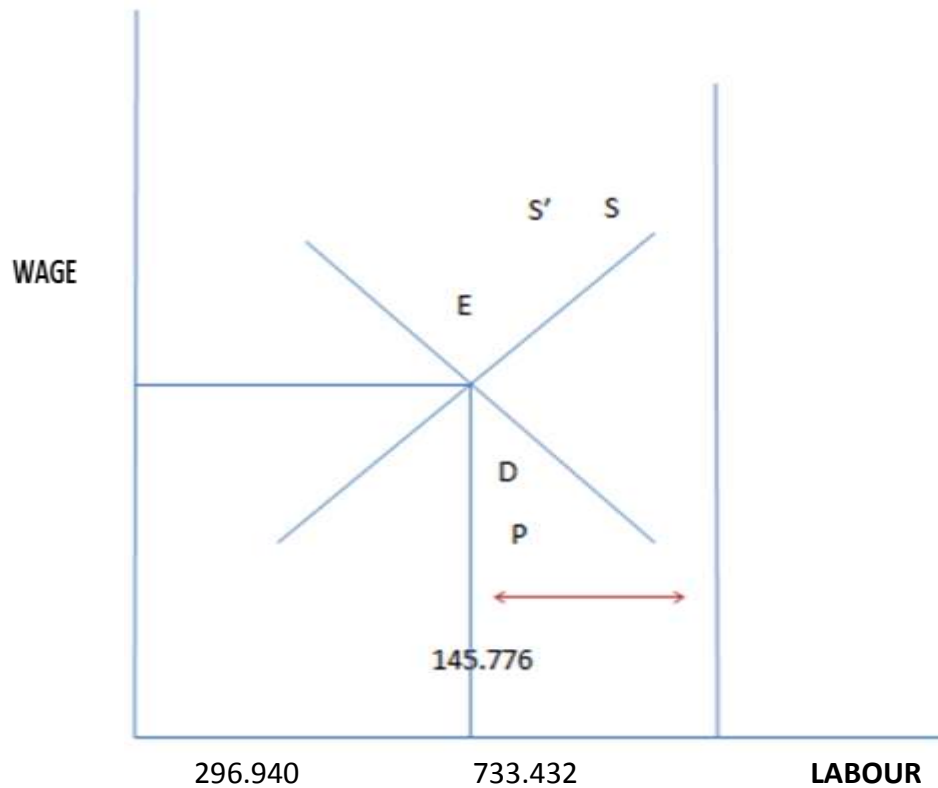


Graph 1. Labour Market Equilibrium

Source: Compiled by the author

In fig.1. it can be seen that according to the Statistic Agency of Kosovo , in 2015 296.940 individuals were employed ,whereas the average wage for this period of time was 300-400€,balance has been achieved in point E ,that showcases the interaction between the labour demand and labour supply in labour market for this period. However, the situation in Kosovo is

slightly more complicated at the moment, since we have a great number of unemployed people, there is an estimated number active individuals in the labour market, 296,940 of them being employed and approximately 147,776 unemployed. This condition is further showcased in the next figure.



Graph 2. Demand and supply of labour

Source: Compiled by the Author

In this figure vertical threshold S shows the total number of economically active individuals in the labour market, that is 733.432. As it can be seen in the figure ,the equilibrium between labour demand and labour supply has been achieved in point E , where we have 296.940 employed individuals with an average Net wage around 300-400euro ,and the rest, a number of 145.776 individuals presented in the threshold with the letter P, shows the number of economically active unemployed individuals . So, they are unemployed individuals, but at some point they have been searching for a job. According to SAK, in 2015,from a population of 1.757.853 ,almost two out of three of this number are individuals in between the age of 15-64. From this digit, about 62.4% are not economically active, which means that they were not

employed and have not been searching for a job over the past four weeks or they are not ready to start working within two weeks. Economically inactive individuals mostly are students, housewives, discouraged employees and other people who do not search for a job. The disappearance or reduction of the gap, the difference P, shown in fig. 2, presents the greatest challenge of the state of Kosovo for the moment. If we add to this number also the rest of Kosovo's population that is unemployed, but does not search for a job because they think they will not find a job, indeed, we have a very worrying situation.

To reduce this unemployment, it is necessary to draft and implement strategies at the national level, but one of the essential elements to mitigate this situation is quality education based on market needs, in order to enable a firm competition of local firms in the global market, as competition and survival in the global market is the only opportunity for economic development and mitigation of unemployment in the time we live, and of course even the Kosovo's market is subjugated to global competition.

According to the National Development Strategy 2016-2021, one of the reasons why companies from developed countries relocate their activities to developing countries such as Kosovo, or when a Kosovar company has a priority over a company in a developed country, is the fact that in these countries the cost of production is lower due to the cheaper labour force. A business will be favored if it will have to spend less money to release a product on the market. But in order for this investment to make sense, workers in Kosovo must be as productive and resourceful as those in developed countries. An investor can bring the most modern machinery to Kosovo, but the question is: *Will he find the labour power that has the skills and qualifications needed to work with such equipment and to produce quality products with them equipment?*

Human capital refers to the skills of the labour power to effectively use physical capital, such as machines.

Some workers need less time than others to produce the same thing. Some do the job better than others. Human capital also has to do with the ability of people to be innovative and to develop new technologies, processes or products. These things determine the success of a company in an international competitive market. As such, they determine whether a state will develop or not. The more advanced the skills of the labour power, the higher will be the income of workers and the economy in general. When talking about skills, it is not just about technical skills, such as cutting and shaping a product, but also about cognitive skills, such as logic and reasoning, or soft skills, such as peer relationships or work ethics. Creating these skills depends mainly on the quality of the education system, its relation with the labour market, the conditions

in which people work in the labor market, and the ability to gain skills through migration or the return of the Diaspora's brain.

Concrete commitment of Diaspora experts and students will enable the transfer of the acquired skills from our Diaspora and strengthen their connection with the Homeland. Namely, a technology expert can financially be supported to develop a project in Kosovo's institutions or private companies, which can produce long-term products.

The quality enhancement of pre-university education

The success of Kosovar pupils at the primary education level, according to the standardized PISA test projections, is the lowest in the region. The inability to acquire knowledge and skills at the lowest levels of education influences the ability of these students to show success at the highest levels.

WHICH ARE THE CAUSES?

Researches show that the quality of teaching is the most important factor for improving student outcomes in school. In this regard, Kosovo faces major challenges. About half of the teachers currently in the service do not meet the minimum qualifications and normative requirements to be a teacher because they have not completed bachelor level studies. Wage growth is not accompanied by an increase in the quality of teaching, while only about 10% of schools apply the new curriculum. Most schools work with non-upgraded books.

The best conjunction between education system and labour market

The discrepancy of labour market needs with the knowledge acquired in higher and professional education has been identified as one of the main obstacles to employment growth and economic development in the country. About 25% of firms in Kosovo still complain that the labour power has insufficient skills and doesn't complete required criteria. On the other hand, more than 85% of investors determine the quality of the labour power as a key factor when making investment decisions.

WHICH ARE THE CAUSES?

In Kosovo there is no system for forecasting the skills required in the labour market. The process of drafting professional qualification standards is plodding, so does the implementation of the curriculum framework. The level of public expenditure on education and vocational training is very low, while at least a quarter of vocational schools do not offer practical opportunities at school or abroad. Companies do not have incentives to get internships. Schools do not offer career orientation or access to companies through research and product development (R & D).

WHICH ARE THE SOLUTIONS?

NDP aims to strengthen the interconnection between educational programs and labour market needs through the definition of professional standards and priority areas, as well as the implementation of core curricula and teacher training. The vocational education system will become as pragmatic as possible, including striving towards of enterprise learning. An important role will also be the creation of a system for forecasting skill needs, as well as linking research work to universities with industries, through various specializations.

- Specific mass activities:

- 1) Accelerating the process of developing professional standards, in interconnection with the European Qualifications Framework (EQF) and the National Qualifications Framework (NQF), as well as the revised National Classification of Occupational Qualifications System.

- 2) Determination of the highest priority areas in AVE (Agency for Vocational Education), in consultation with Kosovo's development policies and priority sectors. Development and implementation of core curricula in a modular format, according to the priority areas of AVE, as well as the implementation of the AVE teacher training program for those sectors, based on occupational standards.

- 3) Implementing the pilot system of AVE combined with dual learning elements (combination of learning in schools and enterprises), starting with priority areas in AVE and following the core curriculum.

The salary subsidy system will be coordinated with the priority areas in order to enable better integration of VET graduates into the labour market.

- 4) Development and implementation of the National System of the skill needs forecasting. This will be done by ensuring liaison with the career guidance system within schools and employment services / lifelong learning. Conditions for services and follow-up studies will be created to track career progress.

- 5) Interconnecting research activities at universities with industry through access to wise specializations in accordance with the Europe 2020 strategy. This implies public and private investment in research and development (R & D) in an appointed number of industrial sectors.

CONCLUSION

Among the causes of high unemployment is the education system in Kosovo, which is not in the labour market function, and after graduation, students face difficulties finding a job, the cause of inadequate training, lack of jobs and wrong profiles.

Therefore, I think that a genuine strategy for economic development with industrial policies should be implemented; to identify priority industrial sectors and to support fiscal, monetary, commercial and subsidized production policies.

Support the private sector, especially in manufacturing and export, in order to create new jobs. Fight the informal economy.

Revitalize craftsmanship and tourism. Whereas, the education system in the country needs to strengthen its relation with the labour market.

Ensure implementation of labour laws and genuine competition without political favors for the company.

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