

January 2011

## Annual Review 2010 on Labour Relations and Social Dialogue in South East Europe:

# Kosovo

By Kushtrim Shaipi\*

### Content

- Executive summary
- Socio-economic developments
- Governmental policies and legislation
- Industrial relations
- Tripartite social dialogue
- Forecasts

### Annex - Information about:

- Collective bargaining, social dialogue, social security, education & vocational training, employment, wages
- Trade unions and employers' organizations

\* **Kustrim Shaipi**, Director IQ Consulting

© Friedrich-Ebert-Stiftung  
Regional Project for Labour Relations and  
Social Dialogue in South East Europe  
Tadeusa Koscuska 8/5  
11000 Belgrade, Serbia

E-Mail: [fes@fessoe.de](mailto:fes@fessoe.de)  
Internet: [www.fessoe.de](http://www.fessoe.de)

The text is available online:

[www.fessoe.de](http://www.fessoe.de)

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung or of the organization for which the author works.

### 1. Executive summary

Year 2010 has been quite vibrant in terms of social dialogue in Kosovo. In addition to the numerous meetings and attempts to functionalize the Social Economic Council chaired by the Ministry of Labour and Social Welfare, several laws and strategies were passed. Regarding the trade union organization during 2010, trade unions organized several strikes and protests, which mostly demanded better working conditions and higher salaries. Some of the highlights include the strike of the Education Sector Trade Union (SBASHK), strikes organized by the Federation of Health Employees Trade Unions (FSSHK), as well as the protest of the Post and Telecommunications of Kosovo

(PTK) Trade Union. The latter aimed at including current employees of this public institution in the process of privatization of VALA 900, the public mobile telephone network operator.

## 2. Socio-economic developments

In comparison to 2009, the GDP in 2010 has grown modestly, and this growth is estimated to be at around 4.5 %. Various reports and analysis attribute this growth mainly to the private consumption and especially to the public investments.<sup>1</sup>

The presence of foreign investments remains rather small in Kosovo. Similarly to investors in other developing countries, due to the global economic and financial crisis, investors in Kosovo have increased their alertness and have become more conservative. However, compared to 2009, FDI in 2010 has increased in about 2%. The ministry of Economy and Finance attributes this growth to the improved stability in the global markets.<sup>2</sup>

Trade deficit has continued to be one of the most pressing problems for the Kosovo economy even in 2010. During the first six months of this year, import rate has increased by 9% compared to the same period of 2009, more precisely from €857.0 mil. to €940.4 mil. Despite the significant growth in exports in about 120% compared to 2009, the gap between the amounts exported and those imported still remains very large. The export in 2010 has reached a total value of €141.7mil from €63.9mil., which was the total export value in 2009.<sup>3</sup>

There has been a trend of increase in public spending that was not followed by a matching growth of government income/revenues. The two major factors influencing government expenditures are the increase of salaries in the public sector as well as the capital investment projects.<sup>4</sup>

The privatization of public companies has slowed down in 2010. The companies that were privatized in 2010 include 77 former socially-owned enterprises, mostly not in operation. The three, biggest privatization processes – the publicly owned Mobile Telephone operator, Energy Distribution, and Prishtina Airport – have been stalled. It should be noted that the Concession process has been completed for the Airport, but the contract is to be signed in February 2011. In 2010, the government hired a transaction advisor for the privatization of the PTK, and for the Kosovo Energy Corporation KEK. According to the EC's Progress Report of this year, provisions on concessions, under the public procurement law, have not been adopted, which affected the legal environment for these companies.<sup>5</sup>

Average inflation has risen by 1.4% and it is expected to reach 3.0% until the end of the year.<sup>6</sup> Inflation remains volatile, mainly because food and fuel prices weigh heavily in the calculation.<sup>7</sup> The average monthly salary that employed people in Kosovo receive is €280. As a consequence of such low salary levels, financial intermediary companies, such as banks and other financial institutions, have some of the highest salaries in Kosovo.

---

<sup>1</sup> Semi Annual – Macroeconomic Bulletin, Ministry of Economy and Finances - Kosovo

<sup>2</sup> Semi Annual - Macroeconomic Bulletin, Ministry of Economy and Finances - Kosovo

<sup>3</sup> IBID

<sup>4</sup> European Commission Progress Report for Kosovo 2010

<sup>5</sup> European Commission Progress Report for Kosovo 2010

<sup>6</sup> Semi Annual – Macroeconomic Bulletin, Ministry of Economy and Finances - Kosovo

<sup>7</sup> European Commission Progress Report for Kosovo 2010

There has been some positive development in employment, like increased participation and employment rates. The employment rate was only 26%, and youth and long-term unemployment remained particularly high, at 73% and 82% of all unemployed. The structure of employment shows that labour has shifted mainly towards non-trade-related sectors – some 17% were employed in trade, 13% in education, 10% in administration, 8% in construction and only 10% in manufacturing.<sup>8</sup>

According to the *World Bank – Poverty Assessment for Kosovo*, around 45 per cent of the population in Kosovo is poor, with another 18 per cent vulnerable to poverty.<sup>9</sup> It is generally recognized that unemployment remains one of the biggest problems in Kosovo.

### 3. Governmental policies and legislation

During 2010, Kosovo has been recognized by eight (8) more states.<sup>10</sup> Until the end of September there were no major changes in politics of the country. The end of April resulted with raids in the premises of Ministry of Transport and Telecommunications alongside the raids made at Minister's Limaj home. These raids were related to road construction tenders of 2007- 2009 launched by the aforementioned Ministry. In July, the leader of the Alliance for Future of Kosova, Mr. Ramush Haradinaj, was indicted once again by the International War Crimes Tribunal for Former Yugoslavia at the Hague. The indictment followed the prosecution's appeal on the initial court decision to release Mr. Haradinaj of all charges.<sup>11</sup> On 22 July, International Court of Justice declared legitimacy of Kosovo's independence as the opinion issued on this matter was that it did not violate Resolution 1244 or the International Law.<sup>12</sup> By the end of September the political situation in Kosovo faced another crisis, this time in relation to the resignation of the President Mr. Fatmir Sejdiu. Decision to resign came after the decision of Constitutional Court, according to which "the President has violated the Constitution and especially the article 88.2 by holding 2 public positions simultaneously, that of the President of the country, and the presidency of Democratic League of Kosova<sup>13</sup>". In November, the government coalition collapsed and a vote of non-confidence to the government was successfully passed in the parliament. As a result, the parliament was dissolved and extraordinary elections were carried out on 12 December, 2010. The preliminary results show that Kosova Democratic Party has received most votes and consequently the mandate to form the new government. The voting process was considered generally good, with isolated problems in some municipalities.

Fiscal planning remained *ad hoc*, with government expenditure initiatives already substantially departing from budget plans and the medium-term expenditure framework by the beginning of 2010.<sup>14</sup> Regarding employment, social policies, and public health, but also in legislation concerning these aspects, a limited progress has been made. On education, research, and sectoral policies there is some progress, but there is still more work necessary in implementation of EU norms and standards.<sup>15</sup>

The Law on Social Economic Council has been approved. On the other hand "the White Paper on social policies has not been adopted leaving Kosovo without strategic

---

<sup>8</sup> European Commission Progress Report for Kosovo 2010

<sup>9</sup> World Bank – Poverty Assessment 2007

<sup>10</sup> States that has recognized Kosovo during 2010: Republic of Mauritania, The Kingdom of Swaziland, Republic of Vanuatu, Republic of Djibouti, Republic of Somalia, Republic of Honduras, Republic of Kiribati and Tuvalu. Ministry of Foreign Affairs <http://www.mfa-ks.net/?page=1,33>

<sup>11</sup> Radio Free Europe - <http://www.evropaelire.org/content/article/2106083.html>

<sup>12</sup> Alsat Television, available at: [www.alsat.tv](http://www.alsat.tv)

<sup>13</sup> Koha News Agency, available at: <http://www.koha.net/index.php?cid=1,7,35494>

<sup>14</sup> European Commission Progress Report for Kosovo 2010

<sup>15</sup> European Commission Progress Report for Kosovo 2010

plans and priorities in this area”<sup>16</sup>. Until it was approved by the Assembly, the Labour Law was considered to be a problematic law. The assembly had turned back this law seven consecutive times. The Labour Law has been passed in the Assembly on 02.11.2010, and was promulgated by a Presidential Decree on 18.11.2010.<sup>17</sup>

Public employment service has low capacities. The capacity-building plan for the ministry and the public employment service still needs to be adopted. The social partners are poorly involved in employment policies and measures; also the labour market is dysfunctional with a substantial informal segment. Participation and employment rates remain dramatically low.<sup>18</sup>

Sectoral trade unions have reacted on several occasions with strikes and protests, but not in response to the policy changes or developments, but with requests for higher salaries. The only exception to this end was the protest of PTK employees in response to the expected privatization of this company.

#### **4. Industrial relations**

Trade unions representing the public service have organized protests during the year, affecting the health and education sectors, public administration, justice, correctional services, mining, fire services, the police and energy utilities. All the protests have resulted in salary raises and, in some cases, improvements in working conditions.<sup>19</sup> The situation with employer organizations has remained the same compared to 2009.

#### **5. Tripartite social dialogue**

Social Economic Council was established in the beginning of April, 2010. It faced continuous obstacles and boycotts by the Kosovo Chamber of Commerce and Union of Trade Unions regarding the participation of other employers' organizations (Kosovo Business Alliance) and trade unions (KSLK). While the issue of employers' representation in the Council has been resolved, the agreement between the trade unions is yet to be found. Nevertheless, the SEC has held its regular meetings regardless of the absence of BSPK.

#### **6. Forecasts**

Privatization of the Post and Telecom of Kosovo is expected to be done during this year but there have been many disagreements within assembly, as well as objections from Independent Union of Post-Telecom which is against privatization of this company. This union has already organized two peaceful protests, but has also warned about more radical measures to stop this process. Disagreements have to do with the percentage of assets to be privatized. The government has decided to privatize 75% of the company's assets, whereas the Commission of Economy and Telecommunication of the Assembly recommended the Government that only 50% of the assets should be privatized.<sup>20</sup> Privatization of the KEK distribution is at the stage of classification and assessment of technical and commercial losses in KEK, which is now being conducted to collect all information needed to start the marketing stage for attracting investors and qualifying procedures”.<sup>21</sup> Also, Brezovica tourist Complex based in Municipality of Shtërpe is expected to be privatized during 2011, for which the European Commission

---

<sup>16</sup> European Commission Progress Report for Kosovo 2010

<sup>17</sup> Kosovo Assembly website: <http://kuvendikosoves.org/?cid=1,193>

<sup>18</sup> Ibid

<sup>19</sup> Ibid

<sup>20</sup> News Agency – Telegrafi, <http://www.telegrafi.com/?id=46&a=6263&komentet=1>

<sup>21</sup> News Agency – Telegrafi, <http://www.telegrafi.com/?id=46&a=6538>

Liaison Office in Kosovo has already hired a company to design a master plan which will lead to a proper privatization of this complex.<sup>22</sup>

## **Annex**

### **Collective bargaining system.**

Collective bargaining system has failed in Kosovo ever since the collective agreement was signed several years ago. Aside from the aforementioned situations when trade unions have organized protests and strikes aiming at obtaining raises for their constituencies/members, there have been no other developments of collective bargaining. Moreover, the aforementioned situation cannot be considered as being a system as they reflect ad-hoc needs and requests and not ongoing systems for collective bargaining.

### **System of tripartite social dialogue**

Social Economic Council is chaired by the Ministry of Labour and Social Welfare and comprised of employers' representatives (chambers of commerce), trade unions, and representatives of central level institutions (relevant ministries). The Union of Independent Trade Unions of Kosova (BSPK) is boycotting the proceedings of this Council. It should be noted that the boycott of BSPK is related to the presence of KSLK (the other trade union formation) in the council and the disagreements among them. While the two trade unions share same priorities and objectives, there is a conflict between the leadership of the two organizations that has impeded the cooperation among them. According to the Ministry of Labour and Social Welfare this council organized three meetings and the fourth meeting is expected to be held in the beginning of December. All actors representing social partners except BSPK, participate in the Council's meetings. But according to the Kosovo Chamber of Commerce<sup>23</sup> this council is not functional and has failed to achieve its ends.

### **Social security systems**

The only social risks covered by social security system in Kosovo are the old age and as of January 1<sup>st</sup>, 2011 maternity. The old age risk is covered through three pension pillars: i) basic pension scheme<sup>24</sup>, ii) compulsory pension savings, and iii) supplementary personal savings. The second pillar of the pensions system is administered by the Kosovo Pension Savings Trust, which is an independent institution that reports directly to the Kosovo Parliament and is monitored by the Central Banking Authority of Kosovo. Contributions of the compulsory pension scheme are equally paid by employers and employees (5% of gross salary paid by each employer and employee).

Kosovo still does not have a health insurance scheme, but citizens can receive healthcare services on three levels of the public healthcare system. Co-payment for services is applied for all services in the public health service providers, but there is a wide range of social categories that are exempt from the co-payment.

---

<sup>22</sup> News Agency – Telegrafi, <http://www.ekonomisti.net/ekonomi/12192-privatizimi-i-brezovices-jo-para-2011-tes.html>

<sup>23</sup> Eko Biznes newsletter - <http://www.oek-kcc.org/modules/news/files/Eko%20nr%2032.pdf>

<sup>24</sup> Basic pension for current pensioners now makes the distinction between contributing and non-contributing pensioners.

## Education and vocational training

Educational system in Kosovo is still characterized by insufficient resources and relatively low quality of education. Public vocational education system has been established with large support from donors, but is yet to be consolidated. The National Qualifications Authority—the body responsible for vocational qualifications, has been established. The Vocational and Educational Training system is under reform, and has started strengthening its position in the educational system. The Ministry of Education, Science and Technology has already approved its adult learning strategy and a subsequent Adult Education Law<sup>25</sup>. Vocational training system is comprised of two types of institutions, namely, formal and informal education. The formal VET system includes all professional/vocational high schools that are part of the public schools network and targets students that have completed elementary school (regular enrolment procedures after 9<sup>th</sup> grade). On the other hand, the informal VET system is comprised of 11 VET centres that are administered by Ministry of Labour and Social Welfare and target job-seekers registered in the Centres for Unemployment. While the former offers 3-4 year formal education, the latter offers only short vocational courses that can last up to three months.

### Employment rate

Years	2009	2008	2007	2006
Employment	26.1%	24.1 %	26.1 %	28.7 %
Employment rate female (15-64) (%)	12.5%	10.5%	12.7 %	11.8 %
Employment rate male (15-64) (%)	39.7 %	37.7 %	40.1 %	46.1%
Employment rate of older workers (55-64): share of population aged 55-64 that is in employment (%)	27.9 %	23.8%	24.6 %	26.3 %

Source: European Commission Progress Reports for Kosovo - 2010\*  
26.3 24.6 23.8 27.9

### Average monthly salaries

The average monthly salary in Kosovo is 280 €.

### Gender pay gap

While the pay gap between persons of different sexes is not that evident in Kosovo, the representation of women in high-level positions both in public and private sector is significantly lower than that of men. In the public sector (based on gender equality law), there is a 30% compulsory quota for women representation. While at the lower levels of administration this quota is generally well-respected, the quota at the highest levels of administration (i.e. Chief Executive Officers in Ministries, or Permanent Secretaries), there is virtually no representation. A similar position is also prevalent in the private sector, where only a handful of women are employed in top managerial positions.

<sup>25</sup> Law on Adult Education and Training #.02/L-24, 07 September 2005. [www.kuvendikosoves.org](http://www.kuvendikosoves.org)

## Actual weekly working hours

As in many other countries in the region, the working week in Kosovo is defined as 40 hours per week workload distributed into five working days. The working hours of the public sector are from 08:00 to 16:00, whereas in private sector and other organizations, the working hours are usually between 09:00 to 17:00 on weekdays. The 40 hours/week standard is also upheld in the new Labour Law.

**Normal work /atypical work** – There are no accurate and reliable information regarding the percentage of employment in terms of working hours or type of employment in Kosovo.

## Unemployment rate

Years	2009	2008	2007	2006
Unemployment	45.4 %	47.5%	43.6%	44.9 %
Female	56.4%	59.6%	55.2%	61.6%
Male	40.7%	42.7%	38.5%	34.6%
Unemployment rate of persons < 25 years:	73.0%	73.0%	70.0%	75.5%
Long-term unemployment rate:	37.1%	38.9%	37.1%	41.1%

Source: European Commission Progress Reports for Kosovo- 2010 \*

## Migration

Migration is very difficult to measure in Kosovo as the Ministry of Interior does not keep track of the migration trends. The Kosovar Diaspora in Western Europe is believed to be around 700,000 persons, most of which in Switzerland and Germany with around 300,000 each. The trend of illegal migration is still present, although not as frequently encountered phenomenon as it was in the '90s. Being that Kosovo is the only country in the Balkans which has not been included in the White Schengen List, illegal migration will continue to be a problematic issue.

**HDI Human Development Index-** There is no data on this category for Kosovo.

**Gini-coefficient:** No data on this category.

**Collective agreement coverage:** While the public sector is completely covered by the collective agreement, lack of implementation of this agreement has left the entire public sector uncovered. In the private sector, the employees are completely unprotected as there are no collective agreements in the private sector. Moreover, there are no trade unions in the private sector as a result of the absence of law on trade union organizations.

## Ongoing important collective bargaining agreements

As previously stated, there are no functional collective bargaining agreements.

## Trade union density

The two biggest trade union organizations (BSPK and KSLK) tend to disagree on the number of members that each of these trade unions have. Nevertheless it is estimated that the total number of trade unions' members is around 60,000. If it is accepted that the total number of public servants is 70,000 (excluding teachers and doctors) the

coverage in the public sector is around 90%. The coverage of trade unions in the private sector is 0 as there are no trade union activity in the private sector.

### Employer's organizations density

There are 90.000 registered businesses in Kosovo and there are 45.000 active businesses that have obtained fiscal numbers, reaching slightly over 50% of registered business. The American Chamber of Commerce has 73 member companies. While Kosovo Chamber of Commerce claims to have around 1,500 members, it is estimated that only a small percentage of these companies actually pay membership fees to the chamber. A similar situation is also in the Kosovo Business Alliance who proclaims to have 5,000 members.

### Workplace representation

Trade unions in Kosovo are in a poor shape. The crisis has lasted for several years already, and trade unions have not made any progress in regards to workplace representation and have been limited to organizing sporadic protests through which they sought higher salaries. Leaders of trade unions usually blame one another for consecutive failures to organize employees. In addition, trade unions have been unable to attract workers of the private sector and this is due to the lack of legal infrastructure allowing them to organize in the private sector. In the last decade, trade unions seem to have concentrated extensively on the public sector and the privatization process. As a result, the private sector employees, who make up a significant part of the overall base of the employed, were left out of the already-limited social dialogue in Kosovo.

### Trade unions

Name of Trade Unions	International Affiliation
Bashkimi i Sindikatave të Pavarura të Kosovës / The Union of Independent Trade Unions of Kosovo	ITUC
Konfederata e Sindikatave të Lira / Confederation of Free Trade Unions	
Sindikata e Bashkuar e Arsimit, Shkencës dhe Kulturës / United Trade Unions of Education, Science and Culture	
Federata e Sindikatave të Shëndetësisë së Kosovës / Federation of Healthcare Trade Unions of Kosovo	
Sindikata e Shërbimit Policor të Kosovës/ Kosovo Police Service Syndicate	EUROCOP
Sindikata e Pavarur e Energjitikës e Kosovës / Independent Energy Trade Union of Kosovo	EMCEF
Sindikata e Pavarur e Judikaturës e Kosovës / Independent Judiciary Trade Union of Kosovo	
Sindikata e Pavarur e Administratës së Kosovës / Independent Administration Trade Union of Kosovo	
Sindikata e Pavarur e Veprimtarive Komunale Banesore të Kosovës / Independent Municipal Housing Trade Union of Kosovo	
Sindikata e Pavarur e Metalistëve të Kosovës / Independent Metal Workers Trade Union of Kosovo	EMF



Sindikata e Pavarur e Agrokompleksit të Kosovës / Independent Agrocomplex Trade Union of Kosovo	EFFAT, IUF
Sindikata e Pavarur e Ndërtimtarisë / Independent Trade Union of Construction Workers	
Sindikata e Pavarur Ekonomia e Vogël dhe Zejtaria / Independent Trade Union of Small Enterprises and Craftsmanship	
Sindikata e Pensionistëve dhe Punëtorëve Invalidor të Kosovës / Pensioners and Invalid Workers Trade Union of Kosovo	
Sindikata e Pavarur Kombinati “Trepça” / “Trepça” Factory Independent Trade Union	
Sindikata e Pavarur Tregti & Hotelieri dhe Turizëm / Independent Trade Union of Hotel & Tourism Trade and Management	
Sindikata e Pavarur Minatorët/ Independent Trade Union of Miners	EMCEF
Sindikata e Pavarur e Pylltarisë / Independent Trade Union of Forestry	
Rrjeti i Gruas Sindikaliste të BSPK / Syndicalist Woman Network of BSPK	
Rrjeti i të Rinjve Sindikalistë të BSPK / Syndicalist Youth Network of BSPK	
Shoqata e Gazetarëve Profesionistë të Kosovës / Association of Professional Journalists of Kosovo	IFJ
Sindikata e Pavarur e Komunikacionit dhe Lidhjeve të Kosovës / Independent Trade Union of Traffic and Communication in Kosovo	ITF
Sindikata e Pavarur e Industrisë së Tekstilit dhe Lëkurë Këpucëve të Kosovës / Independent Trade Union of Textile, Leather and Shoes Industry of Kosovo	ETUF:TCL

### Employers' Organizations

Name of Employers' Organization	# of Members	International Affiliation
Oda Ekonomike e Kosovës / Kosovo Economic Chamber	1,500	
Aleanca Kosovare e Bizneseve / Alliance of Kosovar Businesses	5,000	