

January 2012

**Annual Review
2011
on Labour Relations and Social Dialogue in South East Europe:
Kosovo
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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. Summary

Kosovo's economy has marked a modest growth during 2011 as compared to 2010. While economy experts ascribe this growth mainly to increased consumption, the government states that this is a result of favourable economic and fiscal policies implemented. The GDP per capita has grown for an estimated 3.5% as compared to previous years. Inflation has remained high at an estimated level of 7.3%. The two biggest

challenges for the Kosovo government remain the trade deficit and unemployment, which in 2011 have continued to grow.

The political climate in 2011 has been tensed, with increased inter-ethnic tensions in the second part of the year, succeeding the government decision to invoke reciprocity measures towards Serbia in terms of trade. The dialogue sponsored by the European Union (EU) between Kosovo and Serbia has been slow to provide results in alleviating this situation.

In terms of social dialogue, the further fragmentation and dispute between trade unionist leaders have continued in the past year. Disputes among the two biggest employer organizations have also been present in 2011. The single biggest achievement in terms of industrial relations was the collective contract signed between the Ministry of Health and the Trade Union of Healthcare Professionals. This agreement is the first of its kind since the end of the war in 1999. Wage increases introduced by the government between 30% - 50% for different branches of the public sector, have been perceived mainly as a popular decision, which is not founded on realistic and sustainable forecasts for the future.

2. Socio Economic Developments

The vibrant political and social development during 2011, has without doubt influenced the economic environment in the country. The current GDP level set at \$2,750 per capita classifies Kosovo as the poorest country in Europe. The vicious circle of poverty affects a significant portion of the society, whereby 30% of Kosovo citizens are considered being poor, of which 13% are exposed to extreme poverty with an income of less than one dollar per day. As compared to 2010, the GDP has grown for an estimated 3.5%. It is believed that the main contributors to the growth have been agriculture, industry, and services. Similarly to previous years, the government sources indicate higher growth rates, namely, a GDP per capita of \$3,750 and GDP growth rate of 4.8%. The government budget for 2011 has been 1,264 billion EUR.

FDI in Kosovo remains the lowest in the region. Despite the efforts made by the government in attracting foreign investments, the political and infrastructure situation in the country have been among the problems encountered in attracting foreign capital. The government developed a strategy on attracting investments and facilitated a number of privatization processes which remain to be finalized during 2012. While the statistics are not yet available for 2011, it is expected that they will be lower than the 2010's 291 million euro¹.

The balance of payments remains one of the biggest challenges to overcome in the years to come. The limited production capacities available in Kosovo and the unfair competition coming from neighbouring countries are the main cause for the unfavourable balance of payments. In September 2011, the imports have been estimated to be over 215.6m EUR, whereas exports amounted to 24.2mil EUR, hence, leading to a trade deficit of 191.3m EUR². In comparison to the same period of 2010, the trade deficit has increased for approximately 30m EUR (191.4m imports and 25.2m exports). The government assistance programs for agriculture initiated in 2011 and which will be continued in the years to come are expected to significantly lower the deficit.

The public budget situation is considered as rather fragile. The sizeable investment in the biggest infrastructure project linking Prishtina to the Albanian border has caused Kosovo around 300m EUR during 2011. Budget stability has been the most problem-

¹ Balkan Insight. <http://www.balkaninsight.com>.

² Economic Statistics External Trade Statistics September 2011

atic point of negotiations with the IMF, who has conditioned budget support to the government with prudent fiscal policies. The inflation rate for 2011 is estimated to be at 7.3%³, which is another challenge for the government.

The privatization process continued in 2011. While former socially owned enterprises (SOEs) continue to be privatized, the expected economic development from this process and increase in employment is yet to be seen. SOEs like Llamkos, Energo Invest, the Suspension Factory, and many others, were meant to generate thousands of jobs for Kosovo's residents but these expectations were not matched. The biggest ongoing privatization processes that are to be finalized in 2012 include Brezovica Ski Resort, Trepca, public telecom, energy generation and distribution companies.

The data from Kosovo Statistical Office indicates an increase in public sector employment of over 2,600 persons since 2010. This increase mainly comes from the creation of two new ministries in the government and opening of diplomatic missions worldwide. The average monthly salary received in 2011 is 374 EUR, or a 50% increase in comparison to 2008 levels. The categories benefiting from this raise include education sector and civic administration⁴. While quite popular, the decision of salary increase was largely criticized as unsustainable both by civil society and international organizations such as the IMF. The chronological growth of public sector wages is presented in the Figure 1 below.

Minimum Wages	Public Administration	National Level
2008	189 euro	-----
2009	222 euro	-----
2010	254 euro	Draft Proposal
2011	309 euro	170 euro

Figure 1. Minimum wage

Unemployment remains the single biggest challenge faced in Kosovo. Thousands of skilled and qualified persons are not able to find employment. Currently there are 335,905 registered job-seekers in Kosovo, a significant portion of which are aged 25-39 (Approx.148,399 persons). The most unemployable age group is perceived to be that between 55 and 64 years, that total at 16,941. The official statistics provided by the Ministry of Labour and Social Welfare (MLSW) indicate a higher active employment seeking on the part of men as compared to women. The figures presented above include only the registered unemployed, where it is believed that only recipients of social assistance register⁵. The data from World Bank indicates that the unemployment rate has dropped in 2011 as compared to 2010 from 47% to 45.4%⁶.

3. Governmental policies and legislation

The Labour Law, which entered into force as of January 2011, is one of the biggest developments in terms of policies. While there are no data available to conclude with certainty, many experts have raised concerns regarding the impact it will have on women employment. This is largely due to the fact that the law foresees maternity leave benefits which in part are borne by the employers.

³ http://esk.rks-gov.net/publikimet/cat_view/10-statistikat-ekonomike/15-indeksi-i-cmimeve-te-konsumit-87-indeksi-i-cmimit-te-konsumit-2011?orderby=dmdate_published

⁴ <http://esk.rks-gov.net/ENG/dmdocuments/Quarterly%20Bulletin%20October%202011.pdf>

⁵ <http://mpms.rks-gov.net/Portals/0/Librat/062011%20Performance%20Report%20Eng%202011.pdf>

⁶ <https://www.rks-gov.net/en-US/Bizneset/Punonjesit/Pages/RekrutimiDhepun%C3%ABsimi.aspx>

In terms of fiscal policies, it appears that the changes introduced in the fiscal package and more effective management of border crossings, have resulted with great success for the government. The Central Bank data indicates a budget revenue increase of 4% as compared to the same period in 2010 totalling at 933.10m EUR by the end of the third quarter of the year⁷. The majority of revenues for the budget come from import tax and VAT. Excise tax is also a major contributor to the government revenues⁸.

Life-long learning has been adopted by Kosovo Ministry of Education Science and Technology (MEST) as the overall education strategy of the country. The public education system has continued to be characterized by numerous challenges and difficulties in offering quality education for Kosovo youth. Vocational education training (VET) programs are increasing in importance as the MEST and MLSW are increasingly promoting them as a substitute to formal education. An initiative of the MEST established five centres of excellence (VET institutions) was aimed at addressing precisely this aspect. The finalization of national qualification framework is another development to this end.

VET training has continued to be offered by 11 Vocational Training Centres (VTCs) managed by the MLSW. The centres are located in major administrative centres across Kosovo and offer a total of around 30 different training programs which last between 1-3 months. On average, each of the VTCs offers between 5-7 training courses.

On another note, there are numerous donor-finance programs in support to VET system. Donor funding has been used by both local NGOs and private companies as a means to offer subsidized training in most cases at no cost to the trainees. Donor-funded programs also focus on active labour market measures such as on-the-job trainings, stewardships, and internships.

4. Industrial Relations

The Law on Trade Union Organization promulgated in August 2011 is the most important development in terms of industrial relations. The law allows for establishment of trade unions in the private sector, which has been the single biggest obstacle for trade union development. The law guarantees the rights of employees to associate with employee organizations. These rights include both those of organization at the workplace (company level) and sectoral organization (municipal and national structures)⁹.

The only collective action that resulted in a successful negotiation of a sectoral collective agreement in 2011 was that of the healthcare practitioners. The agreement reached between the Ministry of Healthcare (MoH) and the healthcare trade union intends to regulate working conditions for healthcare practitioners. The collective contract mainly focuses around benefits and rights specific to healthcare sector. It also provides for technical definitions of working conditions suitable for working in the healthcare sector¹⁰. As such, this sectoral collective agreement is the first of its kind since 1999 in Kosovo.

Other trade union activity that has marked 2011 is also the recent cracks in the biggest trade union organization in Kosovo—Union of Independent Trade Unions (BSPK). The disagreements among the leadership of this organization have caused a major polarization within the trade union and a parallel leadership elected in two different voting processes. In a sign of disagreement with both conflicting parties, a large number of

⁷ <http://mef-rks.org/download/raportet-e-buxhetit-dhe-pasqyrat-financiare/4007-2011?lang=sq>

⁸ <http://www.bqk-kos.org/repository/docs/2011/MSB%20118.pdf>

⁹ <http://mpms.rks-gov.net/Portals/0/Ligji/Ligji%20per%20organizimin%20sindikal.pdf>

¹⁰ <http://www.msh-ks.org/attachments/article/884/Kontrata%20Kolektive.pdf>

branch organizations of BSPK have signed a letter declaring both presidents elected as illegitimate and requesting that both these persons are excluded from a new voting process.

Another conflict within the trade unionists in Kosovo has been regarding the new law on Social and Economic Council (SEC). This law replaced the government decision on the establishment and functioning of SEC, but also foresaw that a new application process is to be conducted. This provision also caused disagreements within the employers' representatives in this body, whereby the Kosovo Chamber of Commerce (KCC), similarly to BSPK, refuses to undergo a new application process. The arguments provided for this refusal were mainly based on the fact that such process has taken place less than one year before. In response to these demands, the MLSW has withdrawn from its initial position and acknowledged the arguments made by KCC and BSPK.

5. Tripartite social dialogue

The Socio-Economic Council is the institution for channelling the tripartite social dialogue in Kosovo. This body has been reinstated by the Law on Socio-Economic Council which replaced the previous government decision to establish this body. This new law was a source of conflict between trade unions represented in the Council as well as employers' associations. The disputes have been overcome and the proceedings of the SEC have been continued. The single most important issue that the council has dealt with in 2011 has been the minimum salary, which according to the SEC should have been set at 150 EUR for persons above 30 years of age, and 120 for persons 16-35 years of age. This approach has been aiming to reduce unemployment among youth. The ministry however, has consecutively made a decision of increasing the minimum wage level to 130 for persons 16-35 and 170 for persons 36-65.

6. Forecasts

One of the major developments to be expected in 2012 is the promulgation of the Law on health insurance, one of the basic social protection laws that Kosovo lacks for the past thirteen years. The law was initially heavily opposed by international financial institutions such as the World Bank and the IMF. After a series of negotiations with these institutions, the MoH managed to develop an acceptable health insurance scheme that does not overburden the government budget and is financially sustainable. The government has repeatedly asserted that the health insurance scheme will begin to be implemented in January 2013. The law has been sent to the parliament for approval and currently waits to go through the regular procedures of legislation approval.

Annex of Data

Collective bargaining system: The collective bargaining system in Kosovo has been considered as failed since the first general collective agreement signed between the Kosovo Government and the Trade Unions. Nevertheless, in 2011 it was revived by a successful bargaining process between the Ministry of Health and Trade Union of Healthcare Professionals, which concluded with a sectoral collective agreement signed during 2011.

System of tripartite social dialogue: The Socio Economic Council is chaired by the Ministry of Labour and Social Welfare and comprised of employer representatives (chambers of commerce), trade unions, and representatives of central level institutions (relevant ministries). This body has been reinstated by the Law on Socio-Economic

Council which replaced the previous government decision to establish this body. This new law was a source of conflict between trade unions represented in the Council as well as employers' associations. The disputes have been overcome and the proceedings of the SEC have been continued.

Social security systems: The only social risks covered by social security system in Kosovo are old age and as of January 1st, 2011 maternity. The old age risk is covered through three pension pillars: i) basic pension scheme¹¹, 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 from 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 health-care 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. It is expected that the Health Insurance Fund will be established in 2012 and operational in 2013.

Education and vocational training: Education 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 has not been consolidated up to date. The National Qualifications Authority is the body responsible for vocational qualifications, was established. The Vocational and Educational Training system is still under reform, and has started strengthening its position in the educational system. This component of education is foreseen in an Adult Learning Strategy and a subsequent Adult Education Law¹². Vocational training system is comprised of two types of institutions, namely, formal and non-formal 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 9th grade). On the other hand, the non-formal VET system is comprised of 11 VET centres that are administered by MLSW and target job-seekers registered with 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	2011	2010	2009	2008	2007	2006
Employment	n/a	n/a	26.1%	24.1 %	26.1 %	28.7 %
Employment rate female (15-64) (%)	n/a	n/a	12.5%	10.5%	12.7 %	11.8 %
Employment rate male (15-64) (%)	n/a	n/a	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 (%)	n/a	n/a	27.9 %	23.8%	24.6 %	26.3 %

¹¹ Basic pension for current pensioners now makes the distinction between contributing and non-contributing pensioners.

¹² Law on Adult Education and Training #.02/L-24, 07 September 2005. www.kuvendikosoves.org

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 non-public 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.

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 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	2011	2010	2009	2008	2007	2006
Unemployment	n/a	n/a	45.4 %	47.5%	43.6%	44.9 %
Female	n/a	n/a	56.4%	59.6%	55.2%	61.6%
Male	n/a	n/a	40.7%	42.7%	38.5%	34.6%
Unemployment rate of persons < 25 years:	n/a	n/a	73.0%	73.0%	70.0%	75.5%
Long-term unemployment rate:	n/a	n/a	37.1%	38.9%	37.1%	41.1%

Monthly minimum wage: The minimum wage in Kosovo has been set to 170 EUR/month at national level.

Migration: Migration is a very problematic to measure in Kosovo as the Ministry of Interior does not keep track of migration trends. The Kosovo 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: Data not available for Kosovo.

Gini-coefficient: Data not available for Kosovo.

Collective agreement coverage: While the public sector is covered by the collective agreement in its entirety, 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 until August of 2011.

Ongoing important collective bargaining agreements: None

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 of which 60,000 are considered to be active businesses. The American Chamber of Commerce has 85 member companies. While Kosovo Chamber of Commerce claims to have around 3,500 members, it is estimated that only a small percentage of this 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 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, 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. It is arguable whether the Law on Trade Union Organization will improve the situation with trade union presence in the private sector as over 90% of Kosovo companies are micro enterprises with less than 10 employees.

Trade unions:

Name of Trade Union Confederations	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	

Name of Trade Union	International Affiliation
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/ Police Trade Union of Kosovo	EURCOP, CESP
Sindikata e Pavarur e Energjitikës e Kosovës / Independent Energy Trade Union of Kosovo	
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
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 Trade & Hotel and Tourism Management	
Sindikata e Pavarur Minatorët/ Independent Trade Union of Miners	
Sindikata e Pavarur e Pyltariisë / Independent Trade Union of Forestry	
Rrjeti i Gruas Sindikaliste të BSPK / Trade Union Woman Network of BSPK	
Rrjeti i të Rinjve Sindikalistë të BSPK / Trade unionist Youth Network of BSPK	

Name of Employers' Organization	# of Members	International Affiliation
Oda Ekonomike e Kosovës / Kosovo Economic Chamber	1,500	
Oda Amerikane e Tregtisë në Kosovë / American Chamber of Commerce in Kosovo	73	Accredited by the US Chamber of Commerce
Aleanca Kosovare e Bizneseve / Alliance of Kosovar Businesses	5,000	