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**Annual Review
2012
on Labour Relations and Social Dialogue in South East Europe:
Kosovo
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1. Summary

2012 was an eventful year for Kosovo during which the newest country in Europe has gone through rather complex and sensitive processes. Foreign policy of the country was on the top of the agenda of policy-makers, under which category, EU integration, dialogue with Serbia, membership in international organizations and solicitation of recognitions have dominated as most important processes.

The most controversial topic has been the dialogue with Serbia, a process that discontinued before the election in Serbia, and resumed with meetings between the two prime ministers, and was mediated by Baroness Catherine Ashton, High Representative of the Union for Foreign Affairs and Security Policy. Several agreements have been reached and some are also being implemented.

Albania's independence 100th anniversary was another major event that has been visible for most of the second half of 2012. This major anniversary was noted in every aspect of life and almost all activities that have taken place in the period have had at least a distant relation to that.

Regarding the EU integration process, during 2012 Kosovo received from the European Commission the Feasibility Study on starting the negotiations for Stabilization and Association Agreement. Other important processes have been: membership in the European Bank for Reconstruction and Development (EBRD), release of all charges for three former KLA fighters by the International Criminal Tribunal for Former Yugoslavia, ongoing protests for different issues by Vetevendosje movement, etc. The latter attempted to prevent the signing of the contract for privatizing the energy distribution of Kosovo and engaged in violent encounters with the police.

The return of Ramush Haradinaj, leader of AAK party, from the Hague Tribunal has intensified the political scene in Kosovo. Immediately upon return, he has announced interest to enter government and there are indications that such broadened coalition will take place, but to date, it remains just at the level of intent.

The privatization of the energy distribution company is the single biggest event in terms of labour relations.

2. Socio Economic Developments

The socio-economic development in Kosovo during 2012 is very similar to that of 2011. According to the survey conducted by UNDP 79% of the respondents are unsatisfied with the economic direction that the country is heading, while only 4% of them are satisfied.¹ Kosovo remains the poorest country in the region, with 45% of population living below the poverty line and 15% in extreme poverty.²

Real GDP growth in 2012 is estimated at 3.8 percent which is lower than in 2011. Going forward, a possible deterioration in labour market conditions in central European countries—where most of the Kosovo Diaspora lives—could negatively affect FDI and remittances. Inflation has eased in line with developments in global commodities markets. The government budget for 2012 has been 1,508 912.003 EUR

There are no discriminatory practices against foreign investors, and all sectors of the Kosovo economy are open to foreign investments. In 2011, the Government of Kosovo (GoK) took substantive steps to further open Kosovo to foreign investment through the passage of the Public Private Partnership (PPP) Law, no. 04 L-045 of 2011. The new PPP Law has been harmonized with the European Council regulations and *Acquis Communautaire*.³ The reforms in trade policies and business registration and operation infrastructure have resulted in a 26 position improvement in the World Bank Doing Business Report for 2012 as compared to 2011.

¹ Public Pulse Report 4 – UNDP and USAID

² Kosovo Country Report – BTI 2012

³ http://photos.state.gov/libraries/kosovo/312585/files/2012_ICSF_Final_Text_1_18_12_doc.pdf

Kosovo does not currently have a formalized system for collecting foreign direct investment data. The Investment Promotion Agency of Kosovo - estimates over 2,800 foreign companies are currently operating in Kosovo. Top sector investments for foreign businesses include trade (51%), service industries (20%), manufacturing industries (13%) and construction (12%). Central Bank figures show that there was a drop in FDI for 56.7% in June 2012, as compared to same period of 2011⁴, from 180.3 Mil. to 78.5 Mil. Euro.

Trade balance is characterized with a relatively large deficit, which in 2012 totalled at 988.5 Mil. Euro. Remittances in Kosovo are one of the most important features which contribute in narrowing down the trade balance deficit, but they too have marked a decrease of 0.7% in the first half of 2012 as compared to the same period of the past year. Positive developments were marked in the other investment account of Kosovo, which also represents an important contributor of finance in Kosovo.⁵

The overall situation concerning public finances in Kosovo is somewhat better than a year ago, since the expenditure hikes seen in 2011 have not been repeated and the 2012 budget is slightly more conservative. To this end, frequent feedback provided by international finance institutions such as the IMF has played a decisive role in maintaining the budget within Mid-Term Expenditures Framework criteria. While a public sector salary increase happened in 2012, another salary raise in 2013 has been announced by the government to cover for the annual inflation rate.⁶

In October 2012, the GoK sold the Distribution of Kosovo Energy Corporation, one of the largest public enterprises in Kosovo. The privatization process of the publicly-owned telecommunication provider, Post & Telecom of Kosovo (PTK) is also in the process and is expected to be finalized in 2013. The government is also planning to have a North-South highway (Route 6) constructed to facilitate trade between the capital, Macedonia, and points farther south, such as Greece.⁷

Minimum Wages	Public Administration	National Level
2009	222 euro	-
2010	254 euro	Draft Proposal
2011	309 euro	170 euro
2012	360 euro	170 euro

Figure1. Minimum wages

The Labour Law – a basic legal document regulating employment in Kosovo - is currently under revision, and some of the changes expected in the process include provisions on maternity leave that have been seen as problematic to implement, as well as to the forms of contracting allowed under the Kosovo law. Currently, the probation work cannot be extended to more than ninety (90) days from the day of the employment. During the probation work, the employer and employee can break up the employment relationship without notice.⁸

Whereas the unemployment remains the main problem of the Kosovo, around 40% of active population is unemployed. Depending on the source of information this figure is

⁴ <http://www.koha.net/?page=1,3,128177>

⁵ Balance of Payment Rport – Kosovo Central Bank

⁶ Assessment Kosovo - Support for Improvement in Governance and Management - A joint initiative of the OECD and the EU

⁷ http://photos.state.gov/libraries/kosovo/312585/files/2012_IC_S_Final_Text_1_18_12_doc.pdf

⁸ <https://www.rks-gov.net/en-US/Bizneset/Punonjesit/Pages/RekrutimiDhepunësimi.aspx>

estimated to be as high as 50% of the total working force. The latest population census indicates a national unemployment level at around 45%⁹.

3. Governmental policies and legislation

Many laws have been adopted by the government during 2012. As the most important ones are: Law on Ratification of the international agreement between the Republic of Kosovo and European Union on the European Rule of Law Mission in Kosovo, Law on flour fortification and Law on amending and supplementing law no,04-L-079 on budget of the Republic of Kosovo for year 2012. (Law for Customer Protection Nr. 04/L-121, Law for raising the quota of the Republic of Kosovo in International Monetary Fund Nr. 04/L-152).

2012 has also been characterized with significant number of protests organized by the opposition political party Vetevendosje and civil society organizations. The process of privatizing was considered as unacceptable by Vetevendosje. Among other elements, Vetevendosje disputed the cost of the privatization bill, which was considered to be significantly under market value. The total price paid by the winning consortium was 26.3 million EUR, which is considered significantly lower than its real value.

Regarding the fiscal policies in the country, 2012 budget approved by the Assembly in December 2011 and adjusted by the same in June 2012 foresees an overall deficit of 3.3 percent of GDP and contains structural adjustment of ¾ percent of GDP.

The adoption of the *Labour Law* has strengthened the legal framework. However, its implementation in practice, largely because of the lack of political will and the resource constraints of the labour inspectorate, has been unsatisfactory. One of the most problematic articles of this law having adverse effects with the ones initially intended pertains to the maternity leave envisaged therein. To this end, the law has made women more vulnerable in the labour market and has led to an undesired effects pertaining to employment of women.

In the area of *health and safety at work*, limited progress has been made, but the labour inspectorate still needs to improve its efficiency in exercising its duties. The number of labour inspectors remains insufficient. Accidents that happen at the work place need to be registered¹⁰

4. Industrial Relations

The Law on Trade Union Organization that has been passed in 2011, is yet to achieve its intended purpose. Regardless of the fact that trade unions can legally establish and operate in the private sector based on the aforementioned law, trade unions are yet to establish such presence.

Trade union density in Kosovo continues to be on a downward slope. Ongoing privatization processes of former state owned enterprises have led to a constant drop in trade union membership. With the support of international organizations such as Friedrich-Ebert-Stiftung, some of the trade unions have begun planning and strategically positioning themselves for achieving their objectives. To this end, Metalworkers Federation and Energy Sector Trade Union (SPEK) have already developed strategic plans on which they intend to base their work in the future.

⁹ Census data available at: http://esk.rks-gov.net/rekos2011/repository/docs/Final%20Results_ENG.pdf

¹⁰ European Commission Progress Report on Kosovo 2011

The constant disputes and arguments in the trade union leadership have continued to be present in 2012. Cross-accusations between different trade union leaders and members of different trade union organization have contributed to an ongoing loss of trust among the potential trade union members. Politicization of trade unions and their appropriation for narrow interests of individuals or small groups within trade union leadership are also a concerning aspect regarding the future of trade unions.

The density of the main employer organizations has remained similar to the previous year. To this end, very little growth has been seen for employers' associations. Similarly, their role in the industrial relations has remained unchanged.

Sexual harassment phenomenon is an issue that has been depicted by numerous women rights organizations and activists. According to these reports, sexual harassment is present both in the public and private sectors. Viewed from the gender perspective, the labour law has also had a negative impact regarding the employment of women. Because of the maternity leave provisions, employment of young women has dropped in comparison to the periods before the law entered into force.

5. Tripartite social dialogue

The Social and Economic Council (SEC) is the body in charge of facilitating tripartite dialogue. The composition of the SEC has not changed since 2011. The institution's membership is comprised of Kosovo Government ministries (Ministry of Labour and Social Welfare; Ministry of Economy and Finance; Ministry of Education, Science and Technology; Ministry of Health), trade unions (three representatives from the BSPK and two from the KSLK) and employer associations (Kosovo Chamber of Commerce, with three members, and Kosovo Business Alliance, with two members). As compared to 2011, the SEC has been more active and convened regularly. One of the latest decisions/recommendations for the government has been about the minimum salary, which has increased the level of minimum payment per month to 250 EUR.

6. Forecasts

Several new laws are to be expected in the near future regarding social security and protection as well as industrial relations in Kosovo. Some of the laws foreseen to be promulgated in the near future include: the new Labour Law, Health Insurance Law, and Law on Safety at Work as well as other minor changes in the existing legislation.

It should be noted, that as part of the process of EU integration, legislation and institutional changes are to be expected. These changes will be made in line with the national strategy for EU integration which is an umbrella document that will consist of sectoral strategies.

Annex of Data

- **Collective bargaining system**

Collective bargaining system in Kosovo exists, but has not been very successful in generating collective agreements and contracts. The only sectoral agreement in Kosovo is the one in 2011 between Ministry of Health and Healthcare Professionals' Trade Union.

- **System of tripartite social dialogue**

The Social and Economic Council is the body in charge of facilitating tripartite dialogue. It comprises Kosovo government ministries (Ministry of Labour and Social Welfare; Ministry of Economy and Finance; Ministry of Education, Science and Technology; Ministry of Health), trade unions (three representatives from the BSPK and two from the KSLK) and employer associations (Kosovo Chamber of Commerce, with three members, and Kosovo Business Alliance, with two members). As stated above, the tripartite Social and Economic Council has been dysfunctional due to the boycott by the Kosovo Chamber of Commerce and BSPK. While the Chamber of Commerce has reached an agreement with Kosovo Business Alliance, BSPK continues to boycott the proceedings of the Council.¹¹

- **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 scheme¹², 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 2013 and operational within a year from its establishment.

- **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 Law¹³. 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.

¹¹ Kosovo Industrial Relations Profile: https://eurofound.europa.eu/eiro/country/kosovo_4.htm

¹² Basic pension scheme distinguishes between contributing and non-contributing pensioners.

¹³ Law on Adult Education and Training #.02/L-24, 07 September 2005. www.kuvendikosoves.org

- **Employment rate**

Years	2012	2011	2010	2009	2008	2007	2006
Employment	n/a	22.4% ¹⁴	n/a	26.1%	24.1 %	26.1 %	28.7 %
Employment rate female (15-64) (%)	n/a	5.2% ¹⁵	n/a	12.5%	10.5%	12.7 %	11.8 %
Employment rate male (15-64) (%)	n/a	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	n/a	27.9 %	23.8%	24.6 %	26.3 %

- **Unemployment rate**

Years	2012	2011	2010	2009	2008	2007	2006
Unemployment	n/a	44.8%	n/a	45.4 %	47.5%	43.6%	44.9 %
Female	n/a	36% ¹⁶	n/a	56.4%	59.6%	55.2%	61.6%
Male	n/a	n/a	n/a	40.7%	42.7%	38.5%	34.6%
Unemployment rate of persons < 25 years:	n/a	n/a	n/a	73.0%	73.0%	70.0%	75.5%
Long-term unemployment rate:	n/a	n/a	n/a	37.1%	38.9%	37.1%	41.1%

- **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.

¹⁴ Census data available at: http://esk.rks-gov.net/rekos2011/repository/docs/Final%20Results_ENG.pdf

¹⁵ Ibid.

¹⁶ % of female among the unemployed.

- **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.

- **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

- **Gini-coefficient**

Data not available

- **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 Federations	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	EPSU
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	IndustriAll-European Trade Union
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 Pylltarisë / 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	