



Eurofound

# Kosovo: Industrial relations profile

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## Facts and figures

Area: 10,887 square kilometres

Population: 1,733,872 (preliminary results from the last registration that took place in April 2011)

Languages: Albanian (main language); official languages also include English and Serbian

Capital: Prishtina

Currency: Euro

### *Economic background*

	<b>Kosovo</b>	<b>EU27</b>
<b>GDP per capita</b>	€2,383 (est. 2010) *	n.a.
<b>Real GDP growth</b> (% change on previous year)	3.4% (2006)* 6.3% (2007)* 6.9% (2008)* 2.9% (2009)* 3.9% (2010)*	0.62% (annual average 2006–2009)
<b>Inflation rate</b>	-1.5% (2006) 2.8% (2007) 12.4% (2008) 9.7% (2009) 4.7% (2010)	2.12 % (annual average 2006–2009)
<b>Average monthly labour costs, in €</b>	n.a.	€3,028 (2007)
<b>Gross annual earnings, in €</b>	n.a.	€31,302 (2006)
<b>Gender pay gap</b> (difference between average earnings of male and female employees as percentage of earnings of male employees)	n.a.	17.6% (2007)
<b>Employment rate</b> (15–64 years) (2009)	26.1%	64.6%
<b>Female employment rate</b> (15–64 years) (2009)	12.5%	58.6%
<b>Unemployment rate</b> (15–64 years) (2009)	45.4% (2009)** 37–41% (2010) **	8.9% (2009)
<b>Monthly minimum wage</b>	€130 for workers 16–35 years old €170 for workers over 35 years old	n.a.

Sources: \* *Kosovo Statistical Office*; \*\* *Annual Reports on Labour, 2009, 2010; Eurostat, Eurofound*

*Industrial relations, pay and working time*

	Kosovo	EU27
<b>Trade union density (%)</b>	90% (public sector only)	n.a.
<b>Employer organisation density (%)</b> (percentage of employees employed by companies that are members of an employer organisation)	16.43% (estimate)	n.a.
<b>Collective bargaining coverage (%)</b> (percentage of employees covered by collective agreements)	100% (public sector only)	n.a.
<b>Number of working days lost through industrial action per 1,000 employees</b> (annual average 2006–2009)	n.a.	31.78 days (estimate)
<b>Collectively agreed pay increase (%)</b> (annual average 2008–2009)	n.a.	4.6% (not weighted)
<b>Actual pay increase (%)</b> (annual average 2008–2009)	n.a.	1.7% (not weighted)
<b>Collectively agreed weekly working hours</b> (2009)	40 hours (statutory weekly working hours)	38.7 hours (not weighted)
<b>Actual weekly working hours</b> (2009)	44 hours	39.3 hours (not weighted)

Sources: Eurostat, Eurofound

## Background

### Political and economic context

The years 2010 and 2011 were eventful ones for Kosovo’s political and institutional structures. The country underwent an extraordinary electoral process that was prolonged for several months because of the inability of political parties to reach coalition agreements. The election re-confirmed the incumbent Kosovo Democratic Party of the Prime Minister Hashim Thaci, who entered a coalition with the centre-right party of Behxhet Pacolli. The coalition was perceived to be pragmatic and based on proportions of MP numbers rather than on ideological or programmatic grounds.

The coalition was shaken in its first weeks by a ruling of the Constitutional Court declaring the election of the President (Mr. Pacolli) unconstitutional. The presidential crisis was overcome with the support of the international community in Kosovo, after which a consensual figure (Atifete Jahjaga) was elected President.

The coalition also spent a significant amount of energy on the dialogue process with Belgrade. In Kosovo this was portrayed as a dialogue on technical issues between neighbouring countries, whereas on the other side of the border it was presented as a continuation of the political dialogue on the status of Kosovo and a subsequent ticket to EU Candidate Country status.

When these discussions came to a halt because of disagreements over the stamps to be used by Kosovo customs, the Kosovo government invoked a reciprocity measure towards all products of Serbian and Bosnian origin. It barred Serbian products from entering the Kosovo market and placed a 10% import tax on Bosnian products. The relevance of this decision is twofold: first it was the first step towards establishing legal order in the entire territory of the country since the declaration of independence in 2008, and secondly, it is expected to stimulate more aggressive behaviour on the part of Kosovo producers to expand and fill the market gap thus created. Additionally, this decision for reciprocal treatment leaves no alternative to Serbia (which on the contrary may lose its biggest export market) but to allow Kosovo products to enter its market, hence providing access to a small but increasing number of companies that aspire to export.

The gross domestic product (GDP) grew by 4.5% in 2010. The Kosovar authorities ascribe this growth mainly to a rise in private consumption and, particularly, increased public investments (Semiannual Macroeconomic Bulletin).

Foreign direct investment (FDI) rates in Kosovo remain rather small. As in other developing countries, foreign investors in Kosovo have become more cautious on account of the global economic and financial crisis. However, compared to 2009, FDI in 2010 increased by about 2%. The Ministry of Economy and Finance believes that this growth came as a result of improved stability in the global markets (Semi-annual Macroeconomic Bulletin). Other organisations and experts attribute the rise in FDI to the public–private partnership (PPP) concession contract for Prishtina Airport, which is the single largest investment project by international companies in Kosovo.

In 2010, the trade deficit remained one of the most pressing problems for the Kosovo economy. The deficit rose by 9% in 2010 compared to 2009, or from €857.0 million to €940.4 million (Shaipi, 2010). Exports, on the other hand, rose by about 120% as compared to 2009, but even this sharp rise did little to close the gap between the amounts exported and those imported (Shaipi, 2010). The absolute values for exports in 2010 reached €141.7 million from €63.9 million in 2009. Since the declaration of independence Kosovo products bearing the stamps ‘Kosovo Customs’ have not been allowed to enter Serbia. In response to this situation, the government of Kosovo invoked a reciprocity measure blocking Serbian products entering the Kosovo market until an agreement is reached on Kosovo products in Serbia.

During 2010 an increase of public spending was reported, but this was not matched by growth in government income/revenues. The rise in government expenditure has been ascribed mainly to two factors: an increase in public sector salaries, and increased investment in capital infrastructure projects (European Commission Progress Report for Kosovo, 2010).

The privatisation process of former socially owned enterprises (SOEs) is coming to an end, with only a handful of companies still to complete the process. The privatisation of public companies slowed down in 2010. A total of 77 former SOEs were privatised in that year, most of which were not operational. The three largest privatisation processes – the publicly owned mobile telephone operator Vala, Energy Distribution, and Brezovica Ski Resort – have stalled. The Concession process was completed for Prishtina Airport in February 2011.

In 2010, the government hired a transaction advisor for the privatisation of the PTK (the public telecom company) and the Kosovo Energy Corporation (KEK). According to the European Commission’s Progress Report for 2010, provisions on concessions, under the public procurement law, have not been adopted, which affected the legal environment for these companies (European Commission Progress Report for Kosovo, 2010). In addition, the process was interrupted by political developments and corruption investigations related to KEK and PTK. Brezovica, on the other hand, has been more subject to inter-ethnic politics, but with the support of international agencies such as the European Commission Liaison Office to Kosovo, a full feasibility study has been carried out.

The average inflation rate for Kosovo in 2010 was recorded at 3.0% (Semiannual Macroeconomic Bulletin). Because of the influence of food and fuel prices in the calculation, inflation in Kosovo is considered to be unstable (European Commission Progress Report for Kosovo, 2010). Employed people in Kosovo receive an average monthly salary of €280, which is the lowest in Europe. This low level of income means that financial intermediary companies, such as banks and other financial institutions, as well as international organisations and programmes, offer some of the highest salaries in Kosovo and consequently represent the most sought-after sectors for employment.

The employment situation improved in 2010 in terms of increased participation and employment rates. While the employment rate remained very low (at only 26%), youth and long-term unemployment was particularly high, at 73% and 82% of all unemployed respectively. The structure of labour market and 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 (European Commission Progress Report for Kosovo, 2010). According to Eurostat, employment structure by sector/activity in Kosovo is as follows: 14.6% work in agriculture, 20.7% in industry and construction, and 64.8% in services (Eurostat, 2011).

According to the World Bank around 45% of the population in Kosovo is poor, with another 18% vulnerable to poverty (World Bank – Poverty Assessment, 2007). It is generally recognised that unemployment remains one of the biggest problems in Kosovo.

### Legal context

In 2010 the Kosovo legislative framework was changed by the introduction of one of the core laws in terms of labour relations – the Labour Law. This piece of legislation is considered to be one of the biggest achievements in post-1999 Kosovo in terms of labour relations as for the first time it codifies employer–employee relations and sets forth the inalienable rights of workers. While there are no accurate and reliable data on the impact that this law has had on the improvement of the situation of workers, or the level of implementation it has assumed, the law is considered to be a major milestone for the development of labour relations in Kosovo. The Labour Law was passed in the Assembly on 2 November 2010, and enacted by presidential decree on 18 November.

Two other basic pieces of legislation relating to social security and protection as well as industrial relations are expected to be enacted in the near future. These are the amended Law on Healthcare and the Health Insurance Law. The latter has been drafted and redrafted a number of times in the past, but in the end was not passed, mainly due to budgetary pressures and on the advice of the International Monetary Fund.

In addition, the Law on Syndical Organisation is also expected to be passed in the near future, hence opening doors for the development of trade unions in the private sector. Given the past failures to get this legislation passed by the Assembly, the trade unions are sceptical about the process.

The fiscal planning tool of the Kosovo government – the Mid-Term Expenditure Framework (MTEF) – was disregarded by the government when developing its expenditure plan for 2010. Instead, it adopted an ad hoc approach (European Commission Progress Report for Kosovo, 2010). The social policies in general, and employment and public health, in particular have seen recognisable improvement, but much remains to be done to close the current gaps in legislation. Various sources indicate some progress with regard to education, research, and sectoral policies, but the ultimate goal of legislative harmonisation with the EU is still long way ahead (European Commission Progress Report for Kosovo, 2010).

The parliament has passed a law establishing the Social and Economic Council – the body in charge of facilitating tripartite dialogue. On the other hand, ‘the White Paper on social policies has not been adopted leaving Kosovo without strategic plans and priorities in this area’ (European Commission Progress Report for Kosovo, 2010).

The capacities of the public employment service remain quite limited. The Ministry of Labour and Social Welfare has yet to adapt its capacity-building plan for its staff (and the public employment service as part of it). Involvement of social partners in the development of employment policies and measures remains poor. The labour market is still considered dysfunctional and characterised by widespread informality (European Commission Progress Report for Kosovo, 2010).

Reactions of sectoral trade unions to policy decisions have been almost completely absent, but there have been several strikes and protests with requests for higher salaries. The protest by PTK employees against the privatisation process of this company constitutes the only exception to this rule.

## Main actors

### Trade unions

The main national trade union organisations are:

- the Union of Independent Trade Unions of Kosovo (Bashkimi i Sindikatave të Pavarura të Kosovës, **BSPK**), affiliated internationally to the ITUC;
- the Confederation of Free Trade Unions (Konfederata e Sindikatave të Lira, **KSLK**).

Trade union density in Kosovo is on a permanent downward slope. The dissolution and privatisation of former SOEs has caused trade union membership to decline significantly. Even in the companies that have carried on the activities of privatised SOEs, the trade union presence is very limited.

In addition, constant internal conflicts and the political allegiances of some trade union leaders have brought about continuous fragmentation of trade unions and their branches. The trade unions in Kosovo are experiencing their biggest crisis yet. With their ‘critical mass’ constantly shrinking, the heavily politicised climate within their structures, and their complete lack of capacities and financial resources, the downward trend of trade union membership and their relative density will most likely continue.

The two biggest trade unions, the BSPK and the KSLK, tend to disagree on the number of members that each organisation has. They constantly accuse one another of presenting fake members’ lists with significantly increased numbers. Despite the ongoing disputes over members, it is estimated that the total number of trade union members is around 60,000. As the total number of public servants is estimated at 70,000 (excluding teachers and health practitioners), the coverage in the public sector is around 90%. The coverage of trade unions in the private sector is nil as there is no trade union activity in the private sector.

As stated above, trade unions have greater difficulties in agreeing with one another than agreeing with their ‘adversaries’ from the employer organisations. Personality issues, politicised structures, and specifically conflicts in the General Assembly of the BSPK, are a clear indication of the tendency for further break-ups.

In fact, the work of the Social and Economic Council was blocked (in the last months of 2010, when employers reached agreement on representation number in this council), precisely by disagreements between BSPK and KSLK on the number of seats in this council that led to the boycott of BSPK.

### Employer organisations

The density of the main employer organisations has remained quite stable. There has been a trend of modest increase in sectoral associations, with professional focus, but very little growth has been seen for general employers’ associations. Here too, accusations of presenting false membership figures have been made between the Kosovo Chamber of Commerce and Kosovo Business Alliance.

The most important employer associations are:

- the Kosovo Chamber of Commerce (**Oda Ekonomike e Kosovës**), with 1,500 members;
- the American Chamber of Commerce in Kosovo (**Oda Amerikane e Tregtisë në Kosovë**), with 5,000 members;
- the Kosovo Business Alliance (Aleanca Kosovare e Bizneseve), with 80 members, and affiliated internationally to AmCham, Europe and AmCham, US.

The stalemate on representation in the Social and Economic Council between the Kosovo Chamber of Commerce and the Kosovo Business Alliance, which prevailed for most of 2010, has been resolved. No other major events have been marked in terms of current developments.

### Industrial relations

#### Collective bargaining

In post-1999 Kosovo there have been only a handful of instances of collective bargaining practices. Most of the bargaining has been done at national level, with few initiatives at company or organisation level.

Since the signing of the general collective agreement several years ago, the collective bargaining system in Kosovo has been seen as dysfunctional. The reason behind this is the lack of follow-up and implementation of this agreement. There were no other developments of collective bargaining in 2010. Nevertheless, in 2011 the Ministry of Health signed the first sectoral collective agreement with the Trade Union of Healthcare Practitioners .

The coverage of collective agreements in the public sector is 100%.

As noted above, collective agreements can be both legally binding and non-legally binding. Whereas the disappointing collective agreement for all public service employees was not legally binding, the one signed in 2011 by the Ministry of Health is.

Both the general collective agreement and the collective agreement relating to healthcare professionals have been followed through by legislation. While it could be argued that it was inevitable that collective agreement would be succeeded by the labour law, even if not a direct derivation of the agreement, the current health sector collective agreement will be purposefully extended by legislative acts. Both the agreement and the law are intended to be part of the collective bargaining process.

There are no other voluntary extension procedures or mechanisms of wage coordination.

#### *Levels of collective bargaining summarised*

	National (intersectoral)	Sectoral	Company
Principal or dominant level	✓		
Important but not dominant		✓	
Weak level			✓

#### Other issues in collective agreements

The government of Kosovo is yet to pass legislation on sexual harassment. Women's organisations and numerous reports published by them, identify this phenomenon as prevalent in both public and private sectors. There are no clear indications when this issue will be addressed. The only gender-sensitive aspect of collective bargaining processes in the past has been the provision on maternity leave (consequently included in the Labour Law), and breastfeeding (also turned into Law). Other aspects that gender experts consider to be very important, such as representation of women in decision-making positions, have not been addressed in collective bargaining processes.

Training and lifelong learning have also not been addressed by collective bargaining processes in the past.

### Industrial conflict

A total of 10 strikes were recorded in 2010 as a result of dissatisfaction NIBF employees, mainly with salary levels.

The sectors that experienced strikes include: education, police, healthcare, civil service, the judiciary, meat processing, and telecommunications.

The main reason for most of the collective actions undertaken in 2010 was wage increases, but in some instances the reasons presented for action also included privatisation processes – in the case of PTK, for example – and government decisions and policies. For example, meat processors opposed a law foreseeing a centralisation of meat imports into one or maximum two companies, hence creating a monopoly situation in the market; this law was revoked as a result of a strike.

The conflicts between social partners are usually resolved by engaging top-level decision-makers and after lengthy negotiations. A mediation and arbitration mechanism is being established by the Ministry of Justice and USAID project on **System of Enforcing Agreements and Decisions**, but at present the system is only intended to be used for resolving conflicts and disagreements among businesses. In the future, this structure could prove to be extremely important for channelling social dialogue issues.

### Tripartite concertation

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.

### Workplace representation

Representation in the workplace has been almost completely absent in Kosovo. With only a handful of isolated instances of workplace representation (as in the case of the public mobile operator, Vala), there have been no instances of workplace representation. This aspect is heavily reliant on the Syndical Organisation Law, which is awaited.

### Employee rights

The labour inspectorate is the ultimate body for enforcing workers' rights in Kosovo. According to the applicable law, the labour inspectorate of the Ministry of Labour and Social Welfare (MLSW) and municipal labour inspectors are in charge of inspecting workplace conditions, monitor implementation of laws, and other related actions. Disputes related to labour relations are addressed in the municipal or district courts (depending on the type of breach), but the several years' backlog of cases in these courts has made the system of enforcing workers' rights quite difficult.



## Pay and working time developments

### Minimum wage

The current wage minimum stands at €170, and was set through a government decision. The basis for calculation was the minimum required for decent and dignified living.

The minimum wage is set for all sectors and trades, and does not differentiate among different types of work, skills or qualifications for different categories of workers.

### Pay developments

The most important wage development was the decision of the government of Kosovo to increase the salaries of certain categories under the public budget. While this decision was criticised by some international actors (the World Bank and International Monetary Fund), the decision was popular among the public. According to this decision, teachers got a 50% increase and healthcare professionals received a 30% increase plus overtime provisions.

The gender pay gap in Kosovo has not been considered a major issue. In general women and men are paid equally if in the same level/position.

### Working time

The statutory maximum working week in Kosovo is 40 hours. It is generally respected, but in the private sector there are reports confirming violations of these legal provisions. Moreover, the annual leave and official holiday leave is hardly respected in the private sector. Working time has, however, not been subject to collective bargaining (except in the case of healthcare professionals). The legal provisions on working hours are problematic in the construction and hotel industry sectors, where due to seasonality at work, employees are required to work longer hours (GAP Policy Brief, 2011).

## Main trends in restructuring

Restructuring processes are currently taking place at Prishtina Airport and it is expected that many employees will become redundant in the process. Other restructuring and privatisation processes that are expected to produce dissatisfaction among the workers include the public mobile phone operator, Vala, and the energy distribution company.

While all these organisations have trade unions (because of their status as publicly owned enterprises), their involvement in the planning and execution of the process has been extremely limited. The process was mainly facilitated by the government and technical assistance missions of international experts preparing the necessary documentation for the privatisation/PPP contracts.

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