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## CHARACTERISTICS OF THE LABOUR MARKET IN KOSOVO AND EUROPE

***Abstract:** The level of economic development of Kosovo is reflected in a delay of many economic parameters in place which results even in the strangulation of the labour market as the biggest challenge in Kosovo. Would not mind that the most worrying aspect of the labour market in Kosovo is the high unemployment rate which reflects the numerous problems in Kosovo society. The labour market in Kosovo was consistently followed by a different set of anomalies which have led to the raising concerns of the Kosovo population which are reflected not only by the unemployed, but also the active part of the population which in the absence of functioning of the collective contract, failure of unions, low average wage and a series of violations of workers' rights more and more is undergoing development gap in the labour market. Kosovo is the highest rate of unemployment in the region which is around 50%. And when we consider the composition of contingent labour, such as very young population which annually makes contingent labour increases in parallel with this also increases the rate of demand for labour and immigration as the feature itself, then the approach should become much more serious. The statistical data show that unemployment is the highest in young persons (16-24 years), this age includes about 40% of the total number of unemployed. Also, the unemployment rate appears too high even to women though are not very active. Viewing these data mean that unemployment in Kosovo is mostly a long term and it is estimated that about 80% of the unemployed are long-term unemployed for more than 12 months. This condition appears as unemployment will remain for a long time the main challenges of the economy and society in general.*

***Keywords:** unemployment, employment policies, work force, labour market, SOK.*

### 1. Employment policies and macroeconomic framework needed

The results of this study and other analyses indicate that a high rate of unemployment and its structure reflect an important social problem, which should be addressed to policy makers and the Ministry of Labour and Social Welfare. After that unemployment in Kosovo is mainly a consequence of the level of economic development heritage. The main problem is the creation of sound macroeconomic policies that could provide the conditions for the functioning of the labour market in the country which is able to maintain the existing work places and especially for the creation of new jobs. Labour market policies cannot be developed successfully if not taken into account the situation of employment/ unemployment. Policies for job creation – which means increased opportunities for productive work Kosovars should be the target of economic and social development strategy. This strategy has not been developed and this is a serious obstacle for building more logical correlation between economic policy, employment policy and social policy. This could lead to an

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employment-friendly environment and trends in employment growth. Labour Market Policy aims to enhance individual employment opportunities and expand labour demand. Integration and coordination of activities of different actors and political dimensions are the main issues to be discussed and to be built especially by the Ministry of Labour and Social Welfare as well as various government agencies. The Republic of Kosovo is in the middle of Southeast Europe (SEE), which has a land area of 10,908 km<sup>2</sup> and approximately 1,739,825 inhabitants (Census, 2011) resident excluding the three municipalities in the north. The capital of Kosovo is Pristina with a population of about 200 thousand inhabitants. According to macroeconomic data Kosovo in comparison with many European countries Kosovo has suffered less from the economic crisis. Kosovo and Albania are the only countries in SEE, which have increased the GDP per capita in 2009. Kosovo remains the poorest economy in the region and face high levels of poverty, massive unemployment (which on average is estimated to be 45%, compared with 37% from Macedonia and Albania with 14%), heavy dependence on imports and the very small sector of export, and lack of energy. Gross domestic product (GDP) per capita is estimated to be \$ 3,520, and thus Kosovo is ranked 93 in the world, behind Macedonia, Albania, Serbia and Bosnia and Herzegovina. The overall number of unemployed at the end of 2013 is 268,104. Due to the large size of the informal economy, registered unemployment figures may not fully reflect the situation of employment in the private sector. Kosovo financial sector remains in good shape, despite the global financial crisis.

In Kosovo currently operate seven commercial banks, nine insurance companies and two pension funds. The use of the euro as the official currency contributes to the stability of Kosovo's economy and keeps inflation in acceptable rate, thus providing a sound basis for monetary policy. Kosovo has weak employment results, where unemployment has reached 45 percent and the employment rate is extremely low, 26 percent. Poverty remains widespread in Kosovo where around 29 percent of the population lives in total poverty and 8 percent of the population lives in extreme poverty. Creating jobs is even more important for the fact that the population of Kosovo is young compared to other countries in the region. Nearly half the population is under 24 years old and only 6 percent of the population is over the age of 65<sup>2</sup>. Unemployment is the percentage of unemployed from the entire capacity of the workforce in a certain area within a country or across the country. So, this economic indicator shows the level of unused labourforce in the economic processes in a geographic area. According to the classification of the European Union unemployed are those members of the workforce who have not had a job during the week when the study was done, have actively sought for work during the week and are ready to start a job during the next two weeks. The unemployment rate is an indicator of overall economic welfare. A low level is indicative of a strong economy where job seekers can find it quickly, while a high level could indicate a weaker economy. On the other hand, employers can more easily find employees when unemployment is high. So, one of the issues of concern in society today is unemployment. Determination of unemployment

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<sup>2</sup> Institute for Development Research "Riinvest" 2010 (Pristina, Kosovo).

notion is based on the definition given by the International Labour Organization (ILO). The unemployed are considered all persons of working age based on the measurement of the economically active population who during the reference period meet the requirements – are without work, available for work and seeking work.

## 2. What is unemployment?

The answer to this question seems obvious: an unemployed person is someone who does not have a job. But as economists we need to be precise and careful in our definitions of economic categories. If you are in full time education, for example, you do not have a full time job in the ordinary sense of the word that is to say you are not a paid employment for full-time. And there is a good reason: you are studying. Hence it appears that you are not available for work. What if you were not a student, but you could suffer from any long-term illness, which means that you are unfit for work. Again, though you do not have a job, we would not say that you were unemployed because you were not ready (available) to work. From these two examples, it seems clear that we need to qualify our initial definition of an unemployed person “someone who does not have a job to “someone who does not have a job and is ready to work”. But we still need to be clear what we mean by “ready to work”. Assume that you were not employed full-time and you are looking for a job as an assistant studies for 50 euros a day. Would you choose it? If you do not ignore for a moment the complexity that economic studies are so interesting, that this is the reward of those, you probably would not accept the job because the salary level offered is too low. At the other extreme, suppose that you have earned so much money in the National Lottery that you decided to leave the university and to live with the money earned for the rest of your life. Would you be still unemployed? No, because you were not ready for the job yet, regardless of what level of salary was offered. So being unemployed depends if you are willing to work (if you are “available for work” to existing wage levels).<sup>3</sup> Now we are able to give a precise definition of what it means to be unemployed, the number of unemployed in an economy is the number of people of working age who are able and willing to work with existing levels of wages and who do not have a job.

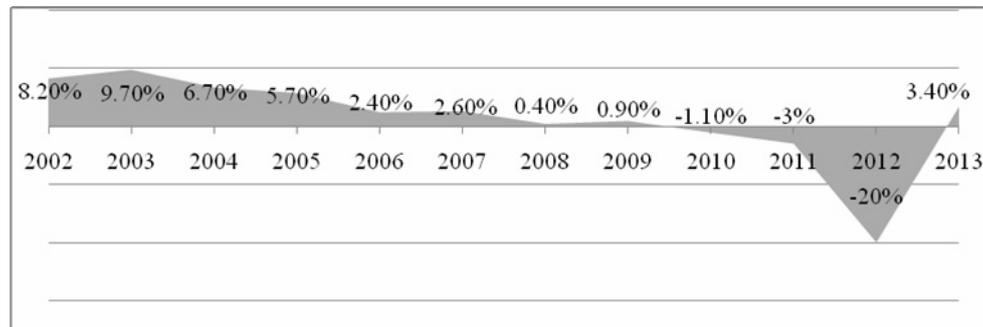
## 3. Unemployment in Kosovo over the years

Kosovo after the war in 1999, has faced many life problems of all natures and such a problem is with employment as the majority of enterprises have been damaged by the war in different ways (burned, looted, damaged by bombing, etc.), and a large part of them that have survived these problems have lost their market and manufacturing technology which had in their possession and were not competitive in the regional market and could not afford a new system of market economy.

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<sup>3</sup> Mankiw, N.G., Mark, P. – *Economics, South-Western, Centage Learning*, Taylor, UET Press, 2012.

As a result of all these problems that were noted above, employment has begun to appear as a problem and is creating a huge army of unemployed and the unemployment figures go higher. When to this is added the process of privatization which rather than generate new working places, this process was accompanied by many problems and do not affect the growth of jobs but, the same helped increase unemployment by closing many of working places as privatized enterprises changed business activity and the majority of them passed from production to trade or most of purchased lands were used as construction land.

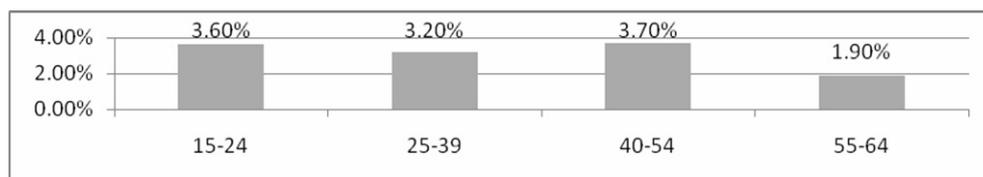


Source: Report of performance/Labour and Employment in 2013 (Ministry of Labour and Social Welfare).

Figure 1. Registrations growth rate.

#### 4. Unemployment by age

Regarding the registered unemployment rate by age group, most of the unemployed (126,836) in accumulated figures still refer to the age of 25-39 years or 47%. However, a direct comparison of total figures by age suffers from different number of years in terms of coverage in any age group.



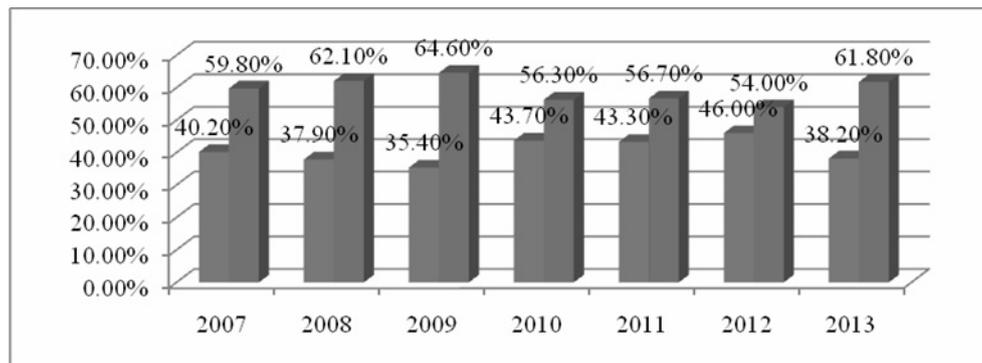
Source: Report of performance/Labour and Employment in 2013, (Ministry of Labour and Social Welfare).

Figure 2. The rising unemployment rate by age.

The highest pressure regarding to the unemployment rate is still the youngest group by age, particularly in terms of growth in enrolment by 3.6%, (see fig.). In general, according to the results of 2013, the unemployed aged 25-39 then 40-54 and 55-64 years show an increase in enrolment, which is (3.2%, 3.7% and 1.9%) in 2013.

## 5. Unemployment by gender

The total number of people registered as unemployed in the public employment services in Kosovo by the end of 2013, consisted of 124,369 women and 143,735 men. The number of female registrations increased by 4.2% during 2013, as well as the number of men registered as unemployed has increased by about 2.7%.



Source: Report of performance / Labour and Employment in 2013, MLSW.

Figure 3. Unemployment by gender in Kosovo.

However, the overall gender gap is significant value by 1.5 percentages to the growth rate. For more, regarding to unemployed women we can realize an increase in terms of exit from unemployment. Consequently, some of the women in the general output in 2013 increased to a level of more than 38.2% (see Fig. 5). Taking into account the relation of gender differences with “risk” youth groups (15–24) and unskilled unemployed, there is a negative development. Regarding the numbers of unemployed men of the same age group (15–24), seems an increase of 14.4% in last year to 3.1%. While unemployed women (15–24) in the new age, in 2013 show a growth rate of – 12.7% to 4.1% (Table 1).

Looking at levels of qualification by gender appears a gender gap reduction, which is based on a decreasing scale for women (see table.) where women have reduced the percentage of negative points – 27.7% in the previous year to – 17.1% in 2013, while unskilled men tend growing where in 2012 was – 18.6%, and now for 2013 is 28.7%. Regarding the unskilled unemployed women is worth mentioning again the procedures to apply for social assistance in Kosovo which was granted to more than 40,000 families. A basic requirement for this is to demonstrate that they do not receive other income. To do so it worth to register all family members of an adult family as unemployed. Although a detailed analysis of this data has shortcomings and little gaps, is quite convincing because refers to numerous recordings of women out of work, which are administratively “pushed” from the definition of personal status as “inactive economically” in status of “registered unemployed”.

Table 1

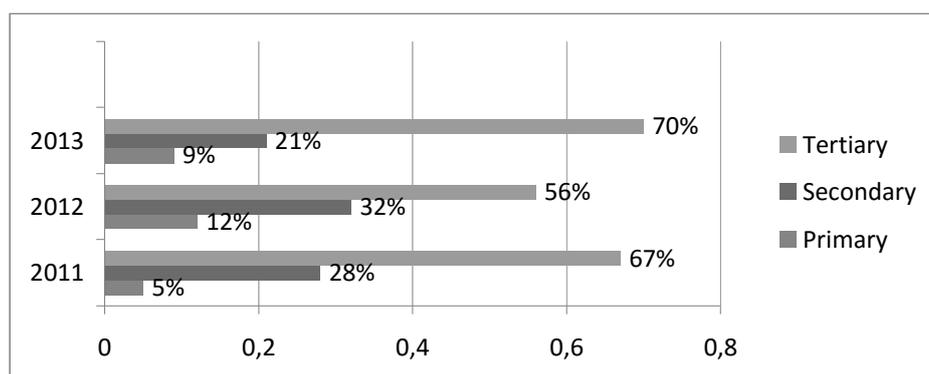
## Unemployment by gender in Kosovo

Description	2011		2012		2013	
	Female	Male	Female	Male	Female	Male
Monthly rate of incomes	0.52%	0.48%	0.70%	0.83%	0.58%	0.55%
Monthly rate of outflow	0.67%	0.82%	329%	2.40%	0.24%	0.33%
12 monthly increase	-2934	-7065	-38548	-27372	4995	3768
12 monthly increase	-1.80%	-4.10%	-24.40%	-16.40%	4.20%	2.70%
Unemployment	157922	167339	119374	139967	124369	143735
Proportion	48.60%	51.40%	46.00%	54.00%	46.40%	53.60%
12 monthly increase of unqualified	-1.60%	-4.10%	-27.70%	-18.60%	-17.10%	28.70%
Registration of unqualified	113722	81672	82260	66489	68164	85557
Proportion of unqualified	58.20%	41.80%	55.30%	44.70%	44.30%	55.70%
12 monthly growth of 15-24	2.10%	0.60%	-12.70%	-14.40%	4.10%	3.10%
Registered 15-24	53172	53950	46423	46192	48338	47607
Proportion 15-24	49.60%	50.40%	50.10%	49.90%	50.40%	49.60%

Source: Report of performance / Labour and Employment in 2013, MLSW.

## 6. Employment by sector

During 2013, according to classification of economic sectors, as it was in previous years, most of offered vacancies refer to the tertiary sector (services, 70%), followed by the secondary sector (manufacturing, 21%) and the primary sector (agriculture, 9%). Tertiary sector shows a modest increase in the number of job vacancies reported during the reporting period from 56% in 2012 to 70% in 2013. While domestic sources in the secondary sector shows the decline value from 32% in 2012 to 21% during the year. Same primary sector shows a decrease of 12% in last year to 9% in 2013.



Source: Report of performance / Labour and Employment in 2013, MLSW.

Figure 4. Vacancies by sector in 12 months.

## 7. Unemployment rate in Kosovo in 2014

The unemployment rate in Kosovo is 35.3 percent. Statistical Agency of Kosovo (SAK) has published “The results of the Labour Force Survey 2014” in Kosovo<sup>4</sup>. This publication contains detailed data on employment and unemployment by age, gender, employment status, economic activities, occupations and other similar issues, dealing with the labour market. According to results stemming from the publication, the participation rate in the labour force is 41.6%. About one in five women of working age (21.4%) are active in the labour market, compared with three-fifths (61.8%) of men. The employment rate, according to results of the Labour Force Survey in 2014 is 26.9%. The employment rate among women of working age is only 12.5%, while the employment rate for men is 41.3%. Very low rate of unemployment among women stems from the combination of very low participation of their labour force and high unemployment. Women were employed mainly in the sectors of education, health and trade, with more than 55%. Men were mainly employed in the manufacturing, trade and construction, with about 44%. The unemployment rate in 2014 is 35.3%. The unemployment rate is much higher for women about 42%. Unemployment among young people is very high in Kosovo. Among persons aged 15-24 in the workforce, the unemployed rate is 61.0%. Unemployment is higher among young women with 71.7%, than in young men with 56.2%.

## 8. Unemployment rate in Europe (Germany and Italy)

Germany’s economy and labour market have shaped up well in recent years. However, further improvements for groups like youth, long-term unemployed and women still need to be undertaken. The current labour market outlook opens many opportunities for people who had difficulties to find a job before. In Germany, employment continues to grow and the employment rate is now among the highest in the OECD (73.4% in the first quarter of 2014). Consequently, unemployment has fallen to 51% (ILO definition) in the second quarter of 2014 – below the OECD average of 7.4% and less than half of the Euro area’s average at 11.6%. According to the 2014 OECD Employment Outlook, the unemployment rate will decline further in 2015 and Germany looks set to join the small group of OECD countries with unemployment rates below 5%.<sup>5</sup> There are still about 1 million people who have been unemployed for one year or longer. Although the number has declined over the last years, long-term unemployed are still disadvantaged in the labour market. In many cases, integration in the labour market has not been successful due to a range of multiple placement obstacles. Additionally to current methods and strategies of Federal Labour Ministry, it is preparing a programme to

<sup>4</sup> *The results of the Labour Force Survey 2014 in Kosovo*, visit: <http://ask.rks-gov.net>.

<sup>5</sup> <http://www.oecd.org/germany/EMO-DEU-EN.pdf>.

address this issue.<sup>6</sup> Italy's anaemic growth implies that unemployment is expected to remain high until end of 2015. According to the OECD's May 2014 projections, Italy's growth rate will remain sluggish in 2014 to pick up only a little in 2015. As a result, the unemployment rate has increased further to reach 12.6% in July 2014 – 2.4 percentage points above the EU average –and only 55.5% of the working-age population was in employment. Given the short-term growth projections, the unemployment rate is not expected to decrease significantly until the end of 2015.<sup>7</sup>

## 9. Conclusions

By analyzing all that was mentioned above about the labour market in Kosovo conclude that the high rate of unemployment is as a result of non-developed economy where largely non-utilization of available manpower remains. Kosovo should create favourable policies to attract foreign capital in order to use the advantages that are offered especially in the aspect of the young people. Strategic orientation of the Kosovar economy should be state policy of favouring the development of small and medium enterprises as generator of economic development on occasion will allow creation of new jobs, especially for young Kosovar. Also the budget management and its control is one of the substantial elements regarding for creation of new jobs, especially in lowering the costs in the social safety net focusing only on those who really need. Use of natural resources as significant potential in economic development, especially the fund of agricultural land is an important factor towards alleviating the level of unemployment as an acute illness in Kosovo that already absorbs the largest number of employees or better to say self-employed during these years. Having regarded the unemployment rate, which is correlates negatively with the level of education should take measure to an increased level of qualification for relevant professions that a dominant role will play professional schools in preparing young people for certain areas. This is in order to increase the productivity as well as the self-initiative to open the businesses and self-individual employment. So, the whole process requires a commitment of all fundamental actors operating in Kosovo starting from government, business representatives, groups of interest, in order to draft appropriate strategies to ensure healthy economic growth.

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<sup>6</sup> [http://www.bmas.de/SharedDocs/Downloads/DE/Thema-Internationales/g20-employmentplan-germany.pdf?\\_blob=publicationFile](http://www.bmas.de/SharedDocs/Downloads/DE/Thema-Internationales/g20-employmentplan-germany.pdf?_blob=publicationFile).

<sup>7</sup> <http://www.oecd.org/italy/EMO-ITA-EN.p>.

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