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Kosovo Challenges on the EU integration in the field of labor market

Abstract: Kosovo is a new state in the Balkans that derived from the nonconsensual dissolution of former federation of Yugoslavia. It is the last state created from this process after Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro. The process of creation of Kosovo as a state is different compared to the aforementioned states, among the others due to the position it had within federation, due to the political developments, due to the engagement of the international community, etc. This unique process of creation of the Kosovo state made the process of EU integration unique as well. Criteria and standards for the state of Kosovo in various ways is also different compared to other states created from the process of dissolution of Yugoslavia. The process of EU integration of Kosovo has started whereas Kosovo has to fulfill additional criteria compared to the other states of the Balkans. These criteria have an impact in all developments within Kosovo and in the report between Kosovo and other countries, as well. These criteria also have a big impact in the labor market no matter how Kosovo has managed to harmonize its legislation respecting EU legislation and the community acquis. The paper deals with the challenges Kosovo faces in the process of integration in the field of labor market/law and with the standards and legal infrastructure it has created. Kosovo remains to be the most isolated country in Europe and the isolation appears to be one of the factors that has an impact in the high unemployment rate. Paper aims to stress out that politics should not be top priority agenda for EU and Kosovo Institutions. At the end paper gives some recommendations on how to meet challenges of reducing unemployment rate and reducing poverty in Kosovo.

Keywords: Kosovo, Balkans, criteria, labor, law, market, legislation, harmonization

Introduction

During last six years Kosovo exists as an independent state¹ and during these years of existence it went through various processes that could be characterized as political, economic, integration, international, dialogue with Serbia, etc. All of these characteristics could be analyzed from different point of views and of course all of them have their own difficulties that in a way are usual in a new state and in a process of state building. A perception exists in general that up to date much efforts and more attention was paid to political issues whereas less was discussed and done in the field of economy and economic development. The goal of this paper is not to find out what was more done in which field or why the perception that political issues were more important compared to economy and other important fields. Before going to deal with the main points of the paper, it is important to give some data about the country itself. Kosovo has a surface of 10,908 km². Its resident population is 1,815,606 residents. Number of family economies is 297,090. Percentage of population that lives in the rural zones is 61% and the density of the population is 177.4 per km².² In addition to this, it is important to mention an official data (that may be a specific issue for discussion – note by the author) regarding unemployment that goes in total 30.0%. The unemployment rate of men goes to 26.9% whereas to women 38.8% and the unemployment rate to youth is (age 15–24) 55.9%³. This is an official data but it is believed that the unemployment rate is quite bigger from what officially reported.

With these data and in a situation when Kosovo still has not entered fully into Association and Stabilization Agreement with EU and in a situation when it still has not reached recognition from five EU countries⁴ the challenges of Kosovo are quite big from what the labor market cannot be excluded.

What is labor market and is it defined in the same way in EU and Kosovo?

The following definition of labor market I found interesting for the needs of this paper, and it goes: "The nominal market in which workers find paying work,

¹ Kosovo Parliament on February 17, 2008 adopted Declaration of Independence and since that date Kosovo has been recognized by more than 100 states.

² Census of 2011, disposable at <http://ask.rks-gov.net/> (access: 12.06.2014).

³ <http://ask.rks-gov.net/> (access: 20.06.2014).

⁴ Spain, Greece, Romania, Slovakia and Cyprus have not recognized Kosovo yet.

employers find willing workers, and wage rates are determined”⁵. According to the same resource, “labor markets may be local or national (even international) in their scope and rare made up of smaller, interacting labor markets for different qualifications, skills, and geographical locations. They depend on exchange of information between employers and job seekers about wage rates, conditions of employment, level of competition, and job location”⁶. And regarding labor market there is always a legal infrastructure that regulates rights and obligations of employers and workers. EU labor law covers two main areas:

- Working conditions – working hours, part-time & fixed – term work, posting of workers,
- Informing & consulting workers about collective redundancies, transfer of companies, etc.⁷

On November 01, 2010 Kosovo Parliament has adopted the Labor Law which aims to regulate the rights and obligations on the labor relationships⁸. The disposals of this law are applied to employers and employees in the public and the private sector in Kosovo.

The law in addition to regulating rights and obligations it gives importantly meaning to the following expressions:

Employee: physic person employed to execute paid work or services for the employer;

Employer: physic or judicial person that ensures job for employees and pays salary for the executed work or services;

Public sector: education, health as well as public enterprises under the ownership of Republic of Kosovo or under the ownership of any Kosovo municipality;

Social dialogue: democratic process of consultancies and the exchange of information between representatives of employers, employees and representatives of Government;

Social-Economic Council (KES) – a national organ that leads consultancies on the issues of labor relations, social wellbeing and other issues that have to do with the economic policies in the Republic of Kosovo;

⁵ <http://www.businessdictionary.com/definition/labor-market.html> (access: 12. 06.2014).

⁶ <http://www.businessdictionary.com/definition/labor-market.html> (access: 12.06.2014).

⁷ <http://ec.europa.eu/social/main.jsp?catId=157> (access: 12.06. 2014).

⁸ See Article 1, Kosovo Labor Law, available at: <http://www.kuvendikosoves.org/common/docs/ligjet/2010-212-alb.pdf> (access: 12.06.2014).

Employee organizations: unions that are independent, volunteer, established to realize and protect the rights of employees;

Organization of employers – where employers join voluntarily in order to defend their interests;

Collective contracts: agreement between employer organizations and employee organizations by which are regulated the rights, duties and responsibilities that derive from the labor relationship achieved by agreement;

Labor relations: an agreement or contractual regulation between employee and employer for the execution of duties and specific responsibilities by the employee and supervised by the employer, against specific agreed payment, usually in form of money...⁹

Labor Law further goes with regulating in details and specifically the rights and the obligations in the labor relations. Within the legal infrastructure this law is undoubtedly one of the most important judicial acts of this field in Kosovo. But no matter of structures and the solid created legal infrastructure, Kosovo remains as one of the countries that has the highest unemployment rate and with the highest rate of poverty in Europe. “Apart from considerable financial and technical provided aid from the international community, the incomes remain low where the approximate incomes per capita in 2011 were 2.650 EUR. Total number of unemployed was 325.261. But due to the big size of informal economy in private sector the registered number of unemployed may not represent the real situation”.¹⁰ This means that the number of unemployed is bigger. “The high unemployment rate and extremely low employment rate are Achilles heel of an economy otherwise of a sustainable economy”, said Jan-Peter Olters, Manager of World Bank for Kosovo¹¹. Whereas, poverty in Kosovo is very spread where 29% of population lives in total poverty whereas 8% of population lives under the extreme poverty¹². As we can see some other characteristics of Kosovo labor market in the further elaboration, it is important to underline that both Kosovo and EU

⁹ See more article 3, Kosovo Labor Law, available at: <http://www.kuvendikosoves.org/common/docs/ligjet/2010-212-alb.pdf> (access: 12.06.2014).

¹⁰ Bashkim Bellaqa, *Dinamika e Tregut të Punës në Republikën e Kosovës*, Doctoral Dissertation, University of Tirana, 2013 available at: <http://www.doktoratura.unitir.edu.al/2014/01/doktoratura-bashkim-bellaqa-fakulteti-i-ekonomise-departamenti-i-mat-stat-info/>, p. 35.

¹¹ <http://www.worldbank.org/sq/news/press-release/2014/01/28/growing-with-jobs-in-kosovo> (access: 12.06.2014).

¹² Bashkim Bellaqa, *Dinamika e Tregut të Punës në Republikën e Kosovës*, Doctoral Dissertation, University of Tirana, 2013 available at: <http://www.doktoratura.unitir.edu.al/2014/01/doktoratura-bashkim-bellaqa-fakulteti-i-ekonomise-departamenti-i-mat-stat-info/>, p. 36.

have similar requests regarding labor market, and about how it works. In almost all main program tasks and promises made by all political parties and governments (including efforts of civil international administration in previous years) there were orientations for more jobs, sustainable economy, economic growth, better living conditions, etc. This could be seen at almost every EU endeavors. EU policies in recent decades have sought to

Achieve high employment&strong social protection;

Improve living&working conditions; and

Protect social cohesion¹³. Treaty on the Functioning of the EU, states "...to ensure the economic and social progress of their states by common action to eliminate the barriers which divide Europe"¹⁴.

All Kosovo laws, unions, governmental structures, etc., claim to be engaged towards achievement of above EU policies, no matter of the fact that Kosovo is still far from being a member state. A short look at the policies and Kosovo laws shows clearly these declared commitments. All eleven points of article 153 of the Treaty could be seen in Kosovo legislation, phrased in maybe using different words. This is obvious. But challenges are related to the question: how to achieve these? And challenges may be divided in two groups:

- inner challenges
- and integration challenges.

The division is done in order to stress out some specifics even though they are very close connected to each other.

It was said that unemployment rate is very high in Kosovo. While so it is important to mention that Kosovo has dominantly youth population. Population in the age of work in Kosovo belongs to that from ages 15 to 64. Even though the birth rate is not as it was before, it is beyond the perception that Kosovo has still a growing population.

Production no matter of increase of GDP, is still low compared to needs and compared to possibilities for increase. In 2009, trading sector has become the most important branch of economy in Kosovo with 17.4% participation in employment followed with 13.4% by education sector, production with 9.9%, administration with 9.8%, construction with 7.9%, whereas other sectors participate

¹³ <http://ec.europa.eu/social/main.jsp?catId=157> (access: 12.06.2014).

¹⁴ See preamble of Treaty on the functioning of the EU, available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12012E/TXT&from=EN> (access: 12.06. 2014).

with lower percentage¹⁵. The process of privatization has taken and takes longer than expected. This among the others based on the specifics inherited from the Yugoslav system where there were private, state and socially owned enterprises. Socially owned companies have not existed in former communist countries. This was a case only with the socialist/communist system of Yugoslavia based on the slogan: enterprises belong to workers. This fact in addition made the process of privatization more difficult and uncertain. On the other hand the process was contested by various political subjects and some opposed it completely arguing that the process has not been developed in harmony with the expected goals and outcomes. Education has not been successful in harmonization with the needs of the labor market even though there were established many private universities (though they by the Kosovo legislation are treated as colleges) and where currently there are also six public universities active in Kosovo. Are these difficulties linked with the difficulties as I call integration challenges? I consider that the answer is without any doubt yes. Why? EU labor market goes hand in hand with the single market¹⁶. The free flow of goods, services, capital and workers needs to be accompanied by labor law rules, to make sure that countries and businesses compete fairly on the strength of their products – not lowering labor law standards¹⁷. This clearly belongs to member states whereas Kosovo is still not under the Stabilization and Association Agreement with EU. EU institutions have considered Kosovo orientations and EU perspectives for Kosovo but the process of establishing relations with Kosovo was not equal with the process other states from the territories of former Yugoslavia had. Due to the Kosovo status specifics Kosovo even under Stability Pact was treated differently. For Kosovo was created a mechanism named Tracking Mechanism of Stabilization and Association. Today, when Kosovo has been recognized by more than 100 states and when in Kosovo there is a UE presence in all possible forms and where there is a UE mission – EULEX¹⁸ Kosovo is in a way treated a bit differently compared to other

¹⁵ Bashkim Bellaqa, *Dinamika e Tregut të Punës në Republikën e Kosovës*, Doctoral Dissertation, University of Tirana, 2013 available at:<http://www.doktoratura.unitir.edu.al/2014/01/doktoratura-bashkim-bellaqa-fakulteti-i-ekonomise-departamenti-i-mat-stat-info/>, p. 43.

¹⁶ The single market is all about bringing down barriers and simplifying existing rules to enable everyone in the EU – individuals, consumers and businesses – to make the most of the opportunities offered to them by having direct access to 28 countries and 503 million people – see more at: http://ec.europa.eu/internal_market/top_layer/index_en.htm (access: 12.06. 2014).

¹⁷ <http://ec.europa.eu/social/main.jsp?catId=157> (access: 12.06. 2014).

¹⁸ EULEX supports Kosovo on its path to a greater European integration in the rule of law area. EULEX's skills and expertise are being used to support the key EU aims in the visa liberalization

new states created by the dissolution of Yugoslavia. EULEX for example has a neutral approach on the Kosovo status at the time it works based on Kosovo laws. Under these circumstances it is obvious that Kosovo labor market is closed for its citizens that are the most isolated citizens in Europe. Strategies for reducing unemployment designed within Kosovo and by its institutions may be well defined, but they can hardly be implemented. We cannot talk about an open market or about to compete when individuals, goods, services and capital cannot be used. It is too ambitious to talk about integration when Kosovo has still to fulfill so many condition/duties, etc. Integration in the EU structures is quite in the early phase. What could be said when an intellectual or a businessman has to apply for a visa to take part in a conference or to negotiate a business? And it happens that even though the process takes a lot, visa is refused. What a business could be developed? What a know how would come to Kosovo if you are refused visa. Four freedoms as cornerstones of single market are at the time being not reachable for Kosovo. According to these cornerstones, we see:

- individuals: the right to live, work, study or retire in another EU country;
- consumers: increased competition leading to lower prices, a wider choice of things to buy and higher level of protection;
- businesses: much easier and cheaper to do business across borders¹⁹.

These cornerstones have everything for EU member states and their citizens, from the rights and obligations, to social protection and cohesion up to making business cheaper. This goes in line with “European employment, social affairs and equal opportunities policies contribute to improving people’s living conditions with a view to sustainable growth and greater social cohesion”²⁰. EU policies have their priorities which “ aims to increase employment and workers mobility, to improve the quality of jobs and, working conditions, to inform and consult

process, the Feasibility Study and the Pristina-Belgrade Dialogue. EULEX also supports the Structured Dialogue on the rule of law, led by Brussels. EULEX continues to concentrate on the fight against corruption and works closely with local counterparts to achieve sustainability and EU best practices in Kosovo. EULEX prioritises the establishment of the rule of law in the north (...) In April 2009, EULEX became fully operational. The EU Joint Action of February 2008 and Council Decision of June 2010 and June 2012 provide the legal basis for the Mission. EULEX works within the framework of UN Security Council Resolution 1244. EULEX is supported by all 28 European Union Member States and five contributing States (Canada, Norway, Switzerland, Turkey and the United States)- see more at: <http://www.eulex-kosovo.eu/en/front/>.

¹⁹ http://ec.europa.eu/internal_market/top_layer/index_en.htm (access: 12.06.2014).

²⁰ http://europa.eu/legislation_summaries/employment_and_social_policy/index_en.htm (access: 12.06.2014).

workers, to combat poverty and social exclusion, to promote equality between men and women, and to modernize social protection systems”²¹.

The aforementioned aims, and the cornerstones of single market are aims of Kosovo institutions and Kosovo citizens and if we have a look at the legal infrastructure and other mechanisms in Kosovo, it is clear that these appear as duties, rights and obligations as well for Kosovo, its institutions and its citizens. But these mechanisms are being not enough in reducing unemployment rate or the poverty in Kosovo. The priorities and the agendas of Kosovo government/s during last decade and even more were variable. Reduction of unemployment is crucial for very state and the society and this is quite normal to be top priority agenda, but in Kosovo during the last decade this was not a strong case. Right after the war it was reconstruction and the consequences of the war more important-top priority. It was followed with the efforts of status determination, issue of independence, inner political problems, etc. Now things in regard to labor market have taken the other direction. Reduction of unemployment becomes priority for all. And the reform and strategies are in place toward more jobs and less poverty. The environment for starting business is being improved, registering a business doesn't take a lot, etc. And this is not easy process, anyway. It is not easy in a country which has a relatively young population. Almost one third of the entire population is under 15 years age whereas 62% of the population belongs to the group age from 15–64²². Kosovo labor market is different compared to the other countries. It is for example different also from a fact that “one third of the population is under 15 years old and 50% of population is over 24 and therefore the incomes in the labor market are higher”²³. Mobility within the labor market is low and weak whereas mobility outside of Kosovo labor market is almost impossible. The World Bank in order to open more jobs and to open better jobs in Europe and Central Asia, recommends “actions in two main political spheres:

²¹ http://europa.eu/legislation_summaries/employment_and_social_policy/index_en.htm (access: 12.06.2014).

²² Bashkim Bellaqa, *Dinamika e Tregut të Punës në Republikën e Kosovës*, Doctoral Dissertation, University of Tirana, 2013 available at:<http://www.doktoratura.unitir.edu.al/2014/01/doktoratura-bashkim-bellaqa-fakulteti-i-ekonomise-departamenti-i-mat-stat-info/>, p.49 (access: 12.06.2014).

²³ Bashkim Bellaqa, *Dinamika e Tregut të Punës në Republikën e Kosovës*, Doctoral Dissertation, University of Tirana, 2013 available at:<http://www.doktoratura.unitir.edu.al/2014/01/doktoratura-bashkim-bellaqa-fakulteti-i-ekonomise-departamenti-i-mat-stat-info/>, p. 49 (access: 12.06.2014).

- creation of a basis for opening new jobs through a macroeconomic and enabling business environment that enables existing companies to develop and others that appear to get to succeed and to not fail and all this with a lower cost; and
- support workers to use new possibilities, and to have them have needed skills, push for work, access without obstacles to the labor market and possibilities for mobility from a place to the other that has bigger potential for opening new working places”²⁴.

Kosovo, as it was mentioned has improved legal infrastructure for the labor market but it has till to do a lot more. Thus environment for doing business is not still at the desired level whereas youth employment as well as women is under the desired level. Reform in the education system could be considered that is at the early stage when we talk about educating based on the labor market needs.

Between aspirations for integration and the needs for a better life and more jobs in Kosovo there should be established a balance and a coordination between Kosovo institutions and the EU institutions should strengthen. The process of integration for the most isolated country in Europe is going to be a long and a difficult one. The advancement in the infrastructure and the improved environment for doing business in Kosovo is not going to be enough if this is not going to be evaluated properly and this should be priority similarly with the political issues. Kosovo is working to fulfill Copenhagen Criteria along with the other conditions regarding environment for more and better jobs, but there is still a lot to be done. From both sides. From Kosovo in one side and there is a need for more opportunities to be given to Kosovo by EU institutions.

Conclusions

As a new country Kosovo has achieved quite a lot. It has been recognized by more than 100 states. It has managed to as a new state create democratic institutions and structures that have shown strong commitment to fulfill all duties that derive from the EU Treaties and EU institutions. The EU integrations and political stability in the Balkans are taken very seriously by Kosovo and its institutions. There are created important departments within Kosovo government to deal with the EU processes and within Kosovo Government there is a special Ministry for EU Integrations. Kosovo is working hard to fulfill the Copenhagen criteria. It has

²⁴ <http://www.worldbank.org/sq/news/press-release/2014/01/28/growing-with-jobs-in-kosovo> (access: 12.06.2014).

shown the readiness and commitment for this. Kosovo legislation is in accordance with the EU legislation. Kosovo has passed through a dynamic process from international civil administration to a new independent state characterized as a post transition and as a post conflict society. The entire process was with a lot of difficulties and challenges that were overcome by both efforts: Kosovo and the international community without which this would have not been achieved. All that is achieved should not be considered as a merit of one side: Kosovo or International Community. But there is still a lot to be done in especially economy and economic development.

Kosovo has a very strong workforce, that is dominantly youth but it has a high unemployment rate that is not easy to reduce. Creating new jobs and better jobs is a big challenge for Kosovo on especially in a weak economy, as it is in Kosovo.

Under the current circumstances Kosovo strategies on reducing unemployment rate and reducing poverty should be oriented toward improving environment for new businesses to be opened. Law taxes and taxation should be stimulating for new businesses and for creating new jobs. Experiences from successful countries that have passed through transition should be used. Anti corruption activities should be daily duties for everyone in Kosovo. Process of privatization should continue no matter of possible objections. Economic environment should enable mobility within labor market of Kosovo. Kosovo government should enter into negotiations with the countries that have needs for seasonal workforce so workers would institutionally go and work on the season. Possibilities for mobility within the region should be explored and this should be always a topic for discussions between the countries of the region. This should be done also with the EU countries and with the EU institutions. The reform of education, especially high education should be developed more deeply so it could reflect the needs of the labor market. Professional schools may be a part of this. Negotiations with the EU institutions should deepen in the area of economic development and on enabling free movement of Kosovo citizens. Isolation doesn't help Kosovo develop internally and it also doesn't help illegal immigration as well. Therefore as free as citizens are there will be less illegal immigration. As much as citizens are free to move freely they are much responsible to respect rules. EU institutions should give equal opportunities to Kosovo (especially youth) people for education and where possible organized employment of Kosovo citizen. It was politics to be the main issue for Kosovo and EU agenda but the time has come to act more in economic development and economic growth. In the process of fulfilling criteria for integration priorities should be given to creation of new jobs and reducing

poverty in Kosovo. Barriers for Kosovo businesses should be lowered and Kosovo businessmen should be given opportunities to compete with their products and services. It is obvious the time for changing priorities has come or at least political and economic priorities should be treated equally. If so, challenges will be met more easily and the process of integration will be developed with less difficulties.

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