

National Workshop “Tackling Informal Employment in Kosovo* : Current Situation and the Way Forward”

4 April 2019, Prishtina

Report

On April 4, 2019 the *Employment and Social Affairs Platform, Regional Cooperation Council* organised a national workshop on informal employment in Kosovo*, which brought together officials from the Prime Minister’s Office, Ministries of Labour, Education, Agriculture, Labour Inspectorate, Tax Administration, employers and employees’ organisation, economic experts, researchers, and representatives of the EU. The purpose of this workshop was to present the findings of the diagnostic report on informal employment and to share and discuss recommendations for effectively tackling informal employment from a holistic perspective.

Mr. Izedin Bytyqi, General Secretary of the Ministry of Labour and Social Welfare welcomed the participants and recognized that tackling informality is both a major challenge and an important priority for the government. He described current government efforts, including the current work by Ministry of Labour, which under the sector strategy 2018-2022 has specific objectives to tackle informal employment. Further, following the old strategy for fighting informal economy (2014 -2018), a new strategy for preventing and fighting informal economy, money laundering, financial crimes 2019-2023 is under preparation. The human capacities of key institutions have also been strengthened over time, however there is still scope for enhancing their capacities and strengthening inter-institutional cooperation.

Mr. Dardan Sadriu, programme manager at the EU office in Prishtina, recognized that Informal economy and informal employment are important features of the labour market in Kosovo*, just like in the rest of the Western Balkans, affecting mostly vulnerable groups of population. In its 2018 Communication on EU Enlargement Policy, the European Commission emphasized that all Western Balkan economies face high unemployment rates and persistently high levels of informal economy. The Kosovo* Economic Reform Programme recognizes this problem, and in order to improve business environment and reduce informal economy, the authorities in Kosovo* are focusing on adopting evidence based policies, reducing administrative burden, and conducting a general inspection reform that will improve the efficiency and coordination of the state inspection system and reduce the unnecessary inspection burden for businesses. The EU has been supporting the labour inspectorate since 2013 and its capacities have been progressively strengthened, however closer cooperation would be needed with other relevant institutions.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence

Mr. Nand Shani, ESAP team leader, gave a short overview of the RCC and the ESAP project, jointly implemented by RCC and the ILO. He emphasized that tackling informality is an important national priority in each Western Balkan economy, which is also recognized by the EU. ESAP has developed comprehensive reports for each WB6 economy on the current state of affairs on informal employment, which also include policy recommendations based on the holistic approach towards formalization, used by EU member states through the EU platform on undeclared work. Informal employment will continue to be a priority topic of the second phase of ESAP project, that will start later this year, through the establishment of a similar platform and closer linkages with the work of the EU. After the round of national workshops in Western Balkan capitals, a regional event will be organized to discuss the operationalisation of WB6 platform on informal employment, as well as the priorities identified by respective institutions on national level. RCC and ILO will support the implementation of the recommendations in the next 3 years by creating a platform to tackle undeclared work in the Western Balkans, drawing on the experience of the European Union.

Prof. Colin Williams, RCC ESAP expert, started his presentation with the general definition of undeclared work in the EU, which is work not declared to the public authorities for tax evasion, social security evasion, or labour law violation purposes.

He dwelled on the EU platform tackling undeclared work, which serves to exchange information and good practices, learn from each other and together, develop knowledge and evidence, engage in closer cross-border cooperation and joint activities. The legislation was passed in 2016, according to which the platform adopted a holistic approach, i.e. joining-up all enforcement agencies on the level of both strategy and operations in the policy fields of labour, tax and social security law, and involving social partners. It uses the full range of direct and indirect policy measures available to enhance the power of, and trust in, authorities respectively. Direct measures are based on the premise that people engage in undeclared work only if the costs of doing so exceed the benefits. Therefore, they focus on deterring engagement in undeclared work by increasing the penalties and risks of detection and implementing stimulative measures for purchasers and suppliers of undeclared work to formalize. Indirect measures relate to action that try to reform both formal and informal institutions in order to align norms, values & beliefs of citizens with the rules and norms of formal institutions.

EU countries still use more heavily measures related to detecting and punishing of non-compliance. Improving the benefits of declared work in order to transform informal to formal work is used in some countries, while the Nordic countries use more frequently various campaigns to change their formal institutions and the perceptions of citizens. Overall, the best approach is to apply a full range of direct control (e.g., workplace inspections) to enhance the power of authorities and at the same time the indirect measures (e.g., awareness raising) to enhance trust in authorities.

Ms. Ardiana Gashi, the RCC External Expert, presented key features of informality in Kosovo* and main recommendations of the study.

- Estimates of informal economy are at 32% of GDP (EU funded study in 2017);
- According to the World Bank, 7 out of 10 businesses claim they compete against informal businesses;
- According to the Labour Force Survey, 1 in 4 employees are in vulnerable employment;
- 21.5% of employees had no work contract;

- Based on a study in 2016, 22.6% of those who have a work contract receive higher wages than what the contract stipulates;

Specific recommendations of the report relate to:

- Introducing a holistic approach by establishing a coordinating body both at the strategy and operational level, which should include joint objectives
- Increasing the risk and costs of informal employment through the improvement of the electronic system, exchange of data among institutions, sending warning letter and better targeting inspections;
- Incentives to formalize through the creation of a white list of employers who declare all workers, advisory support to formalization,
- Demand side measures such as incentives for bank payments, vouchers for services, tax incentives;
- Changing values, norms and trust through the organization of informative and awareness raising campaigns on the benefits of declared work and costs of undeclared work.
- Institutional reforms through further training of inspectors and modernizing management processes of the key institutions
- Close cooperation with social partners.

Mr. Nahit Sharku, deputy general director of Tax Administration, (TA) informed that:

- TA implements an advanced methodology for risk assessment and targeting inspections of businesses;
- TA offers fast and efficient services for regular and large taxpayers in order to enhance trust in institutions;
- TA has implemented a programme for reimbursing fiscal coupons, with positive results;
- TA organizes informative and awareness raising activities on how tax contributions directly affect the economic and social development of the economy;
- The provision of free and direct calls to report cases of abuse.

Mr. Gezim Xerxa, Senior Coordination officer at the Labour Inspectorate, briefly described the work of the organization, which includes 43 inspectors, who should, according to the law, inspect all active businesses during the course of one year. The inspectorate conducts regular inspections, mostly based on requests it receives, but also organizes awareness campaign regarding formal employment. However, its strategic objective needs to be broadened in order to include support and advice beyond the regular inspections, which requires additional communication skills on the side of inspectors. Further, it should also develop risk assessment tools to identify which complaints to respond to and how to conduct strategic inspection.

Mr. Nand Shani, ESAP Team Leader encouraged participants to use the recommendations from the report in national actions, the implementation of which can also be supported through the ESAP Project technical assistance facility during the next phase of the project, which should start before the end of this year. The project will support the economies to develop and implement a holistic approach to tackling informality, through the close coordination of stakeholders, improving knowledge and evidence and building capacities of national institutions through mutual assistance programmes. It will support the improvement of

data on informality, make sure that the labour force surveys are harmonised across the region and test interventions on what works in a particular economy to address informality. All relevant institutions, such as Ministry of Labour, Ministry of Economy, Labour Inspectorate, Tax Authority etc. will be invited to start the mutual learning and sharing of best practices on how they tackle the informal employment. The long-term goal is to also align with the work and results of the EU Platform on Undeclared Work.

N.B. This report also serves for the purpose of a duty trip report for Vanja Ivosevic, Mimika Dobroski, Nand Shani.

Annex 1 –List of participants

Prime Minister's Office

Mr. Adnan Ahmeti *Senior Strategic Planning Officer*

Ministry of Labour and Social Welfare

Mr. Izedin Bytyqi *General Secretary*
Mr. Defrim Rifaj *Director of Labour and Employment Department*
Ms. Leunora Zylfijaj *Head of Division for Labour Relations, Social Dialogue, Safety and Health at Work*
Ylber Aliu *Head of Division of Employment Policy and Vocational Training*

Ministry of Agriculture, Forestry and Rural Development

Ms. Delvina Hana Bakija *Chief of Economic Analysis Division*

Ministry of Education, Science and Technology

Mr. Ferit Idrizi *Director of Department for Policy Coordination*

Labour Inspectorate

Mr. Gezim Xerxa *Senior Coordination Officer*

Tax Administration

Mr. Nahit Sharku *Deputy General Director*
Mr. Ferid Sylejmani *Head of Unit*

Statistics Office

Ms. Edi Gusia *Chief Executive Officer*

Trade Unions

Mr. Avni Ajdini *Head of BSPK*
Ms. Dafina Mehaj *International Relations Manager, BSPK*

Chamber of Commerce

Ms. Olivera Ceni Bardiqi *Office for Projects and Strategic Development*

American Chamber of Commerce

Mr. Albion Ujkashi *Head of Policy Department*

Agency for Gender Equality

Ms. Jehona Berbati

International organisations and other participants

Regional Cooperation Council

Ms. Vanja Ivošević	<i>Senior Expert on Skills and Mobility</i>
Ms. Mimika Dobroshi	<i>Expert on Skills and Mobility</i>
Mr. Nand Shani	<i>ESAP Team Leader</i>

European Union Office in Kosovo*

Mr. Dardan Sadriu	<i>Programme Manager</i>
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United Nations Development Programme

Mr. Alban Kryeziu	<i>Programme Manager</i>
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EU funded project "Support to Labour Inspectorate for Fighting Against Undeclared Work"

Ms. Liene Maurite	<i>Team Leader</i>
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Experts

Mr. Colin Williams	<i>RCC External Expert</i>
Ms. Ardiana Gashi	<i>RCC External Expert</i>
Mr. Artan Mustafa	<i>Independent Expert</i>