

Country Analysis of Seasonal Workers Engagement in the Agriculture Sector in Kosovo

December 2022





**COUNTRY ANALYSIS OF
SEASONAL WORKERS
ENGAGEMENT IN THE
AGRICULTURE SECTOR IN
KOSOVO**

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This document has been prepared by Democracy Plus from Kosovo and supported by Co-Plan from Albania, as part of the German Development Cooperation's 'Increasing Seasonal Employment Opportunities' project, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of German Federal Ministry for Economic Cooperation and Development (BMZ).

A special thank you goes to the Ministry of Finance, Labour and Transfers. Ministry of Agriculture, Forestry and Rural Development, Kosovo Tax Administration, Kosovo Agency of Statistics and representatives of agriculture related associations (EcoKos Women, Association of Fruits and Vegetable Processors of Kosovo and, Initiative for Agricultural Development of Kosovo and Women for Women NGO) for their valuable inputs throughout the process. A thank you note goes also to Ekrem Hyseni from GIZ office in Prishtina for supporting implementation of activities of the project.

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List of abbreviations and acronyms

AI	Administrative Instruction
EcoKosWomen	Association of Kosovo women in agriculture
ERP	Economic Reform Programme
CWG	Country Working Group
IADK	Initiative for Agricultural Development of Kosovo
KAS	Kosovo Agency of Statistics
KPST	Kosovo Pension Saving Trust
KTA	Kosovo Tax Administration
LFS	Labour Force Survey
LI	Labour Inspectorate
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MFLT	Ministry of Finance, Labour and Transfers
MLSW	Ministry of Labour and Social Welfare
PePeKo	Association of Fruits and Vegetable Processors of Kosovo

1. Introduction and Macroeconomic Context

Macroeconomic context of Kosovo

During the pre-pandemic crisis, Kosovo's economic growth has been steady and generally around 4% per year over the last five years (Table 1). Kosovo's steady positive economic growth prior to COVID-19 has not been accompanied by improvements in the labour market. Referring to the working age population (15-64 years), in 2020, only 38.3% were active in the labour market, only 28.4 were employed, and among the labour force 25.9% were unemployed.

Kosovo's firms in the formal sector are small and dominated by micro-enterprises, which account for 91% of firms and only 36% of formal jobs (World Bank, 2019).

Firms in Kosovo are not well integrated into the global economy, which leads to a constraint on job creation. Only 4% of firms are exporters and less than 1% have any foreign direct investment. Given the small size of Kosovo's economy, the lack of access to international markets means that few firms are able to significantly expand their production or workforce (World Bank, 2019). Despite increases in exports in the last 3 years (from 383 million EUR to 758 million EUR), the Kosovo trade deficit remains large 3.1 billion in 2020 up to 3.9 billion EUR (also due to price increases in 2021) (KAS, 2022).

■ TABLE 01. Macroeconomic and labour market indicators, 2015–2021



Source: GDP growth from ERP 2018–2020; 2019–2021, 2020–2022, and 2022–2024 retrieved from <https://mf.rks-gov.net/page.aspx?id=2,28>; Labour Force Survey 2015–2020; Poverty rates from KAS.

As reported in the Economic Reform Programme for 2022-2024, the agriculture sector contributes with 7.5% to Kosovo's GDP while employing about 23% (seasonal employment, and during the harvest) of the total number of employees in Kosovo. The utilised area of agricultural land is 420,209 ha, where the largest share are cereals (30%), fodder crops (9%), vegetables (3.3%), fruit trees (2.4%), vineyards (0.8%) while the rest of 51.7% are meadows, pastures and common land.

Informal employment is a chronic feature of Kosovo labour market. The recent Economic Reform Programme 2022-2024 indicates that about 30% of employees in Kosovo are informal i.e. not declared for tax purposes; 22.6% of declared employment is under-declared employment, and 20% to one third of employed individuals are self-employed workers. Kosovo currently does not have a National Employment register but as it was reported in the kick off meeting for the project, the MFLT has started the process of developing the register. Kosovo Tax Administration (KTA) possesses information about basic information about employees (ID, date of birth, employer), but has no information about the employees' details (occupation, education level, and field of study, employment experience, etc.). The organization of awareness campaigns remains low compared to the prevalence of undeclared work and the need for informing employers and employees about costs from informal employment and benefits from formalization is of great relevance.

Agriculture is considered a sector with the highest prevalence of undeclared work. However, it is reported that Kosovo does not possess an integrated labour inspection system that could also address labour inspection in agriculture as a priority. Moreover, direct support or subsidies for agriculture provided by the Ministry of Agriculture, Forestry, and Rural Development (MAFRD) are not conditional on the formalization of workers.

The aim of this report is to provide:

1. Country analysis related to seasonal employment, including overview of legal framework, ongoing reforms, institutions in charge of labour employment, to present data on the size of seasonal employment in the agriculture sector in Kosovo, analyse motives for informal employment and barriers to formalization, from perspective of informal seasonal workers and employers; and to describe procedures and accompanying costs for registration procedures for seasonal workers in Kosovo;
2. An analysis of existing practices in the region with regards to formalization of seasonal employment;
3. Identify potential feasible solutions to formalization of seasonal workers in agriculture sector in Kosovo; and
4. Propose good practices for Kosovo among proposed solutions to formalise/register seasonal workers in Kosovo.

The report is organized as follows: To be checked at the end. Section 2 describes the methodology used for the analysis. Section 3 presents country analysis with regards to the legal framework, and institutions related to seasonal employment, describes the procedure for declaration of workers including an overview of legal tax and pension contributions related to employment relations, presents statistics on the size and profile of seasonal workers in the agriculture sector and discuss findings on motives to employing and work as an informal seasonal worker and barriers for formalization from workers and employers' perspective. Section 4 provides an overview of good practices from the region regarding the formalization of seasonal workers, discusses potential policy options for Kosovo and elaborates on the recommended policy option agreed upon with country working group and relevant stakeholders. The report concludes with summary of key findings and final recommendations for Kosovo toward the formalization of seasonal work.

2. Methodology

Definition of seasonal workers

As defined by the Administrative Instruction (AI) No. 07/2011 on the Farmers Register, the farmer is a natural or legal person, responsible for the management of a farm situated within the territory of the Republic of Kosovo, who carries out an agricultural and/or rural development activity. The farmer may be the owner, a family member, the leaser, or someone who is entitled to manage the farm. As per this AI, the “Farm” means a production unit in both technical and economic terms, operating under the management of the farmer and on which agricultural and/or rural development activities are carried out. In 2019, as per the MAFRD there were about 80,000 registered farms in Kosovo recorded through possession of Farmer Identification Number (NIF).

Therefore, seasonal worker in this analysis refers to workers employed by:

1. Farmers as natural persons (households); and
2. Enterprises as legal entities that may as well possess the NIF (which is mandatory to apply for subsidies and grants from the government for agriculture).

2.1 Desk research carried with focus on:

- ✓ Overview of the applicable legal framework for seasonal employment in Kosovo;
- ✓ Overview of responsible institutions and other stakeholders relevant to seasonal employment;
- ✓ Update of data provided in the preliminary study on seasonal employment conducted in the framework of the “Increasing Employment Opportunities for Seasonal Workers” project implemented by GIZ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ); and published in 2019
- ✓ Overview of on-going reforms with regards to employment-with focus on seasonal employment;
- ✓ Overview of recent studies on undeclared work, focusing on agriculture sector;
- ✓ For size of seasonal employment and employment in agriculture sector key data sources are:
 - Kosovo Agriculture Census 14;
 - Survey of Agriculture Holdings from 2019;
 - Kosovo Labour Force Survey; and
 - Ministry of Agriculture, Forestry and Rural Development (MAFRD);
- ✓ Overview of government priorities/plans with regards to undeclared work and agriculture sector specifically (Government plan; Economic Reform Program, Sectoral Strategies, the updated National Development Strategy, etc.);
- ✓ Analysis of practices utilised in the Western Balkans – presentation of case studies.
- ✓ Cost-benefit analysis of policy options feasible for the Kosovo context.

2.2 Focus group discussions

As noted in the introductory section, the aim of this report is to understand motives for informal employment in agriculture sector and barriers to formalization, and to discuss feasibility of proposed solutions to Kosovo context, both from the workers' and employers' perspectives. For this purpose, focus groups have been organized with seasonal workers and employers.

Focus group with seasonal workers

Two focus group discussions were held with agriculture seasonal workers.

Topics of discussion for the first focus group were

- ✔ Since when working as seasonal worker; how long and during what period of the year;
- ✔ Whether formalised and opinion about share of formalisation of seasonal workers;
- ✔ If not, why not formalised;
- ✔ Willingness to be formalised and under what conditions;
- ✔ Do they see benefits from being formal workers;
- ✔ Do companies to which they supply production offer them the possibility to enter into a contractual agreement;
- ✔ Would workers be willing to pay taxes and pension contributions for time engaged as seasonal workers?

Second focus group aims to discuss and validate the feasibility analysis of the proposed policy options for formalisation of seasonal employment.

With employers in agriculture sector

Two focus group discussions with employers. The first focus group discussion was focused on following topics:

- ✔ Difficulties in finding workers for the agricultural sector?
- ✔ If employers declare seasonal workers? If not, reasons for non-declaration.
- ✔ Information about possibility, procedures and costs for declaring seasonal workers.
- ✔ Benefits and costs from formalisation of workers;
- ✔ Ideas to motivate businesses to declare employees;
- ✔ Proposals to motivating employees to declare seasonal workers.

The second focus group was focused on discussing the feasibility of the proposed policy options and selection of the feasible option.

2.3 Business process mapping

To understand the step-by-step declaration/registration process carried out by the Kosovo Tax Administration, guidelines of the KTA have been used. In addition, a business process mapping method was used, i.e. a case study of the registration of workers carried out by a selected accountant. This enabled the understanding of the process, costs, and information required to register workers.

2.4 Consultation and coordination with government institutions and stakeholders

This country analysis and policy options have been developed in close consultation and coordination with relevant government institutions and stakeholders listed below (see Annex 1 with a list of individuals interviewed and/or participants at round tables/workshops):

1. Ministry of Finance, Labour and Transfers;
2. Employment Agency of the Republic of Kosovo;
3. Labour Inspectorate;
4. Kosovo Tax Administration;
5. Ministry of Agriculture, Forestry and Rural Development;
6. Trade Union;
7. Kosovo Agency of Statistics;
8. Representative of associations: EcoKos Women, Association of Fruits and Vegetable Processors of Kosovo, Initiative for Agricultural Development of Kosovo and, Women for Women NGO

Initially, an introductory meeting was held in May, during which the aim and the work plan of the project were introduced and discussed, a summary of the project in Albania and the reform introduced in Serbia. The aim of the workshop held in October 2022 was to present and discuss on findings of the (draft) country analysis on seasonal engagement in the agriculture sector in Kosovo and to present good regional and international practices and discuss their relevance and aspects that need to be considered when analysing solutions for Kosovo. Feedback and inputs provided during the two events are integrated in this country analysis.

The report is structured as follows. Chapter 2 outlines the methodology employed for this analysis. Chapter 3 provides an overview of the current situation in Kosovo with regard to the legal framework for seasonal employment, size, and profile of seasonal workers, procedures and costs for declaring seasonal workers, motives for informal employment, and barriers for formalisation from employers' and employees' perspectives. Chapter 4 provides an overview of approaches and practices to formalising employment, drawing on international and regional experience. Based on desk research and information collected through interviews, focus group discussions, and discussions with stakeholders during the roundtable and workshop key recommendations to facilitate formalisation of seasonal workers in the agriculture sector are presented in Chapter 5.

3

Country Analysis: Current Situation- Challenges- Opportunities

3.1 Legal framework for seasonal employment in Kosovo

Labour Law

Labour Law No.03/L –212 approved in December 2010 regulates the rights and obligations deriving from employment relationships. By Law, the employee is a natural person employed to perform paid labour or services for an employer. The Law recognises employment contracts for indefinite period, fixed period; and for specific tasks and duties (with maximum 120 days per year). The Law does not specify seasonal work, but as noted by the representative of the MFLT given that seasonal work is for a limited number of days and specific tasks, it is implicitly envisaged within employment for specific tasks and duties.

The Law states that an employee shall commence working on the day defined by the employment contract and if the employee does not commence working on the day defined by the employment contract, it shall be considered that the employment relationship has not been concluded, unless the employee was hindered to commence work for reasonable causes or if the employer and employee agree otherwise. With regards to formalisation of employment, the Law also states that for the due payment of contributions and other legal duties, the employer is obliged to report the employee at the KTA and other institutions which manage and administer the obligatory pension schemes and other obligatory schemes. However, the Law does not specify the period for registration/declaration of workers at the Kosovo Tax Administration or any other institution, which has been misused by employers (stated by the MFLT representative). If for example during inspections, a labour inspector finds an employee without an employment contract and not registered/declared at the KTA, the employer often reports that the employee was recently employed. In this case, the inspector sets a period of time (say 1 week) for the employer to the worker. If the Law required that employees need to be registered/declared by the KTA prior to their first day of work, unregistered employment and undeclared workers could be easily identified during an inspection visit.

Labour Law under Article 91 foresees that the MLSW issues a labour card, which serves for presentation of personal data and work experience (the law does not mention if the card should be issued for all types of work). The employee must have the labour card, which shall be delivered to the employer on the occasion of establishing the work relationship. On the day of conclusion of work relationship or termination of the employment contract, the employer is obliged to return the labour card to the employee, which shall be filled in with the personal data and work experience. Although the Law states that the Ministry shall issue a sub-legal act for the labour card, this has not taken place yet and the obligation for a labour card has never been implemented. This may be also as a result of the lack of an employment register. MFLT is in the process of developing the Employment Register which will contain all individual data and job-related data for employees.

To redress some of the gaps and limitations of the Labour Law, the MLSW has drafted the Draft Labour Law which has addressed some of the weaknesses. Important amendments with regards to the undeclared work are the following:

- ✔ **Definition of undeclared work** under Article 3, is defined as *any paid activities that are lawful as regards their nature, but are not declared to the public authorities;*
- ✔ Definition of timing for **employee registration** at the KTA, under Article 12 states that *for the due payment of contributions and other legal duties, the employer is obliged to report the employee to the Kosovo Tax Administration at least two (2) days before beginning the duty according to the employment contract and other institutions which manage and administer the obligatory pension schemes and other obligatory schemes;* and

- ✓ Definition of **seasonal employment** as a form of temporary work, whereby the workload occurs only during certain times of the year and is repeated cyclically. As per discussion with the representative of the MFLT, the draft Labour Law foresees that the limits for temporary contracts are not applicable to seasonal workers.

Law on Labour Inspectorate

Operation of the LI is regulated with Law No. 2002/9 on Labour Inspectorate approved in 2002 and the Law No. 03/L-017 on Amendment and Supplementation of the Law on Labour Inspectorate, approved in 2008. By this Law, the LI oversees implementation of legal and sub-legal provisions, in the overall manner of the employment field including employment relationships, safety at work, protection of employees' health and work environment. The LI is also in charge of overseeing implementation of the Law on Safety and Health at Work. The Ministry of Finance, Labour and Transfers has also drafted the amended Law on Labour Inspectorate which now clearly specifies criteria for recruitment of labour inspectors and their certification, specifies types of inspections and in detail specifies the inspection procedure. As per Regulation No. 15/2015 for Internal Organisation and Job Systemisation within the Labour Inspectorate, LI consists of Office for Chief Inspector, Department for Policies, Planning and Legal Issues, Department for Finance and General Services, Procurement Division and 7 Regional Coordination Divisions. Data provided by the MLSW show that in 2020, in total LI employed 57 employees (which also include inspectors) while the referenced Regulation foresees 65 employees (the draft Strategy for Safety and Health at Work). The total number of inspectors is 37, from which 3 are women while 5 of them are located in the north of Kosovo.

Law No. 05/L -028 on Personal Income Tax

As per Law No. 05/L-028 on Personal Income Tax, an employee is a natural person, who performs work for wage under the direction and control of an employer, regardless of whether the work is performed under a contract or any other form of agreement, whether in writing or not. As defined by Administrative Instruction No.01/2016 Implementing the Law No.05/L-028 on Personal Income Tax, an employee, whether working for one or more employers, shall designate a principal employer and an employee cannot have more than one principal employer at the same time. Tax on personal income for primary employers is progressive with rates as shown below:

- ✓ 0% for wages up to 80 Eur per month;
- ✓ 4% from 80-250 Eur
- ✓ 8% from 250-450 Eur
- ✓ 10% 450 Eur and over

For secondary employment tax rate is 10%.

Law No. 04/L-101 on Pension Funds of Kosovo¹

As defined by the Law on Pension Funds of Kosovo, to finance the Savings Pension

- ✓ each employer shall pay 5% of the total wages; and
- ✓ each employee shall pay 5% of his/her total wages.
- ✓ employers may voluntarily contribute an additional amount up to a total of ten percent (10%) of monthly salary, for a total maximum of fifteen percent (15%) of salary. Employees may also voluntarily contribute an additional amount up to a total of ten percent (10%) of their annual salary, for a total maximum contribution of 15% of salary.

The Employee's contribution shall be deducted from the Employee's wages by the Employer and shall be transmitted to the specified account of the Trust together with the contribution of the employer in a timely fashion pursuant to rules to be issued and in a manner determined by the Tax Administration of Kosovo.

The Tax Administration of Kosovo shall be authorized to contract Kosovo Pension Saving Trust (KPST) or another entity for the collection of contributions, subject to approval of the Government following consultations with the Central Bank of Kosovo. KTA collects pension contributions which are transferred to individual pension accounts.²

Law on Social Assistance

Social assistance in Kosovo is regulated by Law No. 2003/15 on Social Assistance Scheme in Kosovo and with Law No.04/L-096 on Amending and Supplementing the Law No. 2003/15 on Social Assistance Scheme in Kosovo.

"Unemployed" under this Law, is a family member actively seeking for a job, registered as unemployed at the Employment Office who has signed the unemployment statement with Employment Office.

Social assistance entitlement in Category I are enjoyed by families in which all family members are belonging to one of the following groups: persons who are over 18 years of age and who have permanent and severe disabilities rendering them unable to work for remuneration; persons who are 65 years of age or older; full-time carers of a person(s) with a permanent disability, or of a person(s) at or over the age of 65 need full-time care, or of a child(ren) under the age of 5; persons up to fourteen (14) years of age; persons between the ages of 15 and 18 inclusive and who are in full-time secondary education; vi. Single parents with at least one child under the age of 15.

The social assistance entitlement in Category II is enjoyed by the family in which a family member is able to work: a) with at least one child under the age of five; or b) who have under permanent care an orphan under the age of 15.

Social assistance level increases with the household size, ranging from 60 Eur monthly for a single household; 82.5 with two household members; 90 with 3 members; 97.5 for 4; 105 for 5 and up to 180 for households with 15 members³.

1 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=13269>

2 http://www.trusti.org/wp-content/uploads/2022/04/2021_KPST_IFRS_PA_shq_ueb.pdf

3 <https://ask.rks-gov.net/media/6871/temleti-i-ri.pdf>

Strategic documents/policies tackling undeclared work

Combating undeclared work is one of the strategic objectives of the **Sectoral Strategy 2018-2022 of the Ministry of Labour and Social Welfare**⁴. The limited number of labour inspectors is identified as one of the key challenges for detecting and combating undeclared work. To increase effectiveness in combating undeclared work, strategic objective 2.2 aims to enhance monitoring mechanisms. To achieve this, the following activities are enlisted: enhancing capacities of the LI; enhancement of the monitoring mechanisms for Labour Inspectorate; institutional collaboration to address undeclared work; engagement of stakeholders and the public; and data exchange with relevant institutions and social partners. In 2022, a process for development the cross sectorial Employment Strategy started, planned to be completed by the end of 2022, in a process led by the MFLT.

National Strategy of the Republic of Kosovo for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2019-2023 is another strategic document that aims to combat undeclared work. The Strategic document emphasises limited effectiveness of actions to combat informal work and limited inter-institutional cooperation. To attain specific Objective 1.4-reducing informal employment in Kosovo, the following measures are envisaged: conducting information campaigns for the broader public, regarding the benefits and consequences of informal employment and informing employers about the consequences of informal employment; implementation of joint activities with social partners, with the aim of addressing informal employment; conducting an analysis related to drafting a register of employees within MLSW; assessments of good practices for reducing informal work; capacity building of labour inspectors through training; establishment of an efficient system for supervising and evaluating the work of labour inspectors; developing methodology for better targeting and improvement of working conditions for the LI through the establishment of information management system and improvement of technical working conditions. As reported in the Economic Reform Programme 2022-2024⁵, the new Action Plan of the National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes (2019- 2023) is being drafted by the Secretariat of this Strategy with the assistance of an external expert contracted by the LuxDev project.

Strategic Development Plan of the Labour Inspectorate 2017-2021 includes four main strategic objectives: effective implementation of workers' rights; capacity building of human resources of the Inspectorate; enhancing communication with employees, employers, and the general public; and advancing cooperation with relevant institutions (mainly for joint inspections, no data sharing plans), towards reducing undeclared work. Specifically, the Plan opts for reducing undeclared work by 5% every year, through an increased number of inspections and enhancement of monitoring of the work conducted by inspectors. It is important to emphasise that the key performance indicators are to reduce undeclared work, but the LI does not have any indicators that seek to prevent undeclared work. From discussions with the representative of the MLSW, there has been no monitoring of the implementation of this Plan, hence it is not known at what stage it has been implemented. Moreover, it seems that this Plan did not serve as a basis to inform the operations of the LI.

⁴ <https://mpms.rks-gov.net/wpdm-package/strategjia-sektoriale-2018-2022/#>

⁵ <https://mf.rks-gov.net/desk/inc/media/23D2D3B1-81C1-41FE-B6C0-2D5C739A6F69.pdf>

Finally, addressing informal employment remains one of the aims in all Economic Reform Programs (ERP). The 2022-2024 ERP aims to reduce undeclared work through following activities: application of the new risk approach by KTA based on the design and implementation of compliance projects, to target the treatment of high-risk sectors, such as: construction, accommodation, informal employment, trade and stock control (TAK); drafting the new National Strategy for Combating the Informal Economy, based on sector risk assessments and assessments related to the tax gap in general; increase number of labour inspectors and develop their capacities; implement incentive measures with an aim to formalise informal employment and businesses, and address tax evasion in identified high risk sectors in line with the strategy and the action plan; development of the platform inspection, linking the database and equipping inspectors with electronic equipment; organisation of awareness raising campaigns to inform employers and employees about costs of informal employment and benefits from formalisation; training package for Labour Inspectors 2022-2024 is being drafted in support of the International Labour Organization; and new organizational structure of the Labour Inspectorate is being prepared in support of the International Labour Organization.

Keynotes

- ✓ Law on Labour regulates labour relations and it is currently under review;
- ✓ The applicable Law on Labour does not explicitly define seasonal employment but in the draft Law on Labour seasonal employment and undeclared employment are clearly defined;
- ✓ The Law on Labour does not oblige employers to declare workers prior to commencing the work;
- ✓ Tax on personal income and pension contributions are the only mandatory contributions stemming from employment relations;
- ✓ Kosovo does not operate a mandatory social and/or health insurance;
- ✓ Kosovo does not have an unemployment insurance;
- ✓ Combating informal employment is an objective foreseen within the Sectoral Strategy 2020-2024 of the MLSW (now under MFLT), National Strategy of the Republic of Kosovo for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2019-2023, and Economic Reform Program 2022-2024;
- ✓ Government of Kosovo is in the process of developing Employment Strategy which will be of cross sectoral nature and it is expected to address informal employment as well.

3.2 Supervision of employment/responsible institutions and bodies

Ministry of Finance, Labour and Transfers (former Ministry of Labour and Social Welfare)

The **MFPT** Ministry of Finance, Labour and Transfers (former Ministry of Labour and Social Welfare)

- a. support and promote non-discriminatory labour relations and employment, monitor employment and social welfare, and propose active and appropriate measures
- b. increase employment and reduce unemployment and adequate passive measures to meeting social assistance needs for citizens in need; to support action policies and work practices of social welfare to protect families and minors; to set standards for occupational safety and protection at work and

supervise their implementation; oversee supply and demand in the labour market and take measures for harmonizing them; to develop and oversee programs for the professional training for unemployed persons and job seekers, to promote and encourage social dialogue between the social partners, to convene the meeting of the Economic and Social Council, as the highest advisory body of the social partners on employment, social welfare policies for the purpose of preventing and solving social conflicts.

Executive Body of Labour Inspectorate, is an independent body, functioning under the MLSW, in charge of overseeing the implementation of Law no. 03 / L-212 of Labour, Law no. 04 / L-161 on Safety and Health at Work, but also other laws related to labour. Duties and responsibilities of the LI are defined in the Law on Labour Inspectorate, 2002/9, supplemented and amended by Law No. 02 / L-133. The applicable law authorizes the labour inspectors to oversee the enforceability of legislation to natural and legal persons, domestic and foreign, private and public, who exercise profit or non-profit activities in Kosovo.

Inspections are planned every year based on risk assessment. The labour inspectors will collect information during the inspections and this information will be part of the history of each sector and each company at the LI. Based on this information, it is evaluated which are the sectors and the companies with higher likelihood to engage in informal employment. Inspections can be regular (60%), follow ups (30%) and based on requests (10%).

National Council for Safety and Health at Work is a body engaged in the development of national policies in the field of safety and health at work. The Council was established by the Government of Kosovo in 2016. The Council is mandated to systematically monitor the state of health and safety at work, perform analysis and to provide recommendations for furthering health and safety at work. Partial implementation of the Law on Safety and Health at Work contributes to implementation of minimum standards for the protection of employees in the workplace. Kosovo has still not developed the provision regarding occupational accidents and occupational diseases. Lack of this insurance results in negative consequences on the health of the employee in cases of injuries at work (MLSW Sectoral Strategy 2018-2022).

Ministry of Agriculture, Forestry and Rural Development

The MAFRD supports the agriculture sector through direct payments/subsidies and grants. Every year, the MAFRD issues an Administrative Instruction (AI) for Direct Payments/Subsidies-for example in 2020 AI (MAFRD) 03/20 defined rules, eligibility criteria, and support procedures for applicant farmers and implementation for direct payments in 2020. For grant support, The MAFRD develops a 7-year Rural Development Program, which is reflected into the annual Program for Rural Development. The Program is developed in line with the IPARD-Instrument for Pre-Accession for Rural Development, but it is financed by the Kosovo budget only. Currently, the MAFRD is preparing the 2021-2027 Program, which was delayed due to the pandemic crisis. The latest two-year rural development program covers the years 2020 and 2021. In accordance with the Program, the MAFRD develops an AI on the Measures and Criteria of Support in Agriculture and Rural Development-AI (MAFRD) 02/2020 defines principles, conditions, procedures as well as eligibility criteria for the Implementation of the Rural Development Program.

Agency for Agriculture Development is an executive Agency within the MAFRD. As per regulation 01/2012 on duties, responsibilities and competences and organisational structure of the Agriculture Development Agency, the Agency is responsible for publishing the call for applications, selecting projects, verifying applications for approval of projects, formulating/drafting contracting the obligations of the Agency and beneficiaries, processes payments, conducting inspections in the field, undertaking verifications of declared expenses, following the project execution and inspecting farmers and enterprises that have benefited funds from the

program for agriculture and rural development and direct payments. Agency for Agriculture Development verifies/monitors the fulfilment of criteria for grant applicants and beneficiaries. During the process of monitoring of grant recipients, as reported by the MAFRD, agriculture inspectors among other issues, check whether the beneficiary has increased the number of employees as declared in their grant application. An interviewed representative of the Agency stated that inspectors check for contracts and whether these are declared at KTA. With regards to subsidies, since employment is not criteria, this aspect is not checked during field inspections.

To benefit from grants and subsidies, applicants need to obtain a Farm Identification Number (NIF). The number can be obtained by enterprises but also by physical persons. Administrative Instruction No. 07/2011 on the Farmers Register, regulates the terms and mode of entry, keeping and modifying data in the Farmers Register as well as the body in charge of keeping the Farmers Register. The Farmers' Register is established as part of the Integrated Administration and Control System - IACS. "Farmer" means a natural or legal person, responsible for the management of a farm situated within the territory of the Republic of Kosovo and who carries out an agricultural and/or rural development activity. He may be the owner, a family member, the leaser, or someone who is entitled to manage the farm; "Farm" means a production unit in both technical and economic terms, operating under the management of the farmer and on which agricultural and/or rural development activities are carried out.

"Farmers Register" means the list of computerized databases compiled by the relevant institution within MAFRD with the view of identification of farmers that can benefit from financial support from national authorities and/or other sources as well as farmers who want to register on a voluntary basis. As regulated by the Administrative Instruction No. 07/2011 on Farmers Register⁶, the NIF number is obtained from municipalities. NIF is issued by municipalities and it needs to be obtained prior to applying for national financial aid and/or other financial support. The NIF is provided to the farmer who is defined as legal person, responsible for the management of the farm within the territory of Republic of Kosovo and who carried out an agricultural and/or rural development activity. The farmer may be the owner, a family member, the leaser or someone who is entitled to manage the farm. Farm means a production unit in both technical and economic terms, operating under the management of the farmer and on which agricultural and/or rural development activities are carried out. Agricultural activities mean production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, and maintaining land in good agricultural conditions.

Farmers are requested to provide their personal identification data (copy of ID) and bank account confirmation⁷, and identification data of the farm they manage by filling a registration form into the Farmers Register. These are the only documentation requested to obtain a Farmer Identification Number – according to a municipal official at the municipality of Prishtina. The officer noted that additional documents are requested when applying for direct payments/subsidies.

The Farmers Register contains the following data: Farmer's personal data and contact details; Location of the Farmers indicated by address and/or GPS; Use of agricultural land (as registered in the Land Parcel Identification System (LPIS), pertinent software to graphically identify land use on the basis of orthophoto images; Type and number of livestock; Rural development activities carried out; Bank account of the farmer located within the territory of the Republic of Kosovo; and a unique, system generated Farmers registration number.

6 https://www.mbpzhr-ks.net/repository/docs/890883_Udhezimi_Administrativ_tri_kolona_kafsheve_dhe_auditive_FUQI_.pdf

7 <https://kk.rks-gov.net/gjakove/bujqesi/sherbimet/>

The MAFRD is in charge of keeping and maintaining the computerized database of the Farmers Register at the central level, while the municipal officers within the Municipal Directorate for Agriculture are in charge of collecting and updating the Farmers Register forms at the municipal level and forwarding them to the MAFRD. The Farmer shall, within 30 days of the date of the change, report the following: change of the farmer or change of the authorized person in the legal entity; change of location, address, phone number, email of the farmer as well as representatives of the legal person; change of the farmer's bank account.

As per discussion with representatives of the MAFRD, grants for agriculture aim to support sustainable jobs through investments in physical assessments and diversification of farms and development of rural businesses, irrigation of agricultural lands and implementation of local development strategies⁸. Each applicant must pass the acceptance criteria, then the selection criteria. Those that pass the selection criteria are entered into the potential list of grantees, which after confirmation from the Agriculture Inspectors (confirming the accuracy of applications) receive a grant. For grants above 50,000 Euros, the farmer has to register the business. Payment for grantees is done after the investment has been completed. As for employees, if the applicant in the application foresees employment of new workers, this will be the subject of monitoring. Inspectors will require proof that the newly employed are registered at KTA. As per the representative of the Agency for Agricultural Development, this is being checked during field inspections for grant beneficiaries. In the past, up to 8 points were added to applicants that projected job creation. However, given that this led to overestimations for new jobs, this practice is not implemented since 2020.

Given that in the NIF registry, the inventory of assets (land, livestock, etc.) are registered, this analysis could be done to examine approximately the number of workers engaged full time. Although increasing employment is one of the aims of grants, there are no systematic follow up on the new created jobs. According to a report prepared by the Agency for Agriculture Development, in the period 2009-2018, 8.034 new jobs were created as a result of grants and direct payments/ subsidies. However, the report does not explain whether these new employees were declared at the KTA.

With regards to subsidies, employment is not an eligibility criterion and there is no requirement for subsidy beneficiaries to register employees. The representative of the MAFRD stated that it would be good to discuss feasibility of requirements for farmers to register

Kosovo Tax Administration (KTA)

AKTA is an Executive Agency which functions with full operational independence within the Ministry of Finance, Labour and Transfers. KTA as an enforcement agency with full autonomy, is responsible to administer the implementation of any tax type applicable by tax legislation of Kosovo. The mission of KTA is to enhance voluntary compliance in line with tax legislation in force, and to provide professional, transparent and effective services to taxpayers. In 2019, KTA employed 830 employees. As explained by the representative of KTA, KTA performs risk assessment by using a large number of indicators, extracted from the KTA database.

Based on risk assessment, every year, KTA defines sectors to be inspected. In 2019, the KTA defined the construction sector as a high risk for informal employment. For 2020, the KTA planned to inspect accommodations and hotels but due to COVID-19 this was not implemented. In 2020, KTA has started a project with the International Monetary Fund (IMF) to tackle undeclared work. For 2021, with the support of

⁸ https://www.mbpzhr-ks.net/repository/docs/Green_Report_2021.pdf

the IMF, the formalisation of undeclared is one of the aims. Currently, KTA is discussing the definition of the target sectors for formalisation. As it is reported in Chapter 1, the KTA is an important institution for combating undeclared work. In period 2018-2020, the KTA in total has detected 7,717 undeclared workers. However, based on discussions undertaken during the meetings, this information is not being shared with LI and neither LI shares data with the KTA.

As per KTA representative, lack of coordination with LI is considered as a challenge to jointly contribute to combating undeclared work. It was underscored that KTA and LI should act as one single body. It was also stated that although employment relations are the key mandate of LI, based on data it can be noted that more informal workers are detected by the KTA inspectors rather than by the LI, whilst the opposite should have taken place. As for measures, the representative of the KTA consider that the government should use carrot and sticks. Businesses do not declare workers as they have low probability of being detected and also sanctions are low. Government should also increase efforts to raise awareness and best inform employers and employees about costs from working on an informal basis. Joint inspections should be undertaken and a need to monitor the work of labour inspectors were mentioned as necessary measures. The Director of the Department for Strategic Planning and Legal Affairs at the LI said that there are some common activities with the KTA, but these are not done frequently, and they need advancement in collaboration suggesting that this might increase efficiency in reducing undeclared work. It was also stated that work ethics of tax inspectors is an important aspect which needs to be further strengthened.

Kosovo Pension Fund (KPST)

Kosovo Pension Savings (KPST) is an independent not-for-profit public institution of the Republic of Kosovo. KPST is established as a mandatory plan to administer and manage pension contributions until retirement. KPST administers and manages mandatory pension contributions of Kosovo's employees. KPST is engaged primarily in keeping and investing pension contributions, saved by Kosovo's citizens during their employment.

Key notes

- ✔ Ministry of Finance, Labour and Transfers is the institutions in charge of developing legal basis for labour relations and through Labour Inspectorate to overseeing implementation of Law on Labour;
- ✔ Limited capacities of Labour Inspectorate are considered as a barrier to detecting informal employment and formalisation;
- ✔ There are ongoing reforms for Labour Inspectorate, which also oversees increasing number of inspectors and their capacity development;
- ✔ Kosovo Tax Administration is in charge of collecting taxes and pension contributions and oversees tax collection and reporting through tax inspectors;
- ✔ Ministry of Agriculture, Forestry and Rural Development supports the agriculture sector through grants and direct payments/subsidies.

3.3 Seasonal workers in agriculture in numbers and their profile

Labour Force Survey (LFS) run throughout the year by the Kosovo Agency of Statistics is the key data source for the labour market analysis. According to LFS, in 2020 Agriculture and Forestry and Fishing in Kosovo contributed for 7.4% of GDP and it employed only 16,900 individuals or 4.8% of total employment of individuals 15 and older, out of which only 2,700 were women (Table 3 and Table 4). LFS reports, neither annual nor quarterly reports do not contain any information regarding seasonality. As reported in introduction section, according to 2022-2024 ERP agriculture consists of 23% of employment, which is significantly higher than the share of workers reported in the LFS report.

■ TABLE 02. Contribution of Agriculture to GDP (in %) and employment

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Agriculture, forestry and fishing	7.4	8.4	8.3	7.7	8.2	7.4	6.5	7.2	7.4
Agriculture, forestry and fishing in %				2.3	4.2	4.4	3.5	5.2	4.8

Source: KAS, National Accounts, extracted on the 27th of June 2022 and LFS 2012-2022

TABLE 03. Employment in Agriculture, forestry and fishing, in 000

Year	Gender	Employed in 000
2012	Men	10.5
	Women	3.4
2013	Men	14.4
	Women	5.9
2014	Men	7.5
	Women	1.1
2015	Men	6
	Women	0.7
2016	Men	12.5
	Women	1.7
2017	Men	13.4
	Women	2.5
2018	Men	11.6
	Women	0.7
2019	Men	16.8
	Women	2.4
2020	Men	14.2
	Women	2.7

Source: KAS, LFS 2012-2020. Annual data for 2021 not published during 2022.

As reported in methodology section, to estimate the size of seasonal employment in agriculture sector, reference is made to estimates from the Agriculture Census of 2013/14. Estimates from the Agriculture Census show that in 2013/14 in total 362,700 individuals were working in agriculture accounting to 86,620 annual work units (1,800 working hours per year) (Table 5). Census estimated that in 2013/14 there were 68,035 seasonal workers in the agriculture sector (Table 5).

The annual Survey with Agriculture Holdings is another data source to estimate the size of seasonal work. The survey is carried out once a year by the Kosovo Agency of Statistics and it uses the same methodology for estimating the workforce in the sector. According to the most recent report which includes data on employment, in 2019 there were 21,030 seasonal workers, showing a sharp decline compared to the 2013/14 Census (table 4). This drop in employment does not correspond with the allocated budget from the MAFRD for budget subsidies, which exhibited an increased from 27 million Eur in 2014 to 57 million Eur in 2019, and up to 69 million Eur in 2022⁹ (Table 6). Explanation provided by the KAS representative is that agriculture sector is subject to technological change which is becoming less labour intensive, hence fewer workers are needed. A similar view was not shared with representatives of two interviewed associations-the decline may be related to the census versus sample data collection method.

■ **TABLE 04.** Employment in agriculture, 2014 and 2019

	2014	2019
Total number of workers in agriculture	362.700	270,181
Total number of annual work units (AWU=1,800 working hours per year)	86620	82657
Participation of seasonal workers in the total Annual Work Units	2.6%	2.1%
<i>Number of seasonal workers</i>	68,035	21,030
<i>Total number of seasonal annual work units</i>	2292	1766

Source: Agriculture Census 2014 (<https://ask.rks-gov.net/media/1374/rezultatet-perfundimtare.pdf>) and Survey with Agriculture Holdings 2019 (<https://ask.rks-gov.net/media/5488/anketa-e-ekonomive-bujqesore-2019-2.pdf>)

9 Budget Law for 2014 and 2019: <https://mf.rks-gov.net/page.aspx?id=2,16>

■ **TABLE 05.** Budget for agriculture-MAFRD and employment, 2014, 2019 and 2022

	Budget for MAFRD	Workforce/seasonal workers
2014 ¹⁰	27 million Eur	 362.700/68.035
2019 ¹¹	57 million Eur	 270,181/ 21,030
2022 ¹²	69 million Eur	No data

Source: Ministry of Finance, Labour and Transfers and data from Table 3.

While MAFRD is the main supporting institution for agricultural and rural development, it does not possess information about the size of employment in the sector. The representative of the MAFRD emphasised that employment in the sector remains largely informal but the MAFRD does not contain data on its size. The Trade Union (BSPK) does not possess information about seasonal employment and they have never received a complaint or any contact from seasonal workers.

Another source for the size of the agriculture sector employment is provided from the 2017 MCC LFTUS. The survey was carried out with 8,554 households and was designed to capture agriculture work. As shown in the Table 6 Whilst according to LFS of KAS in 2017, agriculture employed only 4.4% of employed individuals, the MCC LFTUS survey found that the agriculture accounted for 21.7% of jobs (which is close to the 23% reported in the ERP 2022-2024), making it the sector with highest share of jobs. Agriculture was particularly important for employment of women-as it employed 33% compared to 17.6% of men. According to the same study, the proportion of unpaid family workers in rural areas was 27.8%, compared to only 6.1% in urban areas. Data suggest that individuals engaged in the agriculture sector are mainly categorized as unpaid family workers, i.e. they do not have employment contracts but are engaged in the sector-of all unpaid family workers, 72.2% were employed in Agriculture, Forestry and Fishing sector.

¹⁰ <https://mf.rks-gov.net/desk/inc/media/12E08348-ABF1-4DC0-A125-63CCCA765126.pdf>

¹¹ <https://mf.rks-gov.net/desk/inc/media/4CEFB44C-4397-4901-AB93-2AA37F43A9F7.pdf>

¹² <https://mf.rks-gov.net/desk/inc/media/1F77FA35-E121-43D3-9683-791B0ADE3337.pdf>

■ **TABLE 06.** Employment in agriculture, forestry and fishing sector, according to LFS and MCC LFTUS in 2017

	KAS LFS 017	MCC LFTUS 2017	ERP 2022-2024
Share of employed in agriculture, forestry and fishing sector	4.4%	21.7%	23%
Share of employed women in agriculture, forestry and fishing sector	3.3%	33%	
Share of employed men in agriculture, forestry and fishing sector	4.7%	17.6%	
Unpaid family workers in rural areas	No data in LFS report	27.8%	
Unpaid family workers in urban areas	No data in LFS report	6.1%	

Source: KAS (LFS 2017), MCC LFTUS and ERP 2022-2024

Table 7 provides data from the MCC LFTUS survey, showing a breakdown of employment by sector for both spring and summer. In the summer, a higher proportion of jobs were in agriculture compared to spring, which may be interpreted as seasonal employment in the sector.

■ **TABLE 07.** Employment composition in 2017, spring and summer

Economic Activity	Spring (%)	Summer (%)	Total Jobs (N)
Agriculture, Forestry and Fishing	19.9	23.7	2,070
Mining and Quarrying	1.2	0.6	93
Manufacturing	6.3	5.6	783
Electricity, Gas, Steam and Air Conditioning Supply	2.7	2.2	260
Water Supply; Sewerage, Waste Management and Remediation Activities	0.9	0.8	100
Construction	12.8	15.1	1,457
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	9.4	9.3	1,248
Transportation and Storage	3.2	2.7	358
Accommodation and Food Service Activities	5.2	3.6	577
Information and Communication	1.0	1.1	146
Financial and Insurance Activities	1.3	0.9	179
Real Estate Activities	0.2	0.1	19
Professional, Scientific and Technical Activities	0.8	0.3	92
Administrative and Support Service Activities	1.5	1.1	175
Public Administration and Defense; Compulsory Social Security	5.0	4.0	596
Education	6.6	6.4	867
Human Health and Social Work Activities	3.7	2.5	433
Arts, Entertainment and Recreation	2.0	2.1	270
Other Service Activities	12.3	15.1	1,514
Activities of Households as Employers; Undifferentiated Goods- and Services-Producing Activities of Households For Own Use	3.2	2.1	250
Activities of Extraterritorial Organizations and Bodies	0.5	0.2	49
Other	0.6	0.4	81
Total	52.0	48.0	11,617

Note: All estimates are significant at the 5% level

Source: MCC LFTUS 2017: <https://millenniumkosovo.org/wp-content/uploads/2018/11/MCC-Kosovo-Labor-Force-and-Time-Use-Study-Final-Research-Report-1.pdf>

There are no official data about the profile of seasonal workers in agriculture. According to the 2013/14 Agriculture Census women account for 53.8% of the workforce in agriculture sector. Similar view was shared from focus group

discussions with employees, employers and interviewed associations. Gathered information during this research has shown that agriculture is not attractive for youth (amidst increased daily rate from 10 to 25/30 Eur) but it is mainly individuals at middle-age and older, women and low-skilled individuals are more likely to work as seasonal workers in agriculture sector.

Keynotes

- ✓ There are no official estimates for seasonal employment in Kosovo;
- ✓ Kosovo Tax Administration does not possess data for seasonal employees;
- ✓ MAFRD does not have estimates for seasonal and total employment in agriculture sector;
- ✓ Agriculture Census and annual Survey with Agriculture Holdings are key data sources;
- ✓ Seasonal employment in 2013/14 was 68,035 and 21,030 in 2019;
- ✓ There are no data available to profile seasonal workers in agriculture;
- ✓ Women, middle age and low skilled individuals are more likely to work as seasonal workers.

3.4 Procedure-Tax-Cost of employing seasonal workers

Kosovo does not have a mandatory social or/and health insurance. Pension contributions and income tax are the only mandatory payments from wages.

The declaration process for pension contributions and taxes is done online at the KTA. As per instructions of the KTA and observation during this research, declaration process is simple, user friendly, fast and free of charge. Possession with fiscal number is regulated with Administrative Instruction No. 07/2009 on Registration, De-registration and Issuance of Fiscal Number¹³. Fiscal number can be obtained by business organisations, NGOs, government institutions and individuals who may wish to submit a tax declaration.

As explained in KTA manuals and also confirmed from the meeting with the KTA representative, the section under the employer includes the following options: a) businesses; b) public authorities; c) business organizations; and d) non-governmental organizations. For declaration of workers, employers need to possess a fiscal number, provided by the KTA. While seasonal workers can be hired by natural persons (farmers), currently it is not possible for an individual farmer to declare a seasonal worker-this was noted also by participants in focus group discussions.

Declaration of workers for tax and pension contributions is done through e-declaration (E-deklarimi) available from the Kosovo Tax Administration. Steps for declaring workers are as follows.

¹³ https://www.atk-ks.org/wp-content/uploads/2017/11/Numri_fiskal_alb_serb_eng1.pdf

1. First, the employer needs to set up an account in e-declaration in the EDI link (<https://edeklarimi.atk-ks.org/Account/Login?ReturnUrl=%2F>) available from the KTA webpage. The following information needs to be inserted for registration: fiscal number, business name, personal number of the authorized person, and contact details.
2. Once registered in EDI, sign in and a page for 'Declaration for wages and pensions' will appear;
3. The user should download an EXCEL table as a sample, save it to fill in the data for employees;
4. For each employee in the saved EXCEL document, for each employee information for each employee should be provided as per table below data should be inserted:

Name	Surname	ID number of employee	Gross wage for a month	Pension contribution: an employee	Pension contribution: employer	Additional pension contribution by an employee	Additional pension contribution by an employer	Primary job	Contributions to be covered
a	b	c	d	e=(d*5%)	f(d*5%)	g	h	i	J
								YES/NO	YES if an employee is obliged to pay pension contributions and NO if not obliged to pay pension contributions (for example non-residents or retired persons)

5. In the EDI link the steps for carrying out the declaration are as follows:
 - Under reason 'Declaration' should be selected;
 - Under time period the month and year should be written (i.e. 6/2022);
 - Fiscal number should be entered
 - Attach an EXCEL file should be selected the filled in EXCEL file should be uploaded
 - Sent to be ticked.

With regards to timing of the declaration, declaration of workers for tax purposes should be done from the 1st to the 15th day of each month. As reported by the representative of the KTA, it is not possible for employers to register individual workers at any point in time, but they can declare all workers together and all at once. According to the representatives of the MLSW, this "gap" between the day of commencement of work and the day when the employee was first registered with the KTA leaves room for employees to be working informally. This is a particular problem for seasonal workers who often work less than 15 days required for registration. Lack of legal obligation from the Labour Law to sign an employment contract prior to or at least on the starting day of work leaves room for employers not to declare workers.

As explained by the KTA representative, once the employee's ID number is entered in EDI, the system retrieves all required information from the Citizens Register. This is all that it takes to register workers. Table 8 outlines the step-by-step procedures that employers need to undertake to employ and declare a worker.

Every employee can check whether he/she has been declared by the employer (<https://apps.atk-ks.org/regemployer>). This is an important service provided by the KTA since when the government support measures for the COVID-19 crisis were implemented, there were cases when many employees realized that they had not been declared by their employer.

■ **TABLE 09.** Steps in employing and declaring workers

Steps in registration	Notes	Service provided online YES/NO
STEP 1: Preparing the contract	As per Labour Law Article 10, employment contract shall be concluded in written form and signed by the employer and employee.	NO
STEP 2: Printing 3 copies of the contract	On average, a contract has at least 3 pages.	NO
STEP 3: Signing the contract	By both parties	NO
STEP 4: Declaration at Kosovo Tax Administration	Declaration is done from 1st to the 15th day of the following month, done for all workers at once. Free of charge	YES

In 2022 Law for Budget 2021¹⁴ and 2022, the total number of employees in the LI are 90¹⁵ no changes although it was proposed to employ 400 more inspectors. As reported in Gashi et al. (2021) on average there are 15 inspections per month for each inspector while the LI aims that each company is at least inspected once a year, but this is unachievable because of the limited resources. Article 3 of the Labour Inspectorate Law refers to the importance of coordination and cooperation with local government, Tax Administration and the Kosovo Police but due from discussions with KTA and also evidence reported by the study commissioned by European Commission (Gashi et al., on 2021) it is found that Lack of structured and sustained inter-institutional coordination. The same analysis identified the following key challenges faced by LI: lack of human resources/limited number of inspectors; limited equipment and administrative support; lack of well-structured record keeping and comprehensive databases; and limited capacity development activities for labour inspectors. The 2022-2024 ERP envisages that in the year 2023 the number of labour market inspectors will increase and their capacities will be enhanced.

¹⁴ <https://mf.rks-gov.net/desk/inc/media/5EA509E4-2933-4524-BD0F-5466A661486F.pdf>

¹⁵ <https://mf.rks-gov.net/desk/inc/media/1F77FA35-E121-43D3-9683-791B0ADE3337.pdf>

Key notes

- ✓ Declaration of workers can be done by employers who have a fiscal number;
- ✓ Declaration cannot be done by natural persons i.e. individuals who may or may not have a fiscal number;
- ✓ Declaration is done in the period 1 to the 15th day of the following month, once and for all workers;
- ✓ Declaration can be done for full-time, part/time or any model of employment;
- ✓ Declaration is done online, it is simple and free of charge;
- ✓ There is no legal basis for registering/declaring workers prior to commencing the work;
- ✓ Kosovo does not possess an employee register;
- ✓ The only online platform for registration of workers is EDI managed by the Kosovo Tax Administration;
- ✓ There is no specific procedures to register seasonal workers, same procedures apply for all types of workers;
- ✓ Pension contributions and income on personal income are the only mandatory contributions for and by workers;
- ✓ Kosovo does not have a mandatory social or health insurance, hence no social security register and social benefits.

3.5 Employers' motives for informal employment and barriers to formalizing employment

To understand motives for working on an informal basis and barriers to formalize, information has been collected from interviews with MAFRD, MFLT, KTA, two associations, individual employers and focus group discussions with employers and seasonal workers operating in the agriculture sector.

During discussions with individual employers and focus group discussions it was highlighted seasonal employment covers 3-5 peak months and Kosovo is facing **labour shortage** in the agriculture sector. Labour shortage persists amidst increased daily fee for seasonal workers: *'daily fee was 10 Eur and now it is 23 to 30 Eur per day and it is hard to find workers'* was stated by more than one employer. Key factors for the lack of workforce are emigration and rural/urban migration within Kosovo and also working conditions in agriculture (climate; heavy work; etc.). Agriculture is particularly not attractive for young people in Kosovo, although half of active youth in the labour market are unemployed and about one third of youth aged 15-24-year-olds are neither in education, employment or training (NEET).

Key motives for employers not to declare workers are:

- ✓ **Tax and pension contributions:** employers indicated that avoiding pension and tax contributions are one of the reasons for not formalizing workers. However, some small business representatives did not know how much they would need to pay for a one-day job for a seasonal worker. A simple calculation was done during the focus group discussion and representatives of small businesses were surprised about the small amount that they

would need to pay for their workers (Table 10). Kosovo Tax system distinguishes tax rates between primary and secondary job. However, as per discussions during the focus group discussions, seasonal employer are unemployed i.e. the primary employer tax rates would apply.

TABLE 10. Calculation of pension contributions and taxes for a ‘hypothetical worker’ seasonal worker-for primary and non-primary job

Primary employer			Secondary employer		
Gross wage	5% pension contribution from employer and 5% from employee	Tax	Net wage (if employer pays 5% in addition to gross wage)	Tax	Net wage
25 (a daily fee for seasonal workers in 2022)	2.5 (1.25*2)	0	22.5 (23.75)	22.5*10%=2.25	20.25
50	5 (2.5*2)	0	45 (47.5)	45*10%=4.5	40.5
100	10 (5*2)	0.6	100-10-0.6=89.4 (94.4)	90*10%=9	81
300	30 (15*2)	9.6	300-30-9.6=260.4 (275.4)	270*10%=27	253

- ✓ **Lack of financial incentives for employers to formalize workers:** so far inspections have been used as the main means to force formalization. Given that agriculture is not inspected by KTA nor Labour Inspectors, employers have felt safe from being caught and fined. However, employers suggested that government should provide financial incentives to employers, for example subsidizing pension contributions of employers. The same proposal was made during the kick-off meeting held in May 2022 with representatives of relevant institutions and stakeholders. Once employers and workers get used to working on formal basis, there would not be a need to subsidies either party;
- ✓ **Lack of willingness from employees to be declared at the Kosovo Tax Administration:** a common statement from employers and MAFRD representatives was that seasonal workers are not interested to be formally employed. Often, seasonal workers are recipients of social assistance, meaning that once they receive any income in their bank account, they will lose their access to social assistance and war veteran pension. This condition was also mentioned as a barrier by seasonal workers. In June 2022 there were 25,444 social assistance recipients (18,401 Category 1 and 7,043 Category 2¹⁶)¹⁷ accounting for 100,395 members and 36,819 war veteran pension recipients;

¹⁶ As per Law No. 04/L-096 Law No.04/L-096 on Amending And Supplementing The Law No. 2003/15 On Social Assistance Scheme in Kosovo: Category 1=all household members are dependent and no one is working; Category 2=one can be unemployed and registered at Employment Offices and have a child under age of 5]

¹⁷ <https://ask.rks-gov.net/media/6915/statistikat-e-mir%C3%ABrqenies-sociale-qershor-2022.pdf>

- ✔ **Inability of natural persons (farmers) to declare workers:** Inability of natural persons (farmers) to declare workers: In focus group discussions there were some farmers that engaged seasonal workers but were not aware if they as natural persons can declare workers;
- ✔ **Lack of awareness among employers about benefits from declaring workers:** during focus group discussions and interviews with institutions (strongly emphasized by the MFLT, MAFRD, and employer associations' representatives) it was mentioned that overall, employers do not see it as relevant to declare all their workers. However, it was noted that this perception has changed since due to informal employment businesses were under supported by the pandemic government response measures. Most of the measures of the government were allocated based on the number of employees, which was underestimated due to informal employment. During discussions, employers that engaged family members stated that they would be willing to declare their family members since pension contributions will be used by their family members and taxes are very low-by declaring their family members they would invest in their CV and increase probability for employment;
- ✔ **Lack of willingness to pay taxes in Kosovo-low tax morale:** perception of corruption and misuse of budget funds was mentioned as a reason why employers opt for tax evasion. Generally there is limited information about usage of public funds and direct benefits to the government, was stated during one interview with one employer;
- ✔ **Troublesome procedures for declaring workers for limited number of days: as explained above,** employers can declare workers together and at once. There is no simple procedure to declare workers when employed. Seasonal workers are usually paid per day and upon completion of their day work. Given that employers cannot declare workers when employed, it is found to be troublesome to collect and record data and enter into the EXCEL template provided by the KTA, submitted once a month. A simpler system that would enable employers to declare workers at the day of their engagement, would in fact support formalization.

3.6 Seasonal workers' motives to operate on informal basis

Seasonal workers participating in the focus group with workers were not declared. Responses from employers and employees during interviews and focus group discussions indicated the following key motives for workers accepting to work on informal basis:

- ✔ **No reason:** it was interesting that when asked why they were not declared, some went quiet and could not name a reason. It seemed that they have thought that only when you have a full-time regular job you get declared for taxes and pension contribution. Seasonal work in some sense was not considered 'a job' and benefits from being declared were not known;
- ✔ **No benefits from formalization:** seasonal workers could not name a benefit from working on formal basis. One of the employers noted that they could show their pension contribution statement as evidence for work experience, which made them realize that it is worth being formally employed. During discussions, one participant mentioned that as she did not contribute to the pension fund, she lost the opportunity to be supported by the

government (with Law No. L07/L-016 on Economic Recovery COVID-19¹⁸, Article 12a allowed that pension contributors may withdraw up to 10% of their pension savings and those with have savings up to 9,999.00 Eur will be compensated beginning from 2023);

- ✔ **High taxes and pension contributions:** it was interesting that workers perceive pension contribution as a contribution that does not benefit them but rather as a reduction of their income. As noted, and illustrated above, when a simple calculation was carried out during focus group discussion for a ‘hypothetical worker’ for a daily fee and a monthly wage of 300 Eur gross salary, employees were surprised how low in fact the tax rates are in Kosovo. This indicates that lack of information and awareness on costs from non-declaring and potential benefits form formal employment;
- ✔ **Risk of losing social assistance** as elaborated above, the risk of losing social assistance and war veteran status (and benefits) is one of the dominant reasons why employees prefer to work on informal basis. Without removing this condition, it will be difficult to incentivise all workers to get formalised. This barrier was also emphasized during the kick-off meeting with relevant stakeholders.

¹⁸ <https://gzk.rks-gov.net/ActDetail.aspx?ActID=35478>

4

Towards Reforming: Identified Policy Options for Workers in Kosovo

4.1 A brief overview of approaches to formalising informal employment

To address undeclared work, Williams (2017) proposes a holistic policy approach-in a strategic and coordinated manner the full range of both the direct and indirect policy approaches and measures available to increase the power of, and trust in, authorities respectively.

- 1. Direct approaches** reduce the costs and increase the benefits of operating on a declared basis, and increase the costs and reduce the benefits of operating undeclared. Viewing those participating or considering participation in undeclared work as rational economic actors, who weigh up whether the pay-off is greater than the expected cost of detection and punishment, the objective is to alter the cost/benefit ratio confronting them. To do this, it uses:

1.1 Deterrence measures that detect and punish participation in undeclared work by:

- Raising the penalties and sanctions for those caught (e.g., besides fines, innovative forms of sanction are emerging in many countries, such as the use of 'black lists' which prohibit offenders from applying for public support programmes or public procurement tenders, or 'naming and shaming' initiatives where the names of offenders are made public), and/or
- **Increasing the perceived or actual likelihood of detection** (e.g., using workplace inspections; ICT systems to enable data matching; worker registration initiatives prior to starting work or on their first day of work; mandatory IDs in the workplace; coordinated data sharing initiatives across government; the coordination of operations between government departments; coordinating strategy across government, and the use of peer-to-peer surveillance (e.g. telephone hotlines). Incentive measures that make it easier to undertake, and reward, participation in declared work. These include:
 - ✓ Preventative measures that discourage citizens from engaging in the undeclared economy (e.g., by simplifying compliance, using direct and indirect tax incentives to make it beneficial to operate on a declared basis, and providing support and advice about how to start-up legally), and
 - ✓ Curative measures that incentivise citizens, workers and businesses to make the transition from the undeclared to the declared realm. These are of two varieties:

Supply-side incentives targeting businesses and workers in the undeclared economy (e.g., society wide amnesties, individual-level voluntary disclosure schemes, and advisory and support services to those wishing to move from the undeclared into the declared realm), or

Demand-side incentives targeting their customers with rewards for using declared goods and services (e.g. granting income tax deductions on the costs incurred for obtaining services on a declared basis; issuing of vouchers so that consumers only pay a proportion of the hourly wage rate, leaving the remaining part to be covered by the state; and the use of indirect tax deductions).

2. Indirect approaches, recognise that citizens and businesses are not just rational economic actors (purely calculating the costs and benefits). They are also social actors who engage in undeclared work when formal institutional failings lead them to adopt norms and beliefs regarding participation in undeclared work that does not align with the laws and regulations, for example, due to a lack of trust in the state and what it is seeking to achieve. From this perspective, therefore, all societies have institutions that prescribe, monitor, and enforce ‘rules of the game’ regarding what is socially acceptable. On the one hand, there are formal institutions (i.e. the laws and regulations) that prescribe ‘state morality’ about what is socially acceptable, and on the other hand, informal institutions (i.e. the socially shared rules, usually unwritten) which describe ‘citizen morality’. To align them, indirect policy approaches either:

→ **Change the norms, values and beliefs** regarding the acceptability of participating in undeclared work, so that these are in symmetry with the laws and regulations (e.g. using awareness raising campaigns and educational initiatives), and/or

→ **Change the formal institutional imperfections** that lead to a lack of alignment between the norms, values and beliefs of the population, and the laws and regulations. This can involve either:

Changing the internal processes of formal institutions to improve the perception amongst citizens and businesses that there is procedural and distributive fairness and justice, so as to improve trust in government. Procedural fairness refers to whether citizens and businesses receive what they perceive as procedurally fair treatment. Distributive justice refers to whether citizens and businesses receive the goods and services they believe that they justly deserve given the taxes that they pay. Procedural justice refers to whether citizens and businesses believe that the authorities treat them in a respectful, impartial and responsible manner. Being treated politely, with dignity and respect, being given a say, and having genuine respect shown for one’s rights and social status, all enhance compliant behaviour.

Changing the products of formal institutions. Reviewing studies that evaluate the relationship between cross-national variations in economic and social conditions, and cross-national variations in the size of the undeclared economy, the same findings consistently emerge. Whether the size of the undeclared economy is measured using Multiple Indicators Multiple Causes (MIMIC) method estimates or direct surveys, and whether studies compare the 28 Member States of the European Union, post-socialist transition economies or countries across the developing world, the finding is that reducing the prevalence of undeclared work is significantly associated with: increasing GDP per capita; improving the quality of governance and reducing corruption; increasing expenditure on labour market interventions to help the most vulnerable groups; increasing social expenditure, and developing more effective social transfer systems so as to reduce the level of inequality and severe material deprivation.

■ **TABLE 11.** Changing the products of formal institutions.

Approach	Method	Measures (examples)
Direct approaches: Deterrents	Improved detection	Data matching & sharing Joined up operations
	Increased penalties	Increased penalties & sanctions
Direct controls: incentives	Preventative	Simplify compliance; tax incentives; support & advice
	Curative	Supply-side (e.g., amnesties; voluntary disclosure; smooth transition to formality) Demand-side (e.g., service vouchers; tax incentives)
Indirect approaches	Fostering culture of commitment/alignment of citizens with state	Change norms, values and beliefs
		Change formal institutions

Source: Williams, C.C. <https://ec.europa.eu/social/BlobServlet?docId=20189&langId=en>

A review of policies by Williams¹⁹ found that detecting and punishing non-compliance heavily used, improving benefits to alter cost/benefit ratio less used and social contract approach are starting to be used. The analysis by Williams, lead to the following conclusions:

- Greater coordination on levels of strategy, operations and data sharing;
- Moving away from relying on ‘sticks’ (i.e., penalties and risks of detection);
- Adoption of measures to make declared work beneficial and easier, and education and awareness raising campaigns;
- Greater understanding of need to tackle structural economic and social conditions that result in undeclared work;

In the following section, practices applied specifically to formalise seasonal employment are presented.

4.2 Practices to formalisation of seasonal work

Based on research carried out for this analysis, few practices specifically designed towards formalisation of seasonal work (mainly in agriculture) have been identified. These are shown in Table 11 below, categorised into approaches as defined by Williams (2017). Each of these measures are described below. It can be noted that preventive measures in the form of simplified compliance, tax incentives and support and advice are the most common approaches used for formalisation of seasonal work. Among indirect approaches, awareness raising campaigns are used by many

¹⁹ <https://ec.europa.eu/social/BlobServlet?docId=20189&langId=en>

EU countries (<https://www.ela.europa.eu/en/campaigns/rights-for-all-seasons>).

■ **TABLE 12.** Practices for formalisation of undeclared work

Approach	Method	Measures (examples)	Measures (examples)
Direct approaches: Deterrents	Improved detection	Data matching & sharing Joined up operations	Coordinated inspections in agriculture and construction, Southern Italy
	Increased penalties	Increased penalties & sanctions	
Direct approaches: incentives	Preventative	Simplify compliance; tax incentives; support & advice	Simplified employment in the agricultural sector, Hungary
			Voucher scheme for seasonal and occasional workers in agriculture, Croatia
			Short-term seasonal agricultural work contracts, Bulgaria
			The 'booking list' and 'quota system' in agriculture in Puglia, Italy
			Serbia Law on seasonal employment
	Curative	Supply-side (e.g., amnesties; voluntary disclosure; smooth transition to formality) Demand-side (e.g., service vouchers; tax incentives)	Serbia Law on seasonal employment
Indirect approaches	Fostering culture of commitment/alignment of citizens with state	Change norms, values and beliefs	https://www.ela.europa.eu/en/campaigns/rights-for-all-seasons
		Change formal institutions	

The following section presents a brief overview of international and regional practices to support formalisation:

4.2.1 Law on Streamlined Employment for Seasonal Labor in Specific Economic Activities

The Law on Streamlined Employment for Seasonal Labor in Specific Economic Activities regulates the streamlined procedure of employment of persons and payment of taxes and benefits for seasonal labor in specific economic activities prescribed in compliance with present law in the agriculture, forestry and fisheries sector-seasonal labor. The Law started its implementation in 2019. **Employer of seasonal workers can be an entrepreneur or legal entity** performing economic activity in the agriculture, forestry and fisheries sector; and the **natural entity – the head or member of the family farm natural entity – the head or member of the family farm** **Seasonal worker is defined as the natural entity employed by the employer to perform seasonal labor for financial compensation** for his/her work. Employment for seasonal labor is labor in the **agriculture, forestry and fisheries sector performed only during the specific period of the year** (planting, sowing, harvest, reaping, plant protection, soil preparation, pruning, cleaning, paring, sorting, shearing, pasture and similar).

Upon the request of the seasonal worker, the employer issues a certificate containing information on employer (title, seat and TIN of the employer, number of the farm, i.e. name and surname, PIN and residence data) and seasonal worker (name, surname and PIN of the seasonal worker/passport number for foreigners, seasonal worker citizenship/country of residence, residence data) and work conditions.

The employer is **obliged to ensure** safety and health at work for the seasonal worker during the employment for seasonal labor in compliance with safety and health at work regulations. Seasonal work **can use health insurance entitlements** only in case of injury at work and occupational disease, as well as the retirement and disability insurance entitlements in compliance with law.

Registration and deregistration of seasonal workers with the **Tax Administration shall be conducted electronically**. The period of seasonal worker registration or deregistration shall be the calendar month.

Employers holding the Tax Identification Number (TIN) are not obliged to conduct any additional registration for the purpose of registering seasonal workers. **Employers which are not obliged to hold TIN as per tax regulation have to register with the Tax Administration for the purpose of registering seasonal workers**. Electronic registration application shall include the following information: 1) personal identity number, name and surname, identification card address and the municipality of the employer; 2) personal identity number, name and surname, identification card address of the person submitting the seasonal worker registration form (if the registration form is submitted by other person than the employer); 3) phone number of the employer and the phone number of the person submitting the registration form; 4) e-mail address

Employer from Article 2 of present law can employ seasonal workers for a maximum of 180 days during the calendar year where calendar days are counted as of the first registration of seasonal workers on the Tax Administration's portal until the last deregistration of seasonal workers on the subject portal, whereas the days of no seasonal worker employment shall not be counted. Employer can employ the **same seasonal worker for a maximum of 120 days during the calendar year**.

Tax rate is 10%. Benefits shall be computed and paid applying the rate used for computation and payment of benefits set in the law regulating compulsory social insurance benefits, as follows: 1) for compulsory retirement and disability insurance – 26%, 2) for health insurance in case of injury at work and occupational disease – 2%. As reported by Gjika-Bejko et al. (2021) for every day of engagement, the employer must pay taxes and contributions of around 300 dinars (around 3 Euros (exchange rate 11 August 2022)) that provide employee social and pension insurance as well as occupational injury protection. **Taxes and benefits of the seasonal worker shall be paid by the employer not later than within 15 days** as of the day of receiving the data for payment order delivered by the Tax Administration.

Since its introduction in 2019 until end of October 2022, more than **660 employers** (227 individuals and 442 legal entities) have been **using the system**, with over **73,000 seasonal workers registered** with more than **3.9 million working days**. As a result of formalization, around **10 million EUR** were collected, from taxes (2.65 million EUR) and social contributions (7.43 million EUR) **collected by the state**. From the beginning of the use of the new system the Government was convinced with the results shown and in 2021 Serbian Labor Ministry drafted the extended the “Law on streamlined employment of seasonal workers in specific economic activities” with including Construction, Hospitality, Tourism, Household Jobs as well as Cleaning of Residential Buildings. It is expected that this Law will be adopted by the end of 2022.

4.2.2 Simplified employment in the agricultural sector, Hungary

By facilitating employment notifications, reports and payments through the use of an electronic notification tool, the Simplified Employment Act aims to increase legal casual employment in any sector as well as seasonal employment in agriculture and tourism, while making it easier to conduct labour inspections.

Simplified Employment Act (2010/LXXV) of 2010 introduced a form of intermittent casual or seasonal work known as ‘simplified employment’. It encompasses two types of temporary work - casual work (in all sectors) and seasonal work in agriculture and tourism. It requires the **employer to register a mutually agreed simplified work relationship electronically via the so called ‘client gate system’ or via a smart phone application**. This eases the administrative burden on both the employee and the employer for registering, reporting and paying taxes. It makes it easier for employers to declare work even when only a few days are involved, and for labour inspections to be carried out.

A mobile application tool was introduced in 2017. Employers can register the start of the simplified work relationship **via the app or via the client gate system. A written contract is not required**, unless an employer or the employee wishes to have one. The contract form provided as an appendix to the law can be used as a template. While a worker can simultaneously have a simplified employment relationship **with more than one employer**, an employer **cannot employ** the same worker for seasonal employment using simplified employment **for more than 120 days in a given year**. Working time can vary across days e.g., four hours in one day, three in another. The employer can schedule Sundays and public holidays. Sunday work does not necessitate the payment of the statutory Sunday wage supplement, but the public holiday wage supplement must be paid. The simplified work rules thus permit flexibility in terms of seasonal and agricultural work while still protecting employees and preventing undeclared work. Employers cannot use the system if they have unpaid/overdue taxes of over EUR 913. Registered jobseekers do not need to notify public employment services about the simplified employment relationship, thus **detraining their jobseeker status, without interruption, for the duration of the relationship**

In 2017 the National Tax and Customs Administration received notifications of 12.1 million simplified employment relationships. Since the introduction of the Act in 2010, declared traditional employment in the Hungarian labour market rose by roughly 800, 000 to 4.481 million by mid-2018, while the unemployment rate reduced to a record low of 3.7 % (January 2019). With the new Labour Code (that came into effect on 1 July 2012), the Simplified Employment Act undoubtedly played a major role in the flexibility of labour law and the increased employment rate.

4.2.3 Voucher scheme for seasonal and occasional workers in agriculture, Croatia

Voucher scheme was introduced during the summer **of 2012**, aiming at making it easier to employ seasonal workers in agriculture in a formal basis. The employers **use the vouchers to pay the seasonal workers**. The purchased vouchers **include social contributions and taxes**. Before the implementation of the new system employers had to declare employees for a whole month when the work might be carried out only for a limited number of days. This made it expensive for them to declare workers. The implemented voucher system means that temporary and casual work in agriculture is regulated by the Law on the Promotion of Employment (57/12), the ordinance on the content and form of the seasonal work in agriculture, and the decision on the lowest amount of seasonal wage workers in agriculture in 2012. According to this, the employer **only has to pay for the social contributions of the days the employee works for**.

The obligation of the employer was that **for each recorded day of work the employee is given a daily coupon**. All unused vouchers can be exchanged for cash in the office in which they were purchased. The new system gives larger incentives for declaring seasonal work because under the previous law, social contributions had to be paid for the entire month, even if the weather allowed only five days of working for seasonal employees. To protect the workers a number of regulations were outlined such as a minimum daily wage of HRK 70.40 (€9.40) and a maximum of 12 working hours per day. A seasonal worker can be employed **for 90 days per calendar year**. The **penalties for violating the provisions** of the relevant Act are up to HRK 50,000 for legal persons and between HRK 10,000 and HRK 30,000 for individuals. The law is simple, clear and the process is limited in administration.

To be a seasonal worker in agriculture, individuals **can be unemployed and registered** with the Croatian Employment Service as unemployed; becoming a seasonal worker does not cause these individuals to be removed from such records. Other eligible categories include people who are unemployed and not registered, senior citizens and other job seekers who are not employed or are not employed on a full-time basis. Minors cannot be included as seasonal workers because of the high risks associated with agriculture jobs. The scheme could and should be transferred to other countries and sectors with high seasonal employment.

In 2012, a total of 325,295 vouchers were sold to 3,363 legal entities (large employers 27.3%, small and medium employers 72.7%), of which 98.6% were for work in the field of crop production, 1% fisheries and 0.4% animal husbandry. By 2016, a total of 406,595 vouchers were sold to 2,059 legal entities (large employers 25.3%, small and medium employers 74.7%), of which 90.8% were for work in the field of crop production, 6.5% fisheries and 2.7% animal husbandry.

4.2.4 Short-term seasonal agricultural work contracts, Bulgaria

To reduce the share of undeclared work in the agricultural sector and encourage declared work and to include officially registered unemployed persons in legally regulated work in sectors experiencing labour shortages. In **2015 an amendment to the Labour Code** in Bulgaria was introduced – Employment Contracts for Short-term Seasonal Agricultural Work. **An employment contract for short-term seasonal farm work may be signed between a worker and a registered farmer for one day's work**. The employer and worker **sign a separate contract for each day worked**. For an individual worker, the number of contracts of this kind must **not exceed more than 90 days in one calendar year**. The areas in which these types of employment contracts can be signed include the manual processing of plants and collecting the harvest of fruits, vegetables, roses and lavender. The employment contract takes a special form and has pre-assigned clauses defined by the legislation. Employers who

wish to hire a worker in this way **must pay the taxes and social security contributions in advance**. Employers can access the necessary forms for this type of employment contract from the labour **inspectorate by post or via the internet**. The advantage for workers is the fact that they can work on this type of labour contract without the need to end their registration as unemployed persons.

4.2.5 The ‘booking list’ and ‘quota system’ in agriculture in Puglia, Italy

To provide financial incentives to agricultural holdings using a ‘booking list’ to hire workers and introduce a ‘quota system’ of the number of workers required, so as to combat irregular work and illegal recruitment. The agricultural sector had high numbers of irregular workers and irregular recruitment practices, such as the ‘caporalato’, in which farm labourers – often illegal immigrants are hired for very low wages. In 2006 the Puglia region brought in its own legislation to try to combat irregular work and illegal recruitment. **A booking list was to be created at every provincial employment office. Any workers hired and re-hired by regional agricultural enterprises would register on this.** The region was also to introduce incentives for companies taking on registered workers and offer employment guarantees. **Employers were to receive €200 for each worker they hire, up to maximum of €5,000. A budget of €700,000 was set aside by the region.** A negotiating body, based at the Regional Council Offices for Employment and including the social partners, was to be set up to handle the technical aspects of managing lists and organising other administrative tasks of the initiative. **A quota system, or index, was to be used to establish the number of workers necessary for a job, according to the type of crop and the number of hectares cultivated.** By comparing the number of workers anticipated by the index and the number declared by the company for social security purposes, officials could identify possible cases of irregular work. The agricultural enterprises were allowed a variation of between 10% – 15% from the index, depending on the size of the enterprise. Only companies that conformed to the index will have the right to claim EU, national or regional funding. Social partners will participate in a commission to oversee the new system.

4.2.6 Coordinated inspections in agriculture and construction, Southern Italy

In 2010, the Italian Ministry of Labour launched a special **inspection plan to fight undeclared work in agriculture and construction** in four southern Italian regions (Calabria, Campania, Puglia and Sicilia). This involved planned and coordinated inspections carried out jointly by teams of labour inspectors, inspectors from the social security agency (INPS), the workplace accident insurance agency (INAIL), and military personnel of the Carabinieri (the Italian military force responsible for public order). The plan identified seasonal agricultural activities as a specific target for joint inspections and listed the areas, crops and the months in which the inspections should be concentrated. For both agriculture and construction, quantitative targets were identified. Overall, the plan provided that a total of 10,000 agriculture firms and 10,000 building sites were to be inspected in the four regions between March and December 2010. **Some 550 inspectors were employed, including 50 from other regions.** The budget was €1.9 million to cover the expenses of the personnel coming from other regions. The outcome was the **identification of more than 20,300 irregular workers**, of which around 9,150 were unregistered workers. **Some 44% of the inspected agriculture firms and 60% of the construction sector firms showed some form of irregularity.**

5. Recommendations

Recommendations elaborated in this chapter are derived based on: situation analysis for Kosovo; inputs collected through interviews and focus group discussions; feedback provided during meeting and workshop with stakeholders; and evidence from good international and regional practices.

Key general recommendations to facilitate formalisation of seasonal workers in agriculture sector are:

Seasonal work should be defined

Seasonal work should be clearly defined in the legal framework. Employers noted that legal definition of seasonal workers and their rights and obligation will contribute to workers and employers, both parties will become obliged to respect their rights and obligations. Since seasonal work is performed during all seasons for different agriculture activities, the engagement of seasonal workers cannot be restricted to certain period of the year.

Contractual and registration arrangements/procedures

Good practices and inputs from focus groups with seasonal workers and employers, signing of a written contract should not be mandatory but instead, an oral contract is preferable. However, all existing forms of engagement can be applied for seasonal work en-

agement, subject to agreement between workers and employers. To facilitate declaration, a simple declaration process should be made available for seasonal workers. Employers highly recommended an online declaration-a separate module to be developed for seasonal workers, available also on smart phones.

Where to declare workers?

Discussions with stakeholders indicate that given that declaration of workers is done at the KTA and that KTA operates an easy online platform, KTA would be the most appropriate institution to declare seasonal workers as well. All relevant institutions will have access to the registry and can generate reports for their needs.

Maximum number of working days for seasonal work

A review of international and regional practice limits the number of days for engagement of an individual seasonal worker from a minimum of 90 to 180 days, with the most common being 120 days. It is suggested to set the maximum number of days for seasonal labor engagement and engagement of an individual seasonal worker during the year should be restricted according to the regional best practices.

Eligibility for declaring workers

Currently, workers can be declared by companies; self-employed, and since recently by workers themselves. Given that farmers as natural persons account for an important share of employers for seasonal work, it is suggested that natural persons are allowed to declare workers. The linkage with the Farm Identification Number (NIF) could be utilized.

When to declare workers

Workers should be declared before commencing the work, or latest on the same day prior to starting the work.

Tax and pension contributions

During discussions with employers, it was emphasized that although pension contributions are collected in workers' personal pension accounts, the majority of workers consider pension contributions paid from their side as lost/wasted income. Therefore, it is of utmost importance to organize awareness raising activities to inform workers and in simple terms elaborate the relevance of their pension contributions. With regards to taxes, a simple lower/fixed rate of tax on income should be considered, at least in the promotion phase of the reform. Contributions and taxes to be paid at the end of the month for the engaged days.

Incentives and support services

To incentivise the declaration of seasonal workers, it is suggested to consider subsidy schemes in the 'promotional phase'. It is of utmost importance to organize awareness-raising campaigns for benefits from formalisation to workers and employers, for the benefits from formalization and costs from informal employment. If farmers are allowed to declare workers, municipal officers should provide information days and support farmers in the initial phase. Seasonal workers should be informed about the tool for checking that employer has declared them for tax and pension contribution purposes. The reform needs harmonization with the social assistance system. As suggested by employers and employees and in line with good international and regional practices, during engagement as seasonal worker, the eligibility to any social benefits i.e. social assistance and war veterans' pensions should not be removed.

Data availability

As noted in this document, Kosovo Agency of Statistics is the only institution collecting data on seasonal employment, which is quite limited in types of data collected. It is strongly recommended to expand information on seasonal work to enable profiling of seasonal workers and also measure the success of future reforms for formalization and other aspects of labour. Ministry of Agriculture, Forestry and Rural Development should also contribute with data on agriculture work. This would also provide sound evidence to measure the impact of agriculture support provided by the government. Introduction of the electronic system for declaration of seasonal workers will provide an important source of information for declared seasonal work, which can be exchanged between relevant institutions.

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ANNEX 1: List of interviewed individuals and participants at the workshops and round tables

Institution/organisation	Name and position
Ministry of Finance, Labour and Transfers (MFLT)	Leunora Ahmeti Zylfijaj Head of Division for Labour Relations, Social Dialogue, Safety and Health
Ministry of Finance, Labour and Transfers (MFLT)	Mirjeta Nagavci-Senior Officer, Division for Labour Relations, Social Dialogue, Safety and Health
Labour Inspectorate	Arton Qerkini, Labour Inspectorate Ferizaj
Employment Agency of Republic of Kosovo	Jehona Namani Rexha, Deputy Director
Ministry of Agriculture, Forestry and Rural Development (MAFRD)	Isuf Cikaqi Director of Department for Agriculture and Trade Policies
Ministry of Agriculture, Forestry and Rural Development (MAFRD)	Skender Bajrami –Analyst, Department for Agriculture and Trade Policies
Kosovo Tax Administration (KTA)	Nahit Sharku, Acting Deputy General Director Department for Programs and Procedures
Kosovo Tax Administration (KTA)	Mërgim Hajrizi, Risk analyst/Manager of project for Informality
Kosovo Agency of Statistics (KAS)	Avni Kastrati Director of Population and Social Department
Kosovo Agency of Statistics (KAS)	Avni Kastrati Director of Population and Social Department
The Union of Trade Unions-BSPK	Atdhe Hykolli, President of the Trade Union

Institution/organisation	Name and position
Association PePeKo	Hartim Gashi, Executive Director
EcoKosWomen	Magbule Hyseni, Executive Director
EcoKosWomen	Danijella Çoça- Executive Director at EcoKosWomen
EcoKosWomen	Nita Ferizi Sadiku – Project Manager
Eurofruti SHPK	Bejtush Gashi, Manager
Eurofruti SHPK	Erblin Gashi, Director of Eurofruti
99 Lule	Havushe Bunjaku Owner/Manager
99 Lule	Kadri Bunjaku, Manager
VicianumGreenFarm	Qefsere Vuciterna, Owner/Manager
Initiative for Agricultural Development of Kosovo (IADK)	Basri Pulaj, Program Coordinator
Women for Women	Iliriana Gashi, Executive Director
GIZ Prishtina	Edmond Gashi-GIZ Project Manager, Entrepreneurship promotion Project
GIZ Prishtina	Kumrije Kelmendi, Advisor for Active Labour Market Policies
GIZ Prishtina	Njomza Ilazi, Advisor, at EU-intergration Project

