

**Labour Market Institutions in the Western
Balkan Countries and their Economic
Implications: Evidence for Kosova**

Anera Alishani, Ariana Shabani, Muje Gjonbalaj

Abstract

Flexicurity as one of the most important priorities of employment policies in the EU and its Member States is considered to be also important for the other states of Central and Eastern Europe, including the Western Balkans. According to European Commission (2007, p.7), flexicurity as a combination of flexibility and security in working arrangements can be suggested as an answer to dynamic changes happening in today's national and international economies; it is an answer to the EU's dilemma on how to maintain and improve competitiveness while reinforcing the European social model.

The countries of the Western Balkan which have suffered from the transition process still cannot have a desirable performance of the labour market. Even though the economies of Western Balkan have experienced some economic growth that followed the post-socialist recession, it did not reflect also on better labour market performance, in other words it was considered a "jobless growth".

To address this issue, this paper provides a literature review of the notion of flexicurity and then investigates the relevance of flexicurity for the countries of the Western Balkans through its found components (flexible and reliable contractual arrangements, lifelong learning, active employment policies and social security system). Even though flexicurity can be a way out for low performed economies it is considered as highly costly.

Key words: labour market, flexicurity, GDP growth, performance, institutions, Western Balkan

1. Introduction

The economies of the Western Balkan have gone through profound transition and reforms since the early 1990s. During the previous system, the economy was planned by the central state, while the labour market was characterized with high level of protection against any risks. The socially owned enterprises of that time were not exposed to competition and workers enjoyed high employment protection, job security and stability (Cazes and Nesporova, 2007) while the labour market was characterized with full employment, centrally set wages and often overstaffing (Hoti, 2004). The transition from planned economy to market based economy entailed a restructuring process at all levels. The new system had to be adjusted which affected both the supply and the demand for labour (Svejnar, 1999). Now that the economy is opened and the labour market is organized based on principles of market economy, the transition countries and especially the Western Balkans countries had to shift to labour market deregulations as full employment and high protection could not be any longer maintained (Druska et.al. 2001; Cazes and Nesporova, 2007).

Starting from mid 1990s, the economies of Western Balkan begun to experience some economic growth that followed the post-socialist recession, but which did not reflect also on better labour market performance, in other words it was considered a "jobless growth" (Cazes and Nesporova, 2007). The evidence suggests that despite the significant progress to recover the output to the pre-transition level, employment is still lagging behind (Hoti, 2004). The unemployment rates in the Western Balkan remain very high compared to developed countries. These rates are alarming for Kosova, Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia, respectively 30.9%, 27.5% and 31.2% whereas in Croatia and Montenegro the unemployment rates are significantly lower, 15.9% and 19.7 % respectively for the year 2012 according to Statistical Office in Kosovo (now one referred as SOK, 2013). The average unemployment rate in region in 2012 is 23.7% which compared to EU average rate (10.8%) is very high (SOK, 2013). The labour markets in the Western Balkan are also characterized with long-term unemployment, youth and female unemployment which are making the situation even worse (Cazes and Nesporova, 2003).

The underperformance of the labour markets in the Western Balkans may be due to the not well established labour market institutions (Blanchard, 2002) and due to the lack of sufficient flexibility for a more modernized economy (Viebrock and Clasen, 2009).

On the one hand, in the post-transition period there was a growing tension on the increase of flexibility because the social protection was not any longer the adequate strategy for the fast growing section of non-standard type of arrangements and was financially unsupportive due to economic and demographic changes. On the other hand, there was also tension on the increase

of social security for workers and their families as higher flexibility brought insecurity for workers. In this regard it is important to analyse the labour market institution in the Western Balkan and to consider the nexus of flexibility-security to address more appropriately labour market efficiency and to translate economic growth to employment. Flexicurity refers to a model for pro-active labour market policy which allows new reforms with balanced regulations (flexible employment arrangements while protecting the workers). Even though this term has been recently introduced, it has reached high importance in the developed countries within the EU, especially since 2006. The Lisbon Strategy for Growth and Jobs encourages member states to promote flexicurity and to reduce labour market segmentation (Karanauskytė, 2010). However, the concept of flexicurity for the case of Kosova has just recently been mentioned while the research papers regarding this issue needs development. In this paper the main focus would be the analyses of flexicurity for the Western Balkans as it is considered to be a way out from the underperformance of the labour markets in Kosova

2. The state of the research

There have been efforts in conducting scientific research in all levels, however the quality of them still falls behind e.g. defining the clear research question, defining what the problems in specific are and what are the factors that are contributing to the problems. The research work for labour market performance has been more developed for the countries of Central and Eastern Europe whereas for the countries of Western Balkans and especially for Kosova the information for labour market remains scarce.

The orthodox view suggests that labour market deregulations and increased labour and wage flexibility contribute on the economic success. However, the last two decades have witnessed persistent high rates of unemployment in a number of industrial and transition countries leading to the need to change the economic and social policies (International Monetary Fund, 2003). According to the same study it is indicated that the analysis of many international organizations such as the European Commission, the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF), and the International Labour Organization (ILO) suggest that better labour market performance lays in the reforms in labour market institutions. In addition, Blanchard (2002) states that proper institutions are important for the well functioning of the labour market. European Commission (2011) suggest that even though there have been some progress in employment and social policies, the government commitment to these policies and the inclusion of social partners in social dialogues for the development of adequate employment policies still lacks behind. Overall, labour legislation, reforms, policies and institutional settings remain weak in Kosova and other Western Balkan countries.

Thus, according to some evidence it is suggested that higher flexibility is a way out for poor economies. The flexible form of employment namely of part-time jobs, flexible-term contracts, and especially self-employment have experiences positive trend. On the other hand, the employment protection has weakened due to the decline of employment unions and collective agreements. Thus, flexibility alone cannot have the desired effect on labour market performance as workers need some degree of stability and security (Cazes and Nesporova, 2007). The notion of flexicurity promotes a combination of flexible labour markets with proper security schemes and is suggested to be the most relevant approach for the region of Central and South East Europe and an approach for translating appropriately the economic growth to the labour market performance (Nesporova and Cazes, 2007; Viebrock and Clasen, 2009) it is based on careful coordination of employment and social policies. The balance between flexibility and security for the today's labour markets lays in the heart of the European employment agenda.

However the research studies for particularly the model of flexicurity for Kosova has been just recently started to be mentioned (e.g. Topxhiu et.al, 2012) but which still needs developments.

3. The European Flexicurity Model

Flexicurity refers to a strategy for the balance between flexibility and security in the labour market and lies in the core of the European employment agenda. In the report of the European Commission (2007) "Towards Common Principles of Flexicurity-more and better jobs through flexibility and security" states clearly and directly its focus on "flexicurity" and encourages its member states to make their labour markets friendly oriented in order to attain economic growth, to generate new jobs, to increase labour productivity and to achieve economic and social cohesion. Flexicurity is a balanced combination of flexibility (needed from employers for job creation) and protection (needed from workers for social protection). As the European economy is moving fast towards globalization and technological developments and as the nature of labour demand has become very dynamic, then the traditional full employment and social protection has become very inadequate and financially un-supportive thus making the policy makers come with new strategy- flexibilization and labour market deregulation. One of the strategies proposed from the European Commission is flexicurity itself. While policies aim to dominate on one side (either more flexibility for employers or more security for workers) European Commission through flexicurity aims at reaching a balance between both of them. Flexicurity was firstly introduced from the Prime Minister of Denmark, Poul Nyrup Rasmussen in 1990s, it became more widely used after the mid 2000s and was officially used as a term from the European Commission in 2006 (European Commission, 2007).

In the European Commission's report (2007), flexibility is defined as the move from school to a job, from one job to the other and from the last job to retirement; it is about flexible job arrangements. Flexible environment for changing jobs in today's world is necessary from the perspective of employers as it enables them to cope with competition, makes them ensure a position in the market. In addition, flexibility is needed for employers because it helps them in the adjustment of labour supply to the needs of the enterprise due to technical and demographic changes (Laporsek and Dolenc, 2011, p.127). Moreover, continual production, seasonal peaks and special customer requirement together with all globalization dynamics, technological progress and demographic changes are some of the factors that make the employers adopt flexible patterns of working time. Flexibility however, should not be understood only from the angle of employers but also from the workers' perspective. Workers need flexibility because it enables them to have flexible working hours needed to combine work with private responsibilities. Workers need flexibility to enable them upgrade their skills and talents with better job position.

Overall, the flexible work organizations are beneficial for both employers and workers. Wilthagen and Tros (2003; 2004) and Topxhiu et.al. (2012) distinguish between four types of flexibility:

- External-numerical flexibility: the ease of firing and hiring workers and use of flexible forms of work contracts;
- Internal-numerical flexibility: the ability to cope with market fluctuations (through different forms such as overtime, flexi-time, part-time, temporary work, casual work or subcontracting);
- Functional flexibility: the ability of companies to adjust and deploy skills of their employees to adapt to changing working task requirements.
- Payment or wage flexibility: ability to introduce variable pay based on performance or results.

As it can be suggested there are different indicators of flexibility. According to Cazes and Nesporova (2007) flexibility indicators are types of employment contracts, the length of working time, and the inflows and outflows from employment. In their study, it is suggested that there is an increasing trend towards flexibilization of employment. In specific there was seen an increase in fixed-term contracts (temporary contracts) which were widespread more among men and young people and especially among the low skilled workers. Regarding the self-employment there is not a clear trend whereas part-time employment is still not a popular strategy in this region. In Kosovo labour market there was seen an increase of the self-employed people. The self-employment recorded a level of 19.8 % in 2012 which compared to 2009 is by 4 percentage points lower (SOK, 2013). In general the markets of Western Balkans and especially that of Kosovo were characterized with high level of flexibility.

But higher flexibility which is required more from the employers rather from the workers in order to adjust to the changes in labour market, means less security for the workers. Evidence suggests that flexibility alone cannot improve labour market efficiency as all stakeholders need some level of stability (Cazes and Nesporova, 2007). So, labour markets in addition to flexibility need also security which refers to the protection offered in one workplace. Workers need security against the change or lost of job, against the bad job conditions, or it is needed for workers who remain without a job. Security enables the workers to enter, remain and progress during their job and to benefit through trainings. In addition to workers also employers need security to create a system of trust by creating stable relationship with their workers. A trustful work environment is necessary for employers to keep the workers in company and especially the well qualified workers needed for market position improvement and for the overall success of the company.

In the study of Cazes and Nesporova (2007) it is suggested that in Central and Eastern Europe the labour market stabilization has experienced progress. Labour turnover as an indicator of stabilization has moderately decreased in this region beginning in the 2000s. However, unemployment security schemes still remain a challenge. For example, in some regional countries unemployment workers or workers on leave are not paid or are partially paid. In Kosovo, on the other hand, there is no social security system and there is no financial support for the unemployed people.

In general, employers are considered to never find enough labour market flexibility whereas workers prefer usually higher level of protection (Cazes and Nesporova). The combination of both these elements formulates the notion of flexicurity which is proposed in the European Commission (2007) as a strategy for economic and social cohesion and for more and better jobs. In this report flexibility and security should not be seen as opposites but as complementary and mutually supportive. It could be seen as a system of joint management for workers and employers (European Expert Group on Flexicurity, 2007, p.14). Flexicurity is based on the coordination of employment and social policies where employment policies focus on job growth and social policies focus on social security (Viebrock and Clasen, 2009).

According to Common Principles of European Commission (2007), flexicurity can be implemented through four policy components:

- flexibility and reliable contractual arrangements;
- comprehensive lifelong learning;
- effective and active labour market policies; and
- modern social security system.

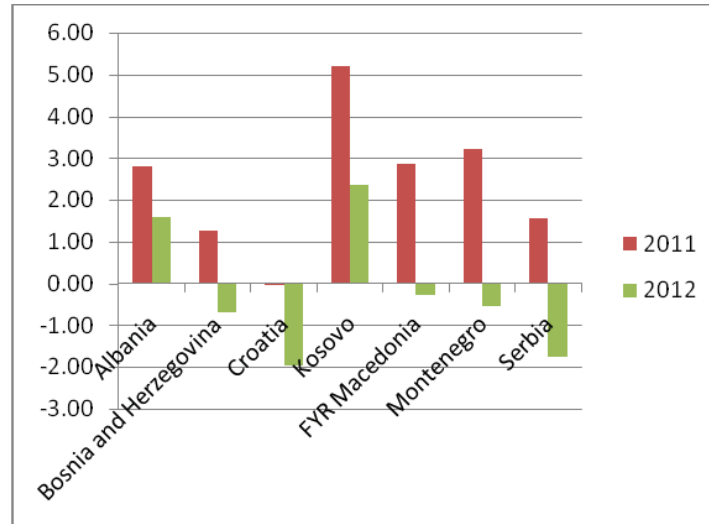
The ideal combination is hard to find and the European Commission does not offer one path way to achieve flexicurity because they vary considerably on the country's economy, society, demographics, culture, institutional background, budget, social dialogue, willingness to cooperate with other stakeholders among others. Each country should tailor its own form of flexicurity depending on its specifications. However, one of the first countries to offer an example of well-functioning flexicurity arrangement is Denmark with its flexicurity model known as "golden triangle". This model offer job mobility as part of flexible labour market strategy, a system of high unemployment benefits suggesting a high social security system and also active labour market program to improve the skills of vulnerable workers (Laporsek and Dolenc, 2011; OECD, 2004)

4. Labour Market Performance and Institutions in Western Balkan Countries

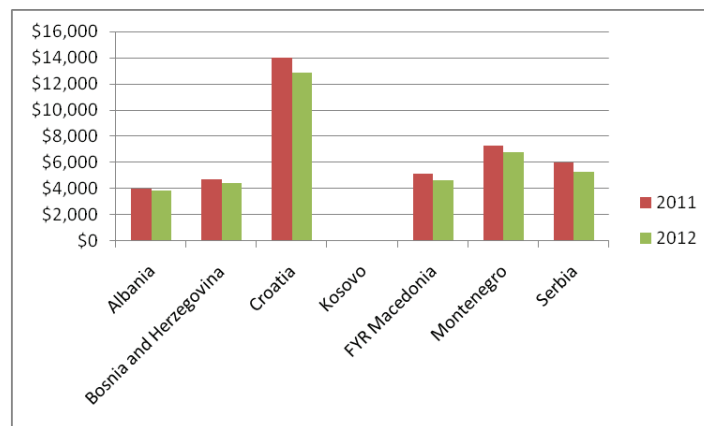
The transition process entailed a restructuring process in all levels including the labour market. As indicated the in the pre-transition period the employees were secured agenised any risks however the transition process brought changes in labour market. The technological developments, innovations, demographic changes, and other progresses demand more flexibility in labour markets in order to cope with these changes. These changes impact negatively the GDP growth and it took many years Kosovo and other regional countries to bring the GDP growth to the pre-transition level. By 2001, apart from Albania the other countries still did not reach the 1990 level of the real GDP (Micevska, 2004)

Starting from the mid 1990's and especially after the 2000s the GDP growth started to increase. The total GDP of the region for 2011 was \$158.24 billion (IMF, 2013). The highest contributor to total GDP was Croatia with \$61.72 billion and the lowest was Kosovo with \$6.65billion followed by Montenegro with \$4.5 billion (IMF, 2013). Compared to 2010, the GDP in the region in 2011 increased on average by \$2.14 billion. In 2011 there was expected to be positive growth due to the recovery of financial markets as a result of many expansionary monetary and fiscal policies taken in these countries taken as a result of the global financial crisis (Central Bank of Kosovo, 2009).

From the economic growth point of view, these economies have experienced stable economic growth over the most recent years, from the mid 2000 until the financial crises in 2008. The average GDP growth of Western Balkan for 2011 was 2.41%. The GDP growth in 2011 is driven mostly by the GDP growth of Kosovo (5.19%), Montenegro (3.22%) and FYR Macedonia (2.86%) due to rapid credit growth which affected both domestic consumption and investment (IMF, 2013).

Figure 1: GDP growth (% change) for 2011 and 2012

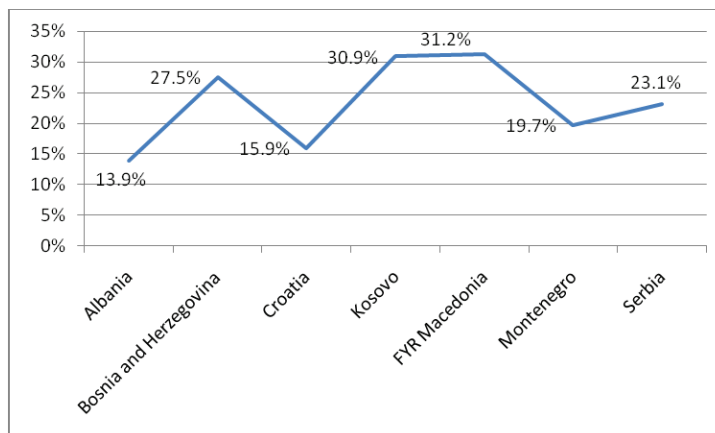
Source: IMF (World Economic Outlook, 2013)

Figure 2: GDP per capita in US \$ for 2011 and 2012

Source: IMF (World Economic Outlook, 2013)

But, despite the GDP growth, the labour markets remain a serious problem in Western Balkans. The average unemployment rate in 2012 was 23.7% (SOK, 2013). According to figure 3, the highest unemployment rate is recorded in Kosovo, with 30.9% and also in FYR Macedonia with 31.2% (SOK, 2013). Due to the massive job destruction and job losses as a result of the downsizing of large enterprises and low level of job creation in newly developed small firms during the transition period, impacted on the high level of unemployment rates

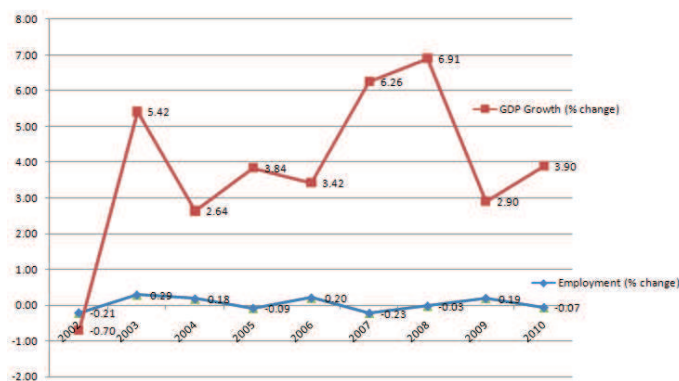
Figure 3: Unemployment as % of total labour force for 2012 for Western Balkan Countries



Source: SOK, 2013

In this part of the paper it was indicated that the countries of Western Balkan and Kosovo experienced economic growth while on the other hand the unemployment rates persist to be high. Comparison between GDP and employment growth reveal a “jobless growth” as the GDP growth was not translated into employment growth, the difference is considerable as stated in Cazes and Nesporova (2007) . This problem however, is not present only in Kosovo and the Western Balkan region but for the all Central and Eastern Europe.

Figure 4: Employment Rate (%) vs. GDP Growth (%) for the period 2002-2010



Source: GDP Growth data from International Monetary Fund (World Economic Outlook, October 2013). Employment Rate data from Ministry of Labour and Social Welfare (Work and Employment, 2010)

4.1. Labour Market performance in Kosovo

Youth employment and long-term (joblessness for more than one year) unemployment however remain one of the most serious problems of the Kosovo's labour market thus imposing a challenge to the real economy.

As the young people (15-24 years) occupy more than 23% of the total population (78,635 people) it indicated large labour inflows which pushed the unemployment rates up. From the total unemployed people, young unemployment is the highest which according to SOK (2013), the unemployment rates of young people is 55.3% (43,471). The youth unemployment is grater at females (63.8%) than in males (52.0%) (SOK, 2013). While after the transition period it was thought that the labour inflows from your people would be welcomed as they adopt fast to the new technologies and newly demanded skills, by the time it is indicated that youth unemployment became a serious problem and many young unemployed became long-term unemployed. However, long-term unemployment is not only a serious for young generation but for all unemployed people. According to SOK (2013) the long-term unemployment (over 12 months being unemployed) reaches up to 59.8%. So in Kosovo, the situation is alarming when we have an overall unemployment rate of 30.9 %, with youth unemployment rate reaching up to 55.3% and long-term unemployment of more than 59.8%.

In addition, informal economy as another important characteristic of the labour market remain at a considerable level. Statistics regarding the size of informal employment are naturally scarce but is evident that it is deviating the statistics of the labour market as well. According to Novkovska (2006) the informal employment can reach up to 60% of formal employment and even though it can contribute positively to household income, it is which high risk and un-protection. Bu the date for the informal economy are absent for Kosovo and also for the other countries of the Western Balkan but is know that informality is high in agriculture (80.6 %), in construction (38.2 %) and among the self-employed people (83.9%) according to the World Bank (2012)

5. Flexicurity model in Western Balkans

The analysis of flexicurity policy components include the analysis of flexible and reliable contractual arrangements, life-long learning strategies, effective active labour market policies and social security system.

5.1 Flexible and reliable contractual arrangements

While in this serious and very challenging situation the social and economic context has certainly contribute to the increase of the unemployment rate, the labour market rigidities have also played an important role (especially in youth unemployment and long term unemployment). Flexibility of labour markets

and the development of labour market institutions are believed to be important component for better performance of labour markets. While flexibility was considered to be important for better labour market performance, on the other hand it was disadvantageous for the employees.

One of the indicators developed to measure the regulation of labour relations is the Employment Protection Legislation (EPL) index which refers to the regulations that restricts the employers to fire their employees, it limits the exposure to unfair treatment of employees despite that it might increase the cost of employing workers (Micevska, 2004). In order to calculate this index it considers 21 item covering three aspects of employment protection (OECD, 1999):

- Individual dismissal of workers with regular contracts
- Regulation of temporary contracts
- Costs of collective dismissal

According to EPL Index firstly constructed in the study of OECD (1999) and then used by other authors as Micevska (2004), Riboud et. al. (2002) and other, suggest that due to transition and the need to adjust the labour market policies led to the drastic decrease to employees' protection as full employment could not be any longer maintained. The decrease of this index suggests the decrease the employee protection (Table 2) from 3.6 (recorded highest in Croatia in 1996) to 2.6 (recoded lowest in Bosnia and Herzegovina in 2003).

The EPL index in the Western Balkan Countries despite the flexible approach that they took after the transition on regular employment, they still stand for having strict employment protection especially on temporary employment and collective dismissals (Micevska, 2004). The EPL index on temporary employment is small is Croatia due to the legalization of temporary work agencies.

Table 1: Employment Protection Legislation (EPL) index (early 2000s)

Country	Year	Regular employment	Temporary employment	Collective dismissals	Total EPL index
Albania	1995	2.1	3.0	2.8	2.6
Bosnia and Herzegovina	1999 2003	2.2 1.8	4.3 3.1	3.0 3.3	3.2 2.6
Croatia	1996 2003	2.8 2.6	3.9 1.9	5.0 4.3	3.6 2.6
Kosovo	2001	1.3	2.8	4.6	2.5
Macedonia, FYR	1995 2003	2.1 2.0	4.3 3.1	4.8 4.0	3.4 2.8
Montenegro	2003	2.2	4.5	4.8	3.6
Serbia	2005	2.0	4.4	3.6	3.3
SEE average	Late '90s Early '00s	2.2 2.1	3.9 2.9	3.6 3.7	3.1 2.7
EU average	Late '90s Mid '00s	2.4 2.3	2.3 2.0	3.2 3.2	2.5 2.2

Note: the data for Serbia and Montenegro for late '90s are not available
Sources: Micevska, 2004; Nešporová and Cazes, 2003; OECD.Stat, 2010.

According to World Bank and IFC (2010), Kosovo is characterized as the most flexible due to the easiness of hiring and firing employees while Croatia is characterized as the most rigid in this aspect. However, despite the flexible work arrangements are becoming more present, the part-time jobs is still in low level. In Kosovo, part time jobs reach the level of 11.1 %. In this region are used more the temporary employment arrangements (73.0 % in Kosovo – SOK, 2013). When the Eu countries were moving away from temporary contacts, the countries of Central and Eastern Europe, including Kosovo, are moving towards temporary contracts which is not one of the best strategies.

5.2 . Lifelong Learning

The development of lifelong learning programmes in the region of Western Balkans is something new and needs still lacks behind. Since mid 2000s, the European Commission has put a lot of affords in promoting this programme and in making more people to participate in these programs (different educational and training programs). European Commission if focused in lifelong learning because it is positively related to employment and negatively related to long-term unemployment. While on the other hand, the public and private institutions and business do not invest in their workers by making them participate in this programs which directly help them in increasing their skills. This problem is more predominant in low-skills workers, temporary and self-employed workers and on older workers. The participation rate of adults in life-long learning programs are still at very low levels in the Western Balkans, e.g. in Macedonia this rate is 2.5 % and in Croatia is 2.2% as of year 2009 (Laporsek and Dolenc, 2011). From

the same authors is considered that the low participation rates especially among older workers is due no not willingness to participate in such programmes, lack of motivation and lack of awareness for positive effect that it has. In general, the Western Balkan economies should provide more investment and affords in the lifelong learning programmes not only because it is an expectations from the EU and the Lisbon Strategy but because it effects directly employment.

5.3 Active employment policies

Active labour market policies refer to expenditures on activities undertaken from the government and other public and private institution to help the unemployed people to go back to work by providing labour market training, assistance with job search, subsidizing employment and special measures for the disabled (Micevska, 2004). The active employment policies have reached a lot of popularity in EU and is also being popular in the Western Balkans countries as well. But still the governmental expenditures for labour policies in this region are at low level.

According to the table below the rates of expenditures for active labour market policies as % of GDP range from 0.05 % in Macedonia to 0.15 % in Croatia for the year of 2008 which is significantly below of the EU-15 average (0.74 %)

Table 2: Expenditures for active employment policies as % of GDP for 2008

Country	Active employment policies as % of GDP
Albania	n/a
Bosnia and Herzegovina	0.08
Croatia	0.15
Kosovo	n/a
Macedonia, FYR	0.05
Montenegro	n/a
Serbia	0.12
EU average	1.16

Source: Laporsek and Dolenc, 2011 and Micevska (2004)

In general the countries of Western Balkan spend less on active labour market policies compared to EU countries. In Kosovo, however, there has been a progress in this regard with the activities undertaken from the Ministry of Labour and Social Welfare. One of the activities of this Ministry was the establishment of 7 Work Canters across all the territory of Kosovo to help the unemployed people with professional advises to help them to find jobs and build their carriers and other activities. In addition, this ministry has developed policies for 2010, has built policy strategies and law infrastructures all to make the labour market perform better.

5.4 Social security system

This component of the flexicurity model appears to one of the most difficult component to achieve and it imposes the most cost consumption component. In Kosovo the situation is the worst as this country does not provide any unemployment benefits whereas as countries such as Montenegro provide 60 % of minimum wage which is 55 euro while in the other Western Balkan countries the unemployment benefits are even higher. In addition, in majority of the regional countries the duration of these benefits is up to 12 months while for older employees the duration is unlimited.

6. Conclusion and Recommendations

The countries of the Western Balkans, including Kosovo, have undergone through profound changes with the change of the regime from centrally planned to market based.

During the previous system, the labour market was characterized with full employment and high level of protection against any risks while the workers enjoyed high employment protection, job security and stability. The transition from planned economy to market based economy entailed a restructuring process at all levels and to be adjusted to the new system which affected both the supply and the demand for labour and as a result the labour markets of the Western Balkan countries had to adjust labour market deregulation as full employment and high protection could not be any longer maintained. From the mid '90's, these economies have experienced economic growth which did not reflect in better labour market performance as as such was considered as a "jobless growth". In addition, these economies and especially Kosovo has experienced persistent high rates of unemployment which was characterized also with youth and long-term unemployment.

Neo-liberal theory suggests than in case of long-term unemployment there is a need for higher flexibility and the deregulation of labour markets. On the other hand the European Commission since 2006 has shifted its focus on the proportion of "flexicurity" as a way out for the poor economies of the Western Balkans and for the all EU countries. As a result, the EU member states or the countries working towards the integration to the EU family have already been exposed to this model and have been provided with the instructions in order to create and implement their own flexicurity model as it is a tailor-made model. Flexicurity advocates a policy mix which balances the flexibility with security to response to the new employment and social challenges present in this globalized world.

The European Commission in its publication "Towards Common Principles of Flexicurity: More and better jobs through flexibility and security" (2007) has proposed four different pathways that Member States can follow for planning

and implementing the flexicurity policy. Since Member States vary considerably in their economic, social, political, cultural, institution settings, then also the combination of flexibility and security different. The same is applicable also for Kosovo because EC cannot find a single flexicurity model to fit all country, each country had to formulate its flexicurity policy based on its specifics

The Kosovo Government has adopted the Employment Strategy 2010 – 2012, which has become a central framework document. The strategy outlines the key labour market constraints to be addressed, particularly in the area of the investment climate, the education, skills and training system and the labour market institutions, regulations and policies. Establishment of effective labour market institutions to improve employability, ease transition in the labour market, contribute to better matching of demand and supply and help reintegrate vulnerable groups. This process implies undertaking several policy measures such as modernizing employment and training services and the development of a coherent Labour Market Information System (LMIS) and in line with the gender equality law on employment.

But in the regard to the notion of flexicurity, for Kosovo, it is also important to consider this model in order to impact the labour markets and to make them perform better. However, Kosovo still lacks behind in the achievement of the four component of flexicurity.

- From the Western Balkans countries, Kosovo is characterized with the most flexible work arrangements, indicating that the employers can hire and fire easily workers. In this regards there should be enforced law to protect employees for been easily fired. In addition should be promoted part-time jobs more as in Kosovo it reaches the level of 11.1% (SOK, 2012).

- The second component of lifelong learning is newly introduced in Kosovo and in this regards should be increased the number of participants in this programs and especially low-skilled, disabled and older workers.

- Regarding the active employment policies, Kosovo should work more in the development of policies which would help unemployed people in finding jobs, in creating their carries, to help self-employed peoples and to provide more employment incentives.

- The last component of flexicurity model, the social security system, needs to be a priority for the Government of Kosovo as this country in the region is the only one to not provide any unemployment benefits while all other countries provide some level of unemployment benefit with a duration of minimum 12 months and unlimited duration for older workers.

Even though, flexicurity model suggest to be important for labour market performance is required financial sustainability as it is a model that is highly costly, e.g. since one of the component of flexicurity is social security system than according to this model all the unemployed people should be provided with unemployment benefit.

List of References

- Betcherman G., Godfrey, M., Jain, Sh., Kuddo, A., Linden, T., and Miwa, K., (2007), "The Labor Market and Education and Training in the Western Balkans A Policy Note", forthcoming.
- Blanchard, O., (2002), "Designing Labor Market Institution", *unpublished* Cambridge.
- Cazes, S., and Nesporova, A., (2007), "Flexicurity: A Relevant Approach in Central and Eastern Europe", *International Labour Organization*, Geneva.
- Cazes, S., and Nesporova, A., (2003), "Labour Markets in Transition: Balancing flexibility and security in Central and Eastern Europe" *International Labour Organization*, Geneva.
- Central Bank of Kosova, (2009), "Financial Stability Report 2009," Central Bank of Kosova, Prishtina.
- Druska, V., Jeong, B., Kejak, M., and Vinogradov, V., (2001), "Assessing the problem of human capital mismatch in transition countries", *CERGE-EI*, Prague.
- European Commission, (2011), "Kosovo 2011 Progress Report", Brussels.
- European Commission, (2007), "Towards Common Principles of Flexicurity: More and better jobs through flexibility and security", Brussels.
- European Expert Group on Flexicurity, (2007), "Flexicurity Pathways: Turning Hurdles into Stepping Stones, Brussels, European Commission, 2007.
- Hoti, A., (2004), "Human Capital and Unemployment in Transition Economies: he Case of Kosova", Institute University of Prishtina, *Faculty of Economy and Riinvest Institute for Development Research*, Prishtina,
- International Monetary Fund, (2012), "World Economic Outlook, October 2013", Available from: <http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/weoselser.aspx?c=967&t=1>. [Accessed 9 ovember, 2013]
- International Monetary Fund, (2003), "Unemployment and labor market institutions: Why reforms pay off", *World Economic Outlook*, Washington DC.
- Karanauskytė, R., (2010), "Flexicurity in the Lisbon Strategy, Law Department Faculty of Economics and Law", Kaunas College.
- Laporsek S and Dolenc P (2011) "On The Way Towards Flexicurity In The Countries Of Former Yugoslavia" *International journal of economics and law* Vol. 1, No. 3 (2011)[70-77].

- Ministry of Labour and Social Welfare (2010), "Puna dhe Punesimi", Department of Work and Employment, Prishtina.
- Micevska M (2004) Unemployment and Labour Market Rigidities in Southeast Europe, the wiiw Balkan Observatory, Working Papers 049
- Novkovska, B (2006) Labour market flexibility and employment security in the Republic of Macedonia mimeo, Geneva: ILO.
- OECD (1999), Employment Outlook. Paris: OECD.
- Riboud, Michelle, Carolina Sánchez-Páramo, and Carlos Silva-Jáuregui (2002), "Does Eurosclerosis Matter? Institutional Reform and Labor Market Performance in Central and Eastern European Countries in the 1990s," World Bank Social Protection Discussion Paper No. 0202. Washington D.C.: World Bank.
- Statistical Office in Kosovo, (2013), "Rezultatet e Anketës së Fuqisë Punëtore 2012 në Kosovë", Prishtinë.
- Svejnar, J., (1999), "Labour Market in Transition Central and East European Economies", Handbook of Labour Economics, Vol. 3A, Amsterdam; North Holland.
- Topxhiu, R., Krasniqi- Xhelili F., and Mustafa, A., (2012), "Flexicurity and Labour Market in Kosova, *Economics and Finance Review*, Vol. 1(11) pp. 68 - 79.
- Vierbrock, E., and Clasen, J., "Flexicurity-a state- of- the art review", Working Paper on the Reconciliation of Work and Welfare in Europe (REC-WP 01/2009).
- Wilthagen, T. (2007) 'Flexicurity Practices', European Commission, Brussels.
- Wilthagen, T., and Tros, F., (2004) "The Concept of "Flexicurity: A New Approach to Regulating Employment and Labour Markets. Transfer, *European Review of Labour and Research*, Vol. 10, No. 2.
- Wilthagen, T., F. Tros, and H.V. Lieshout, (2003), "Towards "flexicurity"?: balancing flexibility and security in EU member states, Invited paper for the 13th World Congress of the International Industrial Relations Association (IIRA), Berlin.
- World Bank (2012), "In from the Shadow Integrating Europe's Informal Labour Market by Packard, Koettl and Montenegro".
- World Bank and IFC (2010), "Employing Workers Data".
- World Bank Indicators, (2009), "Indicators for 2009",