



Republic of Kosovo
Government
Ministry of Industry, Entrepreneurship and Trade
Department of Industry - Industrial Policy Division

SECTOR C

Manufacturing Industry



INFORMALITY IN EMPLOYMENT



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Abbreviations

TAK	- Tax Administration of Kosovo
KAS	- Kosovo Agency of Statistics
MIET	- Ministry of Industry, Entrepreneurship and Trade
ILO	- International Labour Organization

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Introduction

Informality in employment is pronounced all over the world, and the informal economy is usually more pronounced in countries with higher unemployment and lower income.

According to various definitions, an informal workplace is one with no formal employment agreement between employers and employees.

The problem of informality among employees, apart from having a negative impact on the state budget, is more worrying since informal employees do not have the opportunity to access the benefits related to formality, they cannot prove their work experience, are not entitled to annual vacations, medical leaves, do not even have the opportunity to complain about the termination of the employment relationship, etc.

Informal employment – that is work without a contract, legal protection or social security – is the most common employment arrangement in the world. According to the ILO, its share of total employment (SDG indicator 8.3.1) was 61% (2 billion workers) by 2016. In fact, informal employment constitutes a persistent, structural pillar of labour markets, especially in low- and middle-income countries. And while in the USA and the EU, informal employment is around 18% and 15% of the occupied labour force, respectively, figures are 53% for Latin America, and 88% and 77% in Africa and Asia (excluding China), respectively¹.

This report identifies the level of informal employment of sector C (Manufacturing Industry), in Kosovo, with the aim of creating a good environment for doing business, promoting sustainable employment in this sector and helping other institutions to implement their strategic documents such as the "National Strategy of the Republic of Kosovo for the prevention and combating of informal economy, money laundering, terrorist financing and financial crimes 2019-2023" etc.

¹ Scand of Work Environ Health [2022;48\(3\):169-172](#), <https://doi.org/10.5271/sjweh.4024>

Methodology

The methodology for drafting this report is based on the quantitative and qualitative data of the Statistics Agency of Kosovo, as well as other documents on the informal economy.

The data has been analysed with a focus on the Manufacturing Industry sector (Sector C), for the preparation of the analysis to assess the degree of informality in employment according to industry activities during the period 2017-2021.

These data have been processed and analysed by MINT staff, specifically by statistics processors and Industrial Policy drafters in the Department of Industry / Industrial Policy Division.

For all the data used in this report, the calls or the source of the information are noted.

The causes of informality

Informality is a complex challenge, with multiple drivers and variation based on national circumstances. In the academic literature, there are two main schools of thought about the causes of informality. Both schools of thought offer important insights. Informality is a complex and multifaceted phenomenon, not one that can be ascribed to a single cause.²

According to various authors, the main reason for informality in business is in micro and small enterprises, mainly in developing countries, due to the reason that part of the employment is concentrated in primary production, using traditional methods and the activities are mainly carried out by the owners themselves.

The manufacturing industry sector in Kosovo has a more organized structure compared to other sectors and informality in this sub-sector is lower compared to sectors such as agriculture and construction.

The reasons for informal employment are of different natures, however, based on discussions with businesses in the manufacturing sector, one of the main reasons is short-term employment where qualified workers cannot be found. This is also related to the World Bank report "Kosovo Jobs Diagnostic", where it is specified that Inadequate Education is a major constraint for larger firms. Among small firms (5-19 employees), 19 percent identified inadequately educated workforce as the main constraint, while in medium-sized firms (20-99 employees) this increased to 32 percent, and among large firms (100+ employees) 43 percent considered it as a limitation.

One of the issues that can influence informality and that is least likely to have a formal work agreement is precarious employment, where according to the Labour Force Survey Q1 2022, 11.6% of employed people worked in precarious jobs. Workers in precarious jobs are either self-employed persons with no employees, or those who work for free in a family business. Employees in professional fields and people with a high level of education are less likely to be employed in precarious jobs.

² The Informal Economy: an Employer's Approach, <https://www.ioe-emp.org/index.php?elD=dumpFile&t=f&f=155931&token=27b9b511c79c9bd920ca46fb21517f9074209889>

Enterprises by sub-sectors in regions

The sectoral analysis in this report includes the manufacturing industry, according to NACE Rev2, the sub-sectors listed by codes, 10 to 33, within Sector-C. This part of the report analyses the data related to the enterprises.

From the data presented, it can be observed that sector C has 5,984 enterprises, and of the total enterprises sector C participates with about 13.5%.

Table 1. Percentage of enterprises according to sub-sectors in regions 2021

Code	Sector-C	Prishtina	Prizren	Ferizaj	Pejë	Gjilan	Mitrovicë	Gjakovë
10	Food products processing	29.75	20.73	10.60	9.99	7.73	8.69	12.52
11	Manufacture of beverages	13.73	11.76	9.80	15.69	14.71	2.94	31.37
12	Manufacture of tobacco products	28.57	14.29	0.00	14.29	14.29	0.00	28.57
13	Manufacture of textiles	30.64	13.29	18.50	6.94	9.83	6.94	13.87
14	Manufacture of apparel	25.43	18.29	10.00	6.00	10.86	7.14	22.29
15	Manufacture of leather and related products	28.21	33.33	10.26	12.82	2.56	7.69	5.13
16	Manufacture of wood and wood products and cork	19.77	12.67	13.44	14.97	13.82	10.17	15.16
17	Manufacture of paper and paper products	40.20	20.59	16.67	7.84	4.90	1.96	7.84
18	Printing and reproducing recorded media	51.67	10.56	6.67	7.78	5.56	6.11	11.67
19	Manufacture of coke and refined petroleum products	25.00	12.50	37.50	12.50	0.00	12.50	0.00
20	Manufacture of chemical products	38.89	13.49	13.49	6.35	10.32	7.94	9.52
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	100.00	0.00	0.00	0.00	0.00	0.00	0.00
22	Manufacture of rubber and plastic products	27.46	17.62	13.64	7.94	13.64	7.77	11.92
23	Manufacture of non-metallic mineral products	23.12	19.45	14.86	11.38	9.91	7.71	13.58
24	Metal manufacturing	28.91	17.19	16.41	7.03	8.59	6.25	15.63
25	Fabricated Metal Product Manufacturing	25.71	14.81	15.84	11.82	12.08	7.01	12.73
26	Manufacture of computers, electronic and optical products	60.71	21.43	3.57	3.57	3.57	7.14	0.00
27	Manufacture of electrical equipment	34.09	18.18	15.91	2.27	4.55	4.55	20.45
28	Manufacture of machinery and equipment n.e.c	31.58	18.42	13.16	7.89	13.16	2.63	13.16

29	Manufacture of motor vehicles, trailers and semi-trailers	33.33	16.67	16.67	16.67	0.00	16.67	0.00
30	Manufacture of other means of transport	33.33	11.11	0.00	0.00	22.22	11.11	22.22
31	Manufacture of furniture	20.95	9.47	38.98	8.01	8.93	8.20	5.46
32	Other manufacture n.e.c.	33.96	9.43	14.15	21.70	5.66	3.77	11.32
33	Repair and installation of machinery and equipment	41.51	8.49	16.04	7.55	7.55	11.32	7.55

Source: Kosovo Agency of Statistics

With the highest percentage of enterprises in Sector C, the Prishtina region leads with 27.77%, followed by the region of Prizren with 16.34%, region of Ferizaj with 15.34%, region of Gjakova with 12.83%, region of Peja with 10.01%, region of Gjilan with 9.94% and the region of Mitrovica with 7.75% of enterprises in sector C.

As for the sub-sectors, the largest number of enterprises is in the "Food products processing" sector with 1462 enterprises or 24.4%, followed by the "Manufacture of rubber and plastic products" sector with 579 enterprises or 9.7%. "Production of furniture" ranks third sub-sector with 549 companies or 9%, "Manufacture of wood and wood products and cork" ranks fourth by with 521 or 8.7%.

Manufacture of beverages sub-sector with the highest percentage is concentrated in the region of Gjakova, Manufacture of leather and related products sub-sector is mainly concentrated in the region of Prizren, Manufacture of coke and refined petroleum products and Manufacture of furniture sub-sector is concentrated in the region of Ferizaj, while other sectors with higher percentages are distributed in the region of Prishtina.

Number of employees by sub-sectors

Comparative data in table no. xx show that, during the last five years, there has been an increase in employment, in 2021 there has been an increase of 14%, compared to 2020.

Sector C- Manufacturing industry, in the rate of employment by economic activity, participates with 11.8%.³

Table 2. Employees by sub-sectors, data of registered employees

Code	Manufacturing industry	Number of employees				
	Sector-C	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
10	Food products processing	5,622	6,153	6,725	8,081	9,902
11	Manufacture of beverages	1,685	1,822	1,823	2,138	2,221
12	Manufacture of tobacco products	80	25	44	26	74
13	Manufacture of textiles	835	817	629	802	809
14	Manufacture of apparel	746	857	856	1,151	1,610

³ Kosovo Agency of Statistics/Statistical Yearbook, 2022.

15	Manufacture of leather and related products	428	430	379	420	406
16	Manufacture of wood and wood products and cork	1,212	1,390	1,429	1,766	2,389
17	Manufacture of paper and paper products	450	430	463	720	646
18	Printing and reproducing recorded media	580	586	709	785	962
19	Manufacture of coke and refined petroleum products	49	62	109	116	179
20	Manufacture of chemical products	561	642	624	762	946
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	219	94	89	103	118
22	Manufacture of rubber and plastic products	2,270	2,374	2,793	3,513	3,661
23	Manufacture of non-metallic mineral products	3,588	3,796	4,454	5,082	5,469
24	Metal manufacturing	1,039	1,051	1,110	1,280	794
25	Fabricated Metal Product Manufacturing	2,236	2,471	2,494	3,112	3,065
26	Manufacture of computers, electronic and optical products	48	54	48	71	80
27	Manufacture of electrical equipment	189	228	215	224	261
28	Manufacture of machinery and equipment n.e.c	104	122	131	174	274
29	Manufacture of motor vehicles, trailers and semi-trailers	31	36	47	53	111
30	Manufacture of other means of transport	49	43	44	54	55
31	Manufacture of furniture	1,862	2,314	2,608	3,833	4,915
32	Other manufacture n.e.c.	172	219	266	281	430
33	Repair and installation of machinery and equipment	62	82	89	144	181
	Total	24,117	26,098	28,179	34,691	39,558

Source: Kosovo Agency of Statistics

As for sub-sectors, the largest number of employees in the last five years falls under the "Food products processing" sector, where in 2021 there are 9,902 employees or 25%.

In the sector "Manufacture of non-metallic mineral products" there are 5,469 employees or 14%, sector "Manufacture of furniture" ranks third with 4,915 employees or 12%, "Manufacture of rubber and plastic products" ranks fourth with 3,661 employees or 9%.

Number of employees by sub-sector according to the labour force survey

Comparative data in table no. 3, show that over the years, there has been a decrease in employment, and in 2021 there has been a decrease of -3.5%, compared to 2020.

Sector C- Manufacturing industry, in the rate of employment by economic activity, participates with 12%.

Table 3. Employees by sub-sectors, labour force survey data

Code	Manufacturing industry	Number of employees				
	Sector-C	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
10	Food products processing	11,497	7,455	7,146	7,677	8,017
11	Manufacture of beverages	1,002	926	1,927	2,374	1,702
12	Manufacture of tobacco products	97	60	-	17	-
13	Manufacture of textiles	1,079	998	2,065	1,937	1,089
14	Manufacture of apparel	1,434	935	768	1,510	2,215
15	Manufacture of leather and related products	530	648	855	633	612
16	Manufacture of wood and wood products and cork	2,969	1,563	2,959	2,789	2,644
17	Manufacture of paper and paper products	561	494	612	693	737
18	Printing and reproducing recorded media	210	308	649	752	579
19	Manufacture of coke and refined petroleum products	166	507	340	422	218
20	Manufacture of chemical products	95	602	605	592	775
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	-	66	249	334	398
22	Manufacture of rubber and plastic products	3,040	3,257	3,922	3,138	1,434
23	Manufacture of non-metallic mineral products	2,634	3,333	5,052	4,970	3,581
24	Metal manufacturing	942	1,248	1,766	1,616	1,834
25	Fabricated Metal Product Manufacturing	2,473	2,966	3,092	3,232	4,929
26	Manufacture of computers, electronic and optical products	20	81	565	326	17
27	Manufacture of electrical equipment	168	805	2,087	472	420
28	Manufacture of machinery and equipment n.e.c	22	111	110	50	195
29	Manufacture of motor vehicles, trailers and semi-trailers	115	23	68	-	92
30	Manufacture of other means of transport	-	-	201	65	48
31	Manufacture of furniture	4,774	4,730	4,593	3,695	4,719
32	Other manufacture n.e.c.	5,949	2,405	1,810	964	690
33	Repair and installation of machinery and equipment	7,677	2,349	2,227	3,227	3,089
	Total	47,454	35,870	43,668	41,485	40,034

Source: Kosovo Agency of Statistics

As for sub-sectors, "Food products processing" sub-sector employs the largest number of employees where in 2021 there are 8,017 employees or 20%.

In the "Fabricated Metal Product Manufacturing" sub-sector there are 4,929 employees or 12%, "Manufacture of furniture" sub-sector ranks third with 4,719 employees or 11.7%, "Manufacture of non-metallic mineral products" ranks fourth with 3,581 employees or 9%.

Informality of employment in Sector C

In table no. 4, the employment data according to TAK were compared with the employment data according to the survey. According to these data, it results that in the last five years there has been a decrease in informality in employment as regards Sector C.

From the total of 24 sub-sectors of Sector C, 12 presented in table 4 indicate informality which can be handled by the relevant institutions.

Table 4. Identification of sub-sectors with higher informality

No.	Identified sub-sectors with higher informality (comparison between table 2, registered employment and table 3, according to the labour force survey)	Distribution of sub-sectors by the percentage of the number of registered enterprises based on regions (Table 1)
1	Repair and installation of machinery and equipment	In this sub-sector, 41% of enterprises operate in the region of Prishtina.
2	Manufacture of basic pharmaceutical products and pharmaceutical preparations	In this sub-sector, 37.50% of enterprises operate in the region of Ferizaj in the region of 25% in the region of Prishtina.
3	Metal manufacturing	In this sub-sector, 28.91% of enterprises operate in the region of Prishtina
4	Other manufacture n.e.c.	In this sub-sector, 33.96% of enterprises operate in the region of Prishtina, 21.7% in the region of Peja.
5	Manufacture of electrical equipment	In this sub-sector, 34.09% of enterprises operate in the region of Prishtina, 20.45 Gjakova
6	Fabricated Metal Product Manufacturing	In this sub-sector, 25.71% of enterprises operate in the region of Prishtina.
7	Manufacture of leather and related products	In this sub-sector, 33.33% of enterprises operate in the region of Prizren, 28.21% in the region of Prishtina.
8	Manufacture of apparel	In this sub-sector, of enterprises operate in the region of 25.43% of enterprises operate in the region of Prishtina, 22.29% in the region of Gjakova

9	Manufacture of textiles	In this sub-sector, 30.64% of enterprises operate in the region of Prishtina, 18.50% in the region of Ferizaj
10	Manufacture of coke and refined petroleum products	In this sub-sector, 37.5% of enterprises operate in the region of Ferizaj, 25% in the region of Prishtina
11	Manufacture of paper and paper products	In this sub-sector, 40.2% of enterprises operate in the region of Prishtina, 20.59% in the region of Prizren.
12	Manufacture of wood and wood products and cork	In this sub-sector, the distribution of enterprises is almost the same in all regions.

Based on table 4, it is reflected that the sub-sector with the most informality in employment is "Repair and installation of machinery and equipment" followed by "Manufacture of basic pharmaceutical products and pharmaceutical preparations", "Metal manufacturing", etc.

Table 4 also reflects the distribution of sub-sectors by the percentage of the number of enterprises registered according to regions and not the percentage of informal businesses.

The percentage of registered enterprises distributed in regions, guides the identification of the highest employment informality for the sub-sectors presented in the table.

Conclusions:

- Informality in employment according to sector C, is higher in sub-sectors where micro enterprises are concentrated;
- Informality in employment is higher in enterprises that deal with handicrafts and where the level of education is lower compared to other sub-sectors.