



Republika e Kosovës
Republika Kosova - Republic of Kosovo

Qeveria - Vlada - Government

Ministria e Industrisë, Ndërmarrësisë dhe Tregtisë

Ministarstvo Industrije, Preduzetništva i Trgovine - Ministry of Industry, Entrepreneurship and Trade

Department of Industry - Industrial Policy Division

Decent Wage in the Manufacturing/Processing Sector

INTRODUCTION

A decent wage is a monthly payment that is sufficient to afford a decent standard of living for a worker and his family. It should be sufficient to provide all basic needs, as well as some income to cover unexpected expenses.

In most countries, a decent (living) wage is higher than the government-mandated minimum wage, and as a result, many business owners rely on the government-mandated minimum wage. However, the logic of determining the wage in this way is wrong and businesses may face problems to find employees in the future.

Different authors think that the decent wage should be seen by businesses as an investment for success and not as a cost to alleviate workers' dissatisfaction.

At the general level, a decent wage can strengthen the stability, performance and sustainability of the value chain. It should come as no surprise that many businesses point to a direct correlation between supplier performance and employee treatment.¹

Based on the principle that it is not up to the business community alone to address this issue, there is good reason for governments to undertake initiatives and incentives to encourage businesses to reflect on the provision of decent wages for employees.

The data in this document present the selected enterprises with the highest average wage of the manufacturing/processing sector and not all manufacturing/processing enterprises.

METHODOLOGY

The methodology for the execution of this activity is based on the quantitative data of the Tax Administration of Kosovo and the qualitative data received from the visits to enterprises with the highest average wages paid to employees.

A total of 100 enterprises with the highest average wage for the month (January-June, 2023) have been accepted by TAK, the data has also been completed with the number of employees. For the calculation of the points, two criteria were taken as a basis, the criterion with 70% for the highest average wage, 30% for the largest number of employees.

Enterprises are grouped by size: micro-enterprises with up to 9 employees, small enterprises with 10-49 employees, medium-sized enterprises with 50-249 employees and large enterprises with more than 250 employees.

After grouping enterprises by size, enterprises are ranked according to the highest number of points.

The highest-scoring enterprises by enterprise size, specifically 30% of enterprises out of the 100 highest-paying enterprises, were contacted by telephone and visited by DI/IPD staff to verify whether the enterprise is engaged in manufacturing, to see the environment where employees work and other conditions. After collecting the data from the field, the data of the visited enterprises were filled in and the results of the analysis were further processed.

Business Activity

The Law on Business Organizations provides the definition of economic activity as, "Business Activity - any type of regular or repeated activity involving the offering, providing or producing of goods, services, property and/or works to or for any Person or Business Organization in return for or in expectation of any type of payment or compensation; provided, however, that an employee who provides services to his/her employer shall not be considered to be conducting "Business Activity" to the extent such services are required by and compensated pursuant to the employee's contract of employment with the employer".

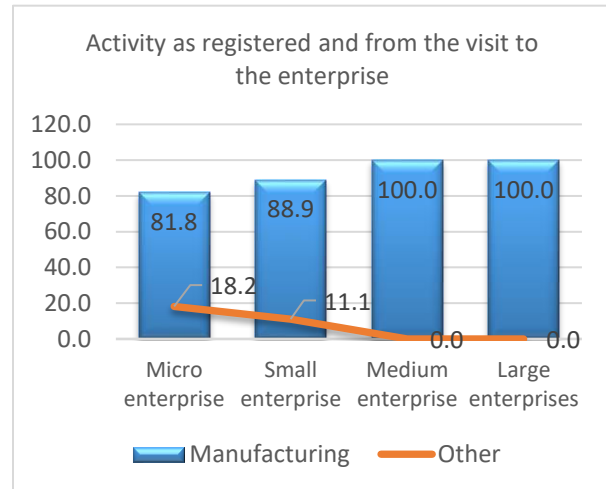
The main activity of some enterprises does not coincide with what is registered; moreover, during the visit to the enterprises that paid the highest average wage, it was found that there is a change in the main activity, which activity was not officially changed or completed in the KBRA data.

According to figure 1, 18% of micro enterprises that offer the highest average wage in the manufacturing/processing industry have practically changed their activity and do not deal with manufacturing while in the registers of KBRA and TAK their main activity is shown to be manufacturing/processing.

Also, 11% of small enterprises, which in the KBRA and TAK registers are found as enterprises having manufacturing/processing the main activity, have transitioned from the manufacturing/processing activity to other activities.

In medium and large enterprises that offer a higher average wage, there is no change of the main activity.

Figure 1. Activity according to the registration and the real situation during the visit



Source: visit to enterprises by DI/IPD

Employment contracts

An employment contract is a legally binding agreement between an employer and an employee that is used to define the employment relationship.

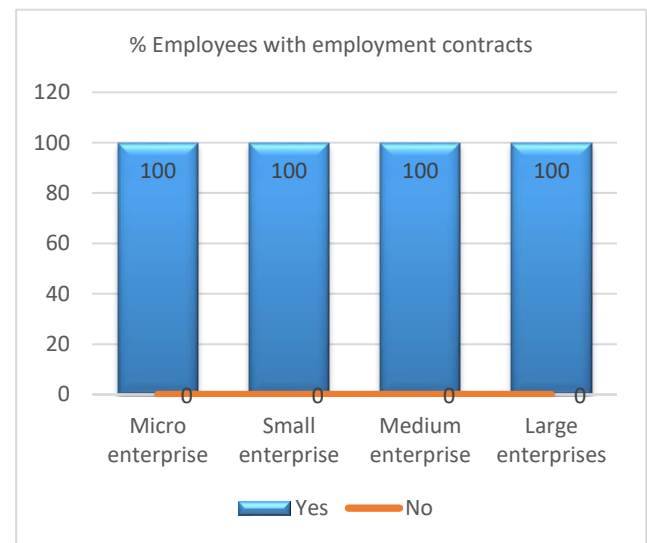
One of the main criteria of a decent wage is the contract and compliance with the contract for employees.

Figure 2 reflects the insurance of employees with employment contracts; taking into account that the enterprises with the highest average wage were selected and visited, then the results show that at the level of these enterprises, in all four categories, it is stated that employees have employment contracts and the working hours are respected according to the terms of the contracts and the Labor Law.

The employees in this selected category of enterprises have declared that employment contracts are complied with as regards the working hours, overtime compensation, annual holidays, sick leaves, etc.

In the micro and small enterprises of the manufacturing/processing industry, it is observed that the management or supervision of the implementation of the contracts is not regularly done through any responsible person, even though they declare that they are respected, whereas in the majority of medium and large selected enterprises with the highest average wage, staff roles are defined and have a good organizational structure, where the administration staff deals with contracts and their implementation.

Figure 2. Employees with employment contracts



Source: visit to enterprises by DI/IPD

Health Insurance for employees

In Kosovo, there is a Law on Health Insurance, although the residents of Kosovo are still not offered public health insurance, with the exception of some companies that are applying health insurance for employees.

The companies of the processing/manufacturing industry selected with the highest average wage were contacted, and based on the statements of the representatives of the companies, it turns out that health insurance has been implemented in about 11% of small companies, 40% of medium-sized companies and 66% in selected large enterprises of the manufacturing/processing industry offering the highest average wage for employees.

Working conditions

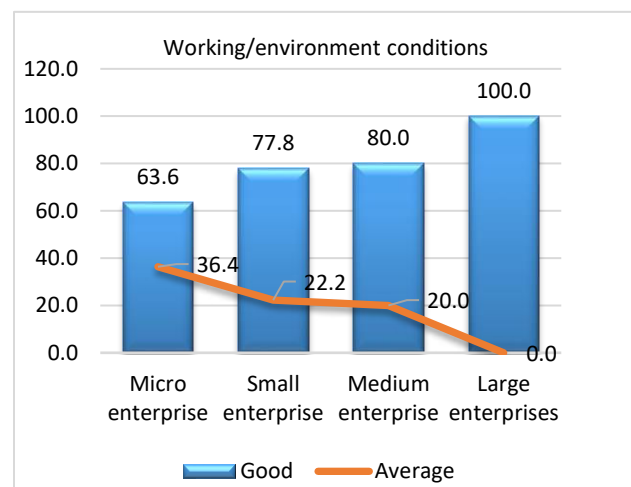
Understanding the management of enterprises is essential for the approach to employees; in this case, large and medium-sized enterprises have understood that within the enterprise a work environment must be created which offers employees more opportunities for development, more power to achieve success, effectiveness at work.

It is important for the manufacturing/processing enterprises in the medium and large categories with the highest average wage, to understand that the conditions of today's economy require a good environment for work, starting from the physical aspect of the workplace, the provision of training, career advancement, additional wages, etc.

It is more than necessary to improve human capital in order to increase productivity, increase wages and improve working conditions in general.

Large enterprises offer better working conditions/environment than their small and especially micro competitors. Financial conditions affect owners of micro enterprises who in the manufacturing sector find it more difficult to offer working conditions compared to their large competitors, which then makes it difficult to find and retain qualified workers.

Figure 3. Working/environment conditions in manufacturing/processing sector enterprises



Source: visit to enterprises by DI/IPD

Conclusions

- The availability of reliable and comparable statistical data is not at the right level, where a number of micro and small enterprises, in the registers of KBRA and TAK, have presented manufacturing as their main activity while their main activity is trade or services.
- Health insurance has been implemented in a significant number of businesses with higher wages, specifically in large and medium-sized manufacturing/processing enterprises.
- Respect and effective recognition of the right to decent and sustainable work, including safe working conditions, is a fundamental element, in this case large enterprises with higher average wages and a number of medium and small enterprises, offer good working conditions, however there is a lack of promotion that good working conditions are offered in some enterprises of the manufacturing sector.

Recommendations

- Work on the availability of reliable and comparable statistical data, the enterprises of the production/processing sector in the case should update the KBRA data when transitioning to another business activity.
- Developing activities, or within promotional activities, enabling the promotion of decent and sustainable work in all activities of manufacturing enterprises.
- In cooperation with the social partners, work must be done for safe and healthy workplaces, in accordance with the relevant instruments of the ILO.

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