Public-sector wages in Kosovo and likely implications on the macro-fiscal stability and social cohesion

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EXECUTIVE SUMMARY

This policy brief aims at contributing to a founded debate on wage policies delivered by the government budget in a broader context regarding the potential impacts on the macroeconomic situation, fiscal and budgetary stability, and social cohesion. The developers and implementers of this policy need to conduct a critical, comprehensive analysis of the current state of affairs in order to remedy some actions in this sector that have been the product of an improvised governance and ad hoc decisions. As a result of these actions, the share of government wages in GDP and the budget has, in most cases, reached beyond the reasonable limits for the country's development stage and beyond the policies recommended by other empirical researches. This situation is evident even without the effects of the newly approved Law in the spring of this year, but which enters into force with the December wages. The impacts of the law will be known in 2020 and later on, significantly worsening these aforementioned reports. Even before this Law, there have been clear instabilities that have led to the volume and increase of budgetary wages being outside the fiscal rule which stipulates that any changes on government wages should be in line with economic growth.

All of this has made the level of government wages to go beyond the reasonable limits and beyond the budgetary capability and rationality to the level of economic development of the Republic of Kosovo. Thus the average annual government wage has reached twice the GDP per capita, much higher than in other countries in the region, and this seems to be beyond the government capabilities to prevent disbalance in other budgetary sectors.

According to the report on the budget execution of 2018, capital expenditures account for only 26.7% of expenditures, while wages account for 30%, taking into account the investment clause and one-off income in investment resources. This is a direct result of the recent changes in the government budget. This shows disparate relations on wage policy regarding the desired and more harmonious proportions between the categories that the budget needs to provide. Average public sector wages are 40-50% higher than average private-sector wages, and this has a disruptive effect on the labour market and the overall competitiveness of Kosovo’s economy.

The real impact of the new Law on Wages on the budget structure does not seem to be fully known and calculated. This law will affect the amount of wage increases judged by the Medium Term Expenditure Framework in 2020 to increase between 5.4% - 11.2%, and in the extreme case, if the wage scale reaches 730m euros, the increase will be 17.7%, compared to the previous year. This will reduce the scope for budget increases for other destinations, in particular for capital investments, investments in education, health and increase the competitiveness of the economy. Without this, the government will be forced to increase public debt, especially internal debt, which has experienced an increased rate over the last 3 - 4 years. Therefore, the Government of Kosovo must urgently consider these actions and develop consistent and sustainable policies in this area.

RECOMMENDATIONS

1. The Assembly of the Republic of Kosovo and the Government should accurately evaluate the effects of the new Law on Wages in Public Sector and take the necessary measures to avoid its negative impacts on budgetary stability; should set 2-3- or medium-term targets to mitigate its negative impacts on expenditure structure, particularly on capital spending, the budget increase for education, health, research and innovation or its impact on public debt growth. If this is not possible, a review of this Law is suggested before it comes into force;
2. To achieve the aforementioned objective until the necessary budgetary and development ratios and targets are reached, there must be a rigorous selection of new employment in the budget sector and the increase of wages in this sector must be stopped;
3. Sustainable source-revenue budgeting policies are suggested, where capital expenditures should have the weight, the largest share of budget expenditures even without including one-off revenue and investment clause. The percentage of investments/capital expenditures in budget expenditures, serviced by primary sources, should in no case be below 32-35% of the budget;
4. The wage levels for certain categories and occupations should aim to follow the average of the private sector for the given category. It seems that budgetary categories are now privileged relative to the private sector (except perhaps physicians), therefore, eventual harmonisation should start from this fact to reduce the very high premium on government employees' wages compared to the private sector;
5. It is suggested that the internal distribution criteria be further advanced and gradually based on accountability and remuneration - performance-based pay, in line with economic growth and the level of economic development of the country.

1. INTRODUCTION

The issue of public sector wages, especially those provided by the government budget (civil servants) often comes as the central topic for debates and the attention of the general public, not only because of their weight within the government budget but also for reasons of its sensitivity in terms of social cohesion in society. The law for government wages often consciously reflects on the opinion - taxpayers and voters, how much they are receiving in return for the taxes they pay, and adequate service from their political representatives in the Government and Assembly, and generally from civil servants. Thus, the question that first comes up is how much the public sector wages are fair concerning the level of economic development and budgeting possibilities, how much do those wages turn into accountable public accountability service, which is the ratio of internal distribution and the criteria that influence this internal distribution, how coherent this ratio is and how much it contributes to social cohesion.

This short report is being prepared as part of the Riinvest Debates project, a series of debates by a permanent panel of experts on issues of economic and social development. This is the seventh topic in a row, following debates on public debt management, industrial policies, trade policies, economic trends in the region, and subsidies. This project supported by KFOS aims to raise the level of debate on economic developments in the country.

Kosovo's public sector wages, especially those provided by the budget, were put in the public eye following the Government's decision to significantly raise wages for some positions of public officials, in some cases more than double. This was also considered a conflict of interest because the question arose as to whether the government could raise its wages or that wages should be set according to the criteria set out in the law approved by the Assembly. However, such a law did not exist for a long time, therefore, the payroll policy for civil servants, separately and generally wage increases and decisions taken have been accompanied by improvisation and arbitrary decisions, with variations in wage levels, with their ad hoc increase, and more often than not as a pawn of electoral campaigns, as was the case with the 2010 and 2014 parliamentary elections. While according to our research, up until 2010 the average wage for the private sector was higher than that in the public sector, the situation is changing after these decisions. Among different clashes and strikes in many sectors, the Government of Kosovo drafted the Law on Wages in Public Sector, which was approved by the Assembly and entered into force sometime in December 2019. However, it was not clarified what the analytical basis of this law was, what were the principles and criteria that preceded it, what were its implications for macro-fiscal stability and other categories of government spending - especially investment or capital expenditure, what is its impact on the changes (disruptions) of the labour market and for wages in the private sector, and why its implementation comes into force so late (lack of budget money, or the like). This brief report aims to briefly address some of these issues. What is clear, without going deeper into the analysis, is that the law breaks the fiscal rule approved by the Assembly and accorded to the International Monetary Fund (IMF) that wage increases should follow the pace of economic growth, namely GDP.[1]

This Report has been prepared through a secondary survey, using data on the weight and structure of wages in the European Union and especially in the region based on European Commission, World Bank, IMF and The Vienna Institute for International Economic Studies (wiiw) publications. Additionally, we used other data from partner institutions in the region especially for the wages of certain categories and professions in the public sector.

The report first discusses some principles related to consistent and sustainable wage policies, then aims to provide regional comparisons with the answer on how much public sector wages and salary account is in line with economic development and Kosovo's budgetary possibilities. Furthermore, it presents the potential implications of the new Law on Wages in the Public Sector for coherent budgetary policies - in particular on public investment, education and health spending, and potential implications for macroeconomic stability. The report also gives some recommendations.

[1] The fiscal rule provides that budgetary revisions have a neutral impact on the deficit; the budget deficit should be limited to 2 percent of GDP; the public wage bill to have a constant share to nominal GDP; debt limit of 40 percent of GDP, or 30 percent of the capital investment exemption from the deficit rule, according to the "investment clause".

2. SOME PRINCIPLES AND ASPECTS OF WAGE POLICIES IN THE PUBLIC SECTOR AND EFFECTS IN THE MACROECONOMIC STABILITY

The explanation of the public sector payment system, the criteria and policies for the construction and implementation of this system most of the time has a centralized character, i.e. it is conducted under the guidance of the central government. This is also the case in EU countries and the region with some exceptions (Grimshaw, 2013). It is considered that in this way the government holds in hand an instrument that enables it to improve the coordination and ensure a more effective influence on economic performance and wage changes. Moderation in the wages in the public sector can have a positive effect on the labour market and on the competitiveness of the economy. The two most important components of the account (weight) of public sector wages relate to (a) the number of employees in the government / public sector, and (b) the amount of wage per employee (average wage) in the sector. If an optimal solution is not found in these two aspects then the impacts can be negative in many respects; both in the competitiveness of the economy, in government spending outside the standards and parameters of social cohesion and in macroeconomic and fiscal stability and in could lead to labour market disbalances. The European Central Bank considers that changes in the volume, amount and structure of these wages cannot be made outside the context of wages in the private sector (Pérez et al., 2016). It is considered that prudent and rational changes in government wages can generate favourable conditions in the medium-term labour market and especially in the long run in terms of competitiveness benefits and efficiency of the private sector. So in this case, public sector wages can have a positive spill-over effect on the whole economy (Stepanyan dhe Leigh, 2015).

Of course, this issue is deeply intertwined especially with the size and breadth of government, i.e. with government spending, but also with its performance and efficiency. There is empirical research on public sector performance that points out that the greatest positive effect on economic growth in terms of public spending is in the health and education sectors (Afonso dhe Alegre, 2011). According to Alesina et al. (2002) the impact that wages in public sector have on wages in the private sector is quite evident. Because of its responsibility in reducing the share of public sector wages in GDP, private consumption and wages fall, but investment and exports increase, thanks to increased competitiveness. Notwithstanding, the size and quality of the public sector workforce and the importance of creating rules and reports that influence its behaviour and performance cannot be excluded (Schiavo-Campo et al., 1997). Therefore, the overall goal within the public sector wage policy is to create a sector of one compact size, ethical and with accountable employees, who provide quality public services by delivering the functions per specific requirements of a country.

Taking into account the specific weight it has in the framework of budgetary spending a wage policy can have an essential influence on the quality and results of fiscal policy. Wage expenditures account for about 1/5 of government spending in developed economies and close to 30% of these expenditures in new market economies and low-income countries according to the World Bank classification (Dybczak dhe Garcia-Escribano, 2019). Inadequate wage policy and especially if their increase affects other categories of budget expenditure (capital expenditure, social security package, poverty reduction, investment in education and health) can lead to a deterioration of the budget balance sheet (deficit), and consequently, increase in public debt. If the increase in wages in the public sector is done at the expense of tax increases, this would diminish the competitiveness of the economy and it is understood to have adverse effects by reducing economic growth rates. A study
of the IMF experts finds that the increase of the public sector wage share in GDP by 1%, potentially exacerbates the budget deficit by 0.5%. Another well-known fact is that the once-raised wages are difficult to reverse, or even deduct.

We can use some indicators in order to define effective wage policies in the public sector and which are interlinked with the level of the wage account, as we discussed has importance and many effects in the budget and the overall macroeconomic configuration. Through them can be made regional and international comparisons and draw conclusions on the level, structure, and justification of the public sector wage account and determine the optimal scope within this category in the function of welfare and social cohesion, quality public services and economic growth. Below we present some of the key indicators that can serve as instruments to shape an adequate wage policy, with the following explanations (based on: World Bank, 2001):

1. The size of the public employment sector, which can be estimated through indicators (a) the number of public/public sector employees as a percentage of the population and (b) the number of state / public sector employees as a percentage of the total number of employees in a country; this indicator reflects the size of government which determines the government spending as well. According to empirical studies, when the employment rate of this sector grows faster than the percentage of GDP growth or population growth, this will be followed sooner or later by a distortion in the budgetary or macroeconomic configuration in the form of a growth rate, budget deficit, public debt or budget cuts for other necessities;

2. For international comparisons, the following may be used as indicators: (a) percentage of state / public sector wages in GDP which should reflect how much of the wage volume is in line with economic development and social capacities. This indicator varies in different countries by 5-25%, but in most countries, as a

benchmark, it is usually around 5-10%. (B percentage of wages in the public sector in government spending (budget) shows the extent of state / public sector wages in comparison with other needs, this indicates whether a fair balance has been achieved. In this respect, a wage contribution of around 25% to the state budget is taken as an adequate measure, an increase beyond that is considered to be harmful to other needs - goods and services, maintenance, social security package and capital expenditures, especially for education and health needs;

3. The average wages in the public sector as a single indicator or as a percentage of GDP per capita reflects how much public sector employees share the fate of a country's wage development and overall productivity levels, allowing for a comparison with other countries. Consequently, this shows whether the employees in this sector are overpaid or underpaid compared to the country's general living standard. This indicator also enables comparison with the average wages in the private sector and the potential implications discussed above.

4. The compression ratio of public sector wages - which expresses the difference between the highest wage and the lowest wage in this sector, to see whether they are reasonable differences between two poles and inside various employees' categories and jobs in the sector. An international standard of this compression level ranges in ratio 1 (the lowest wage) to 7 (the highest wages) from the government budget. Nevertheless, there are many variations to this;[2]

5. Comparison with the private sector has multiple implications for the labour market and on the competitiveness of the economy as discussed above. The public/government sector is facing a market-verified output, thus wages should be comparable to the same skills and qualifications and to similar jobs in the private sector. This could be tested through indicators such as (a) average public sector wage to average wage in the production (industry), (b) average public sector wage to average wage in the financial sector, and (c) the ratio between average wage in the public sector and average wages in the private sector. While there isn't any established framework for the rapport in these relations, the amount of the wage raise should take into account an incentive within budgetary possibilities. Here comparisons to GDP and population are useful as a correctional and starting point.

[2] So this ranges from 3: 1 when we have low compression to 20: 1 when we have a high compression (World Bank, 2001).

Among a multitude of international experiences regarding the principles and criteria for determining public sector wages and its payment structure, the literature and advanced practices have come to some starting principles:

- Same wage for approximately the same job;
- Differences in wages should be based on differences in the complexity of the work, responsibility and qualification;
- The level of remuneration in the government sector should be comparable to that of the private sector.

Modification and revision of wages should be subject to these criteria in order to ensure its validity and maintain fiscal stability, the competitiveness of the economy and social cohesion. It is also essential that there is individual responsibility/accountability associated with the relevant consequences. Rewards and acknowledgments but also sanctions matter less than fairness, transparency, and security in implementing a payment policy that illustrates the responsibility for using public money.

3. WAGES IN PUBLIC SECTOR IN KOSOVO AND BUDGETARY, MACROECONOMIC AND SOCIAL CONSIDERATIONS

When it comes to the public sector wages as an instrument of government, it should be borne in mind that they are very important in guiding general wage policy and affecting private-sector wages and the overall competitiveness of the country's economy.

According to the data, Kosovo has a very high number of employees in the public sector, especially those provided by the budget. This sector has been steadily growing. Around 25% of the registered employees are in the government sector.[3] Except for the three Scandinavian countries, in other EU countries, it is below 20%. The number of employees in the government sector has increased from 77,164 in 2010 to 85,963 in 2019 (MTEF, 2019; Statistical Yearbook, 2019); accounting for around 5% of the total population and growing at a faster pace than population growth. The share of wages in the public sector in GDP in 2018 and 2019 is around 8.8%, whereas with the new Law on Wages this could be over 9% and by some estimates over 10% (MTEF, 2019).[4] With these changes, Kosovo moves to the upper limit of exceeding the usual interval practices for countries that have adequate economic governance. According to the data presented in the Medium Term Expenditure Framework, the amount of public sector wages in 2020 will increase between 5.4% - 11.2%, and in the most extreme case, if wages reach 730m euros, the increase will be 17, 7%, compared to the previous year. Each of these scenarios, especially scenarios two and three, represents an increase greater than the GDP growth dynamics even with the most optimistic forecasts. In this way, the situation would become extremely serious not only in relation to the Fiscal Rule, but also a serious threat to fiscal stability, as well as in the distortion of the budget spending structure which should follow some well-balanced priorities not only in relation to: wages and salaries, goods and services and capital expenditures, but also sectoral balances, first and foremost education and health, which have not been well addressed over the past two decades. The fact that potentially will have two to three times faster dynamics of government wage increases than GDP growth rates and especially population growth poses a serious risk that budget spending will hit other more important sectors, especially education, health, and capital expenditure. Also,

[3] The total number of employees is calculated from the Labour Force Survey (Statistical Yearbook, 2019), while the number of employees in the government sector by the MTEF (2019).

[4] In the medium-term expenditure framework, published in April 2019, the impact of the Law on Wages on the Macroeconomic Configuration that comes into force in December 2019 has not been properly analysed and presented. Thus, the MTEF mentions two possibilities for government sector wages to reach 653 million Euros, or if 30% of the vacancies are met at 690 million Euros, some estimates have circulated that with the law approved the government wages will reach a value of 730 million Euros.

the World Bank (2019) warns of the increasing costs of government expenditure in wages than projected. For this reason, the government should either reduce the expenditure on these three vital provisions or will have to increase public debt (both internal and external). We have witnessed a rapid increase of the internal debt (Riinvest, 2019).

Another important indicator that assesses the government's cost to society and its rationality relative to the level of economic development is the average government/public sector wage rate and GDP per capita. GDP per capita in 2018 was around 3,600 Euro, while the average wage in the public sector is 609 Euro (MTEF, 2019), which means we have a ratio of approximately 17%. Within the 2010-2018 period, GDP per capita in Kosovo has increased by 44%, while the average wage in the public sector has doubled (Statistical Yearbook, 2018). This leads to the conclusion that this came as the result of an arbitrary policy that has created consequences for the labor market and the macroeconomic configuration. If we take into account that the average annual wage in the public sector reaches 7,308 Euro, it turns out that an employee in the government/public sector earns more than twice the annual GDP per capita. Kosovo has a significantly higher share of average wages in the public sector in relation to GDP per capita compared to other countries in the region. This is best illustrated in the following table.

Table 1. The ratio between the average wage in the government sector and GDP per capita in the Western Balkans

	GDP/capita	Annual average wage in the public sector	Annual average wage in the public sector / GDP per capita
Albania	4,450	4,450	1,00
Bosnia and Hercegovina	5,043	8,187	1,63
Kosovo	3,654	7,596	2,08
Montenegro	7,424	11,576	1,56
North Macedonia	5,126	6,171	1,20
Serbia	6,131	7,857	1,28

Source: *World Bank Data for 2018; Number of Government Employees: Statistical Offices of North Macedonia and Albania, and Ministries of Finance of Kosovo, Montenegro and Serbia.*

According to the abovementioned data, it is clear that with the exception of Albania, where the average annual wage in the public sector corresponds to the GDP per capita, the average wage in the public sector exceeds the GDP per capita in North Macedonia by 20%, in Serbia by 28%, in Montenegro by 28%. 56% and Bosnia and Herzegovina 63%, while in Kosovo by 108%. This leads us to the conclusion that Kosovo spends far more on public sector/government wages compared to its level of economic development. In nominal terms, the cost for government is too high for the current level of Kosovo's economic development, without even going into assessments of government performance and the impact of that performance on the citizens' quality of life.

Another aspect of assessing the rationality of the size of wages in the public sector/government concerns the percentage by which they contribute to government spending, namely budget spending. A standard indicator that should be targeted, and which represents another type of average, is their share in the budget. Kosovo, along with Montenegro and Bosnia and Herzegovina, has the highest percentage of the budget dedicated to the public sector/government wages (ILO, 2019).[5] This in itself narrows the space for other expenses and contributions. The desired participation would be up to 25% of the expenditure that derives from budgetary source revenues. For 2019 and 2020 this share amounts to 31% and 32%, respectively, compared to capital expenditures from the budget (public investments from the budget) which reach 26%. For a more normal situation for Kosovo, there should be an inverse ratio. In the statements presented in the MTEF (2019), capital expenditures are at higher values, including sources from the liquidation fund and investment clause. This distorts the clarity of budgetary policies because with these sources the share of wages in budget expenditures appears to be around 27%, while that of capital investment rises to 33% (MTEF, 2019; Law on Budget, 2019). This actually gives us a false picture of the policies being implemented. In fact, by the standards of good economic governance, there should be a 32-35% share of capital expenditures based on source revenue, while for wages it is around 25-27% (instead of 31% as it is now). By this logic capital investments originating from source revenue (excluding investment clause and liquidation fund) should be at least around 120 million Euros higher (around 643 million instead of 515 million). According to the law on privatization and liquidation of former socially owned enterprises, the funds generated on this basis should be used only for capital investments, so these funds should not be used to balance budgetary policies, giving us a false figure of more than 30% of the budget is supposedly dedicated to capital expenditures. The situation is even worse when we

[5] In Albania, this percentage is 24.2; in Northern Macedonia 18.6%; in Montenegro 26.9%; in Serbia 24.7%. In OECD countries, this percentage is on average at 14.7% (ILO, 2019).

analyse the relationships created during the budget execution when these relations become even more distorted. According to the budget report, capital expenditures account for only 26.7% of expenditures, while wages account for 30%, including investment clauses and one-off income. Therefore, the desired and targeted ratios fail to be achieved especially during the budget implementation (Ministry of Finance, 2018). Therefore, the desired and targeted ratios fail to be achieved especially during the budget implementation. As noted above, the faster wage growth than GDP growth, or faster government employment growth than population growth, sooner or later leads to the need for additional debt. This deserves special attention in terms of long-term policies. In the case of Kosovo, public debt, external and internal, still has a low share of GDP compared to other countries, but there is a very dynamic increase (Ministry of Finance, 2018). Thus only the interest paid on public debt has increased from Euro 16 million to Euro 26 million in the period 2017-2019 (MTEF, 2019). Meanwhile, a very dynamic increase in domestic public debt appears to be used to offset increases in wages and the social package. Viewed in the long run, the state is borrowing debt to service payments that go to consumption and do not provide future returns. So this requires utmost care. As stated, with the new Law on Wages this situation will be significantly aggravated as well as some payments from the social package (veterans and pensions). The problem is that there is no clear assessment and accurate calculation on the medium and long term implications of this Law. The Medium Term Expenditure Framework released by the Ministry of Finance in April 2019 leaves this issue blurred.

The relation of government wages to those of the private sector is another issue that requires special attention. Until 2009, public sector wages could be considered low and not motivational. They were lower than the average private-sector wage. There are three moments after that that created the difference that can now be considered an unreasonable move in the opposite direction, a marked difference to the private sector average. Between 2010 and 2011, average wages in the public sector increased by over 20%. The other jump was in 2014, respectively with effects in 2015, so an increase of approximately 24% occurred during this period (Statistical Yearbook, 2018). Thereafter, the Fiscal Rule was adopted, according to which the increase in public sector wages would follow the economic growth rate, which would be implemented more or less in the years up to 2018 and eventually be abolished by the new Law on Wages. In 2018, the average gross government wage stood at 573 Euro, against the private sector average which stood at 401 Euro (Statistical Yearbook, 2019). It can be noticed that this unreasonable difference was created over these years by using the increase of the wages of the governmental sector, the sector with the largest number of employees, in the electoral years as an instrument for increasing voters. Such a difference of nearly 41%, known in theory as the wage premium of the public sector to the private sector, is nevertheless very high and has its negative effects on labour market disruption and on the competitiveness of the Kosovo economy. These wages are about 75% higher than those in manufacturing and roughly the same as those in the financial and insurance sectors (Statistical Yearbook, 2019). The new wage law exacerbates this situation once again, despite the fact that regulation of this matter was necessary but comes too late and accompanied with a lot of uncertainties in terms of coverage and its effects on budget stability.

4. THE NEW LAW ON WAGES

The law on public sector wages, which passed in Kosovo's parliament and government in 2019, sets out the wage and salary system for public officials. Unlike in the previous period when the differences in wages and the criteria that determine the compensation of civil servants in public institutions were significant. The new law takes a step forward in clarifying the pay system and providing the same remuneration for similar work of civil servants. Previously the practice of allowances and other add-ons had created room for misuses and divergences in pay between the same positions. The law on public sector wages is, first and foremost, a law that aims to create a system for determining pay. As such, it should ensure that the basic principles of coefficients are set, rather than becoming an instrument to balance stakeholder requirements. Moreover, it should aim at increasing the efficiency of public administration and should limit benefits beyond basic pay. The latter is not very carefully defined and there is significant discretion in implementing these points.

The new law proposes several criteria for defining wages discussed at the outset as good practices. While the law addresses the principle of equal pay for similar jobs and that pay should be related to the complexity of the job, it does not address the issue of the relationship of pay in the private sector with that of the public sector. The differences, as evidenced above, between the public and private sectors are already increasing. Most countries in the region face problems in determining public sector wages, yet they have a legal framework addressing this issue. Specifically, it is worth noting that Slovenia has a legal framework that more carefully addresses the determination of wages and their relation to productivity and economic growth.

However, the new wage law in Kosovo has been criticized for further wage increases, well above the country's average wage and a higher burden on the country's budget and the private sector. The law sets payment classes based on coefficients. The ratio is one to ten, divided into sixty-nine levels of coefficients. Table 2 lists key positions by government officials, payment coefficient, and wage in Euro. The highest-ranked position is that of the President of Kosovo who is paid 2,390 Euro per month, while the Prime Minister is paid 2,151 Euro.

Table 2. Wages of government officials in Kosovo under the new law

Position	Coefficient	Monthly wage (Euro)
President of Kosovo	A1	2390
Prime Minister of Kosovo	A2	2151
MEP	A4	1912
Judge of the Constitutional Court	A4	1912
Judge of the Supreme Court	A5	1852.25
Prosecutor in the State / Special Prosecution Office	A6	1792.5
Prosecutor of the Basic Prosecution for Serious Crimes	A9	1589.35
Judge of the Basic Court for Serious Crimes	A9	1589.35
Full Professor, Professor Emeritus, Scientific Adviser	F1	1505.7
Associate Professor	F2	1362.3
Lecturer at the University	F4	1099.4
High school teachers	F14	621.4
Specialist doctor, Specialist dentist	H6	1195
Police officer	P10	478

Source: *Law no. 06/L-111, 2019*

Compared to the countries in the region, the new wage law has significantly increased wages for most categories. These wages are not only comparable but in most cases, they are significantly higher than the countries in the region, while Kosovo's development is the lowest. As Table 3 illustrates, GDP per capita in Kosovo is as much as two-thirds of the countries in the region and the gap is not narrowing. Nevertheless, the level of wages turns out to be higher in most categories.

Table 3: Gross domestic product per capita in euro (2009-2018)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Albania	3100	3200	3300	3300	3500	3600	3700	4000	4400
Bosnia and Hercegovina	3400	3500	3500	3900	4000	4200	4400	4600	4900
Kosovo	2500	2700	2800	2900	3100	3200	3400	3500	3600
Montenegro	5000	5300	5100	5400	5600	5900	6400	6900	7400
North Macedonia	3500	3700	3700	3900	4100	4400	4700	4800	5100
Serbia	4300	4900	4700	5100	5000	5000	5200	5600	6100

Source: *wiiw (2019)*

The wage level in the region for important public functions, such as the case of MPs and physicians, is illustrated in the following table.

Table 4. Wages of MPs, medical specialists and the minimum wage in different countries of the region

Country	Wages of MPs	Minimum wage	Wages of medical specialists	The wage of MP/Minimum wage
Kosovo	1912	170	1195	11.25
Albania	1,080	181	530	5.97
North Macedonia	1,000	239	725	4.18
Serbia	860	253	685	3.40
Montenegro	1,200	288	720	4.17
Croatia	2,040	442	-	4.62
Slovenia	3,537	804	-	4.40

Source: Ministries of Finance in respective countries

Note: * the data used are the last available.

As it can be seen, the wage of an MP in Kosovo, according to the new law, is significantly higher in the region. It is close to Croatia, while much higher than in other countries in the region. Only Slovenia in this comparative picture has higher wages for MPs than Kosovo. It should also be noted here that the real wage of a Kosovo MP is even higher when considering the allowances they receive for participating in plenary sessions and parliamentary committees. If we compare this data with the minimum wage of these countries, it turns out that the wage of Kosovo MPs is more than 11 times higher than the minimum wage in the country. This disproportion is over 2.5 times higher than the average of other Western Balkan countries.

Similarly, wages in the health sector have benefited from significant increases through payroll law. This law specifies that specialist doctors will be paid 1,195 Euro. These wages are significantly higher than those in the Western Balkans and exceed the average of these countries by approximately twice. Wage increases in this sector are also expected to follow elsewhere as all of these countries face the pressure of migrating health personnel. While wages in the health sector should be stimulating, they should be followed by other measures to ensure that quality and productivity within the sector increase in line with significant wage increases. A similar picture when compared to other countries in the region is observed when comparing other sectors, such as education and security.

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