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„Increasing Employment Opportunities for Seasonal Workers“ Project

RESEARCH OF SEASONAL EMPLOYMENT SYSTEM

- EXPERIENCE FROM THE WESTERN BALKAN ECONOMIES -



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* This designation is without prejudice to the status and is in accordance with UN Security Council Resolution 1244 (1999) and the International Court of Justice Advisory Opinion on the Kosovo Declaration of Independence.

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INTRODUCTION

As part of the project "**Increase of opportunities for the employment of seasonal workers**", which was conducted through mutual cooperation of National Alliance for Local Economic Development (NALED) and German Development Cooperation implemented by GIZ, a research on existing framework for the engagement of workers on causal or temporary jobs of seasonal nature in six economies on the territory of the Southeast Europe: Albania, Bosnia and Herzegovina (Federation Bosnia and Hercegovina and Republika Srpska, Montenegro, Kosovo^{*1}, North Macedonia and Serbia.

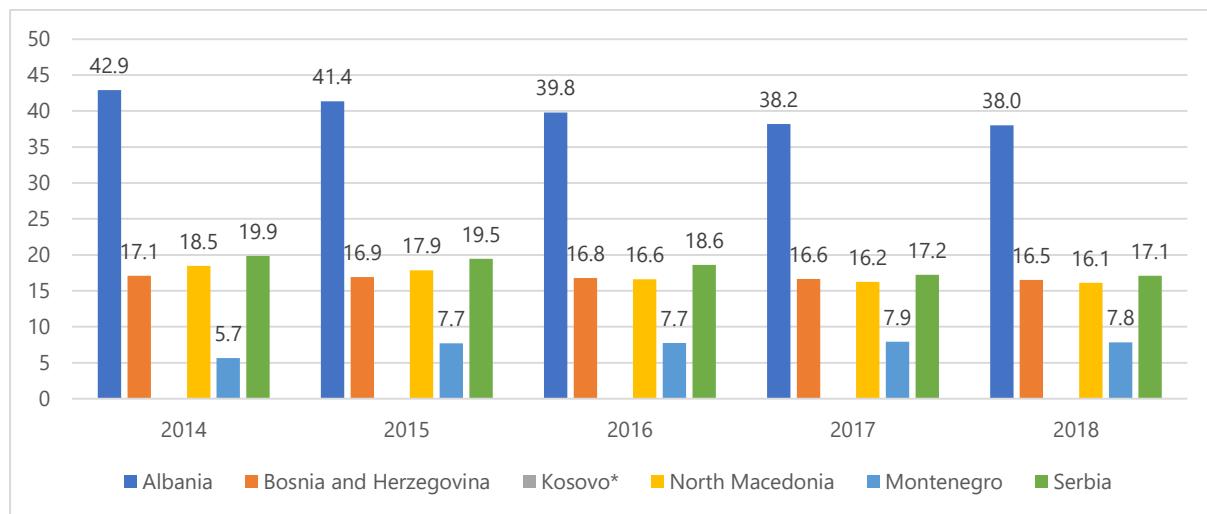
A Seasonal work represents a type of a fixed-term employment. That type of employment is especially present in the field of agriculture, as well as several other sectors, such as catering industry and construction works. Seasonal work is usually not registered and it largely contributes to the gray economy in the Southeast Europe.

The problem of non-registration of the employees is more evident in the agricultural than many other sectors². This problem is especially present in the region of Southeast Europe due to relatively high participation of this sector in the total employment. Even though a number of persons employed in the agricultural sector within the economy sector of Western Balkans is gradually reducing, the contribution of this sector is larger when compared to the EU. While an average number of people employed in the agricultural sector in the member states of the EU is only 4%, the average percentage in the economies of Western Balkans is almost 20%. The significance of agricultural sector is quite different. It has the least contribution and significance in Montenegro, where the seasonal work is especially important in the catering industry sector, while its contribution in Albania is the greatest. This illustration depicts the movement of the workforce participation employed in the agricultural sector in the period between 2014 and 2018. The illustration also depicts significant variations in the region. Thus, the participation of this sector in Albania reaches up to 38%, while in Montenegro it decreases slightly below 8%. In other economies, the participation is approximately at the same level, between 16% and 17%. Slightly excluding Montenegro, it means that the employment in agricultural sector in other countries is very important.

¹ This designation is without prejudice to the status and is in accordance with UN Security Council Resolution 1244 (1999) and the International Court of Justice Advisory Opinion on the Kosovo Declaration of Independence.

²The Analysis was conducted on the basis of the following research results: Tackling undeclared work in the agricultural sector, Colin C Williams and Adrian Horodnic, September 2018.

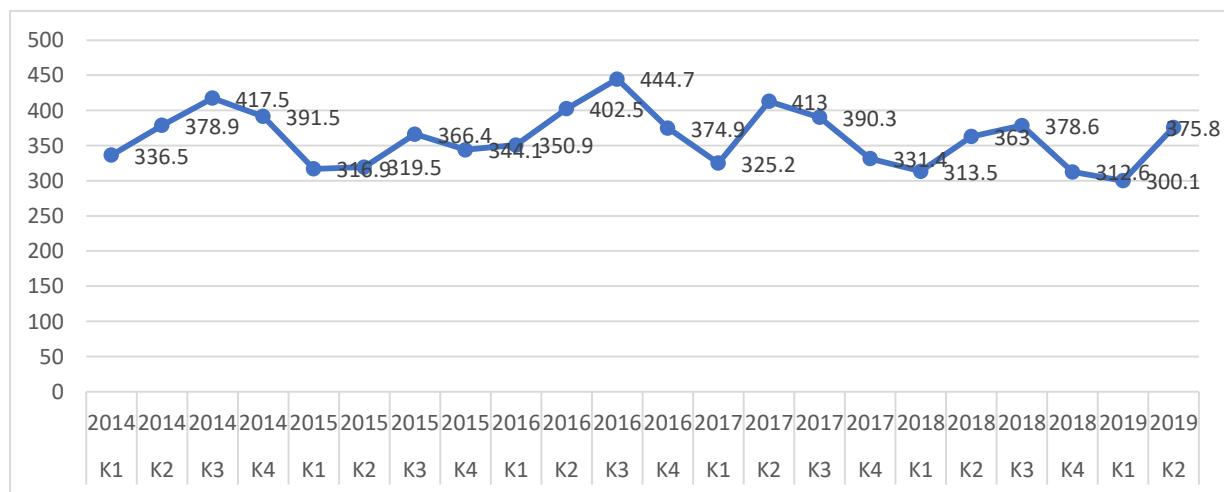
Illustration 1 Participation of employees working in the agricultural sector in total employment



Source: World Bank

Non-standard forms of employment in the agricultural sector are more present than in other sectors. Considering the seasonal nature of the production, the employees are engaged on casual or temporary basis, while a great number of employees are employed informally, on factual work, ie without a contract of employment or other form of work engagement as a legal basis in accordance with labor regulations. For instance, a total number of employees engaged in an informal way in agriculture in the Republic of Serbia is between 300,000 and 400,000. The chart shows how this number fluctuates through the quarters and also it clearly shows that most workers are hired in the third quarter, 60 to 80 thousand more than in the first quarter. This number represents temporary and temporary workers, i.e. seasonal workers in agriculture.

Illustration 2 Employees engaged in an informal way in the agricultural sector of the Republic of Serbia



Source: Workforce questionnaire

Working conditions of seasonal workers in the agricultural sector are harsher on an average basis in relation to the majority of other economy sectors. In practice, seasonal workers are often not provided with adequate working conditions and due to more difficult supervision and weak bargaining position, they are often forced to accept such conditions.

In order to increase the number of registered seasonal workers, it is possible to take several measures. In agricultural sector, certain measures, such as rigorous penalties or inspection supervision, have lesser effects on employers, so it is advisable to consider the use of other public policy measures. Such measures that can influence the decrease in the violation of regulations include simplified process of registration of seasonal workers (such as electronic registration introduced in Serbia), simplification of provisions regulating seasonal labor contracts, introduction of vouchers for seasonal workers, setting a requirement of obligatory contract before a worker begins his/her seasonal work, tax allowances, but also the introduction of a new institute of oral contract for seasonal workers with the obligatory electronic registration of workers as the reform in Serbia introduced etc.

The aim of the undertaken measures should not be a complete termination of informal employment, but encouragement of transition from informal to formal sector. In order to encourage transition from informal to formal sector, it is necessary to apply both direct and indirect measures (Williams, 2014, 2017a,b). While direct measures aim to increase the 'cost' of working in the gray economy (ie, penalties), indirect measures are concerned with raising awareness of why work in the gray economy is not desirable. For example, one of the direct measures is introduction of penalties and improvement of inspection supervision, which affects agricultural producers who provide employment to avoid risks of detection and punishment. Considering the nature of economic activity, these measures have lesser influence in the agricultural sector, while the supervision is more complex and expensive. On the other hand, an example of an indirect measure would be to improve inspection and surveillance in the field of preventive, advisory, visits by inspectors aimed at informing the farmers regarding their rights, options, as well as the obligations that they have in case of hiring seasonal and other workers.

The main goal of the research is to determine whether there is a need and potential to conduct reforms in the field of seasonal workers' employment. A potential reform that is primarily considered is similar to that which was implemented in the Republic of Serbia in the period between 2017 and 2019. That reform has considerably simplified the engagement of seasonal workers in the agricultural sector. The advantage of this system relates to the fact that entire registration process for seasonal workers is conducted electronically and it demands the entry of only several data through the portal www.sezonskiradnici.gov.rs. Using the web service, the system automatically forwards the data to all the necessary registries and due to this system even the state administration has built up considerable savings. Only in the first year of the reform implementation, really satisfactory results were achieved. In particular, after the reform

implementation, up to 25,000 of seasonal workers in the agricultural sector have been formally employed in the first nine months of 2019, which denotes the increase of more than 600%, compared to 2017.

The reform implemented in Serbia is based on experience of other countries. Similar reforms were previously implemented in Hungary and Bulgaria. In Hungary, the reform was implemented upon the passing of the Simplified Employment Act. That law has simplified the employment of seasonal and fixed-term workers, which was previously burdened with the collection of unnecessary documents and duplicated requests in terms of submitting the information. The reform has also enabled the electronic registration of such contracts³. Two types of simplified contracts were introduced. First type of contract is seasonal contract in agricultural and tourism sectors. In this case, the employer is obliged to pay the tax amounting to HUF 500 (€1.75). The second one is related to fixed-term employment (within household) which requires the payment of HUF 1000 (€3.50). Similar initiative was implemented in Bulgaria too, in order to decrease the number of unregistered employees in the field of agricultural production. Amendments to the Labor Law have introduced the contracts for short-term seasonal works in the field of agriculture. These contracts can be concluded between the employer (registered agricultural holding) and workers for the period of one working day. The employer and employee conclude a contract for each working day, where the employee is not allowed contracts for more than 90 days of work on a yearly basis. Employers who intend to employ seasonal workers must pay the taxes and contributions in advance, while the contracts contain special provisions provided by the law. The main advantage of such contracts for seasonal workers is the fact that they are not obliged to terminate their unemployed status.

Legislation regulating the seasonal work and manner of employment for seasonal workers in the field of agriculture have also been introduced in some former republics of Yugoslavia. Croatia has adopted the Act on Employment Encouragement in order to simplify the employment of seasonal workers. Seasonal workers in Croatia must be persons of full age, the unemployed or retirees, so that this work does not affect the status or income. The system is applied in relation to works in the agricultural sector, which are, according to their nature, seasonal and are conducted outdoors (preparation of soil, sowing, planting, vaccination, cultivation measures, pruning, weeding, marine fishing, et.). Seasonal works can be conducted no longer than 90 days within the calendar year, where the tax and contributions amount is fixed and lower than charges that would be calculated for wages which the employer actually pays to a worker. Croatian framework also provides for exemptions for a household members and neighbors helping with works. The system is based on the purchase of vouchers by the employers registered for agricultural production of natural persons engaged in agricultural production, excluding the employee leasing company. The vouchers are

³ <https://ugyfelkapu.magyarorszag.hu/>

purchased in the Financial Agency (FINA) and seasonal workers purchase a form which has the function of a contract for several seasonal works on which the vouchers are glued every day. It is obligatory for employees to keep the form with themselves, while the employer usually makes a copy of it in order to present the costs of work consequently and reduce the income tax accordingly.

Since the seasonal workers are employed in other fields as well, the findings may also be useful for measures that could be taken in these agricultural sectors. It is advisable to implement this policy horizontally, while the focus should be on sectors with more evident presence of informal employment. In certain sectors, the seasonal work regulation is more acceptable and simpler for implementation. It does not mean that seasonal work cannot be regulated in other sectors as well. For example, in Croatia there was an initiative to introduce the vouchers for work with household and auxiliary personnel (cleaning lady), but it has never been accepted.

1. METHODOLOGY

The research was conducted through several phases:

1. **Development of half-structured questionnaire** - In order to collect data in a structured way, the comprehensive questionnaire was developed which was filled in by local experts through a desk research and half-structured interviews with relevant interested parties. The questionnaire contained 45 questions divided in three parts: 1) basic characteristics of legal framework which regulates seasonal employment questions; 2) review of key statistical indicators; and 3) review of the potential to reform the seasonal employment framework. First two parts of half-structured questionnaire were prepared by local experts, while the third one was filled in on the basis of interviews conducted with the representatives of relevant institutions/organizations.
2. **Desk research conducted by local experts** - For the purpose of collecting data, local experts with extensive knowledge of circumstances and legal framework of seasonal workforce were engaged. The task of local experts was to collect data in a structured way using a pre-prepared questionnaire.
3. **Data verification** - In order to determine the accuracy of collected data and information, and also to provide comparability, the data verification was conducted at the round table meeting which was held in Belgrade on October 9th, 2019. During the round table meeting, the experts from NALED commented the first two parts of the obtained questionnaire, which enabled them to define the appropriate steps for the interview with representatives of relevant institutions/organizations.
4. **Organization of half-structured interviews with representatives of relevant institutions and organizations** - During the half-structured interviews, the relevant institutions/organizations were given a short summary of desk research findings, the quality of statements of the research was examined and, when it was necessary, they made corrections and additions in the observed statements.

5. **Submission of finalized questionnaires by local experts, as well as aggregation of data into one comprehensive regional analysis by national experts** - The control of data and findings presented in individual reports was conducted by national experts as well in terms of verification of stated sources and legal regulation.

The document is divided in two parts. The first part provides description of summary findings and recommendations, while the second part is comprised of reports for each branch of economy which had been analyzed. Basic characteristics of legal framework determining the employment of seasonal workforce were presented for each of them; statistical data related to the seasonal work were presented and finally the review of identified problems which were determined in relation to the current framework was provided.

Finally, herein we present a brief review of potential to implement the reform for each analyzed branch of economy on the basis of the reform implemented in the Republic of Serbia, with special emphasis on potential challenges.

2. COMPARATIVE ANALYSIS OF SEASONAL WORKERS EMPLOYMENT IN THE ECONOMIES OF WESTERN BALKANS

2.1. LEGAL FRAMEWORK

Legal frameworks may acknowledge the seasonal work as a separate type of employment. It is usually conducted by laws regulating the field of employment (Labor Law). Acknowledging the seasonal work as a separate type of employment provides opportunity to both simplification of the employment process for seasonal workers and special treatment which creates additional encouragement for the registration of the workers.

The majority of legal frameworks on the territory of Western Balkans does not define the problem of seasonal work or it defines it indirectly. In some cases, differentiation between seasonal and other types of nonstandard employment is not simple (for example, when an employee is employed during entire season). Legal framework of North Macedonia contains definition of seasonal work as a labor which is not being conducted during entire year, but during specific periods and seasons, depending on natural or climatic conditions, with the duration of up to 8 months in the period of 12 consecutive months. Legal framework of the Republic of Serbia also acknowledges the seasonal work, but through a separate regulation, that is the Law on Simplified Work Engagement on Seasonal Jobs in Certain Activities, which is provided for the implementation of the reform and encouragement of the seasonal workers' registration.

Legal frameworks define seasonal work either equally referring to all the sectors or being limited to certain sectors. While North Macedonia decided not to limit seasonal work to specific sectors, in Serbia it is currently limited only to agriculture. Seasonal work is usually present in several sectors – agriculture, catering industry and construction

works, and it is possible to restrict seasonal work to these sectors through the legal framework.

It is possible to limit engagement of workers on seasonal jobs in terms of number of days or in another way. If the laws specifically regulate the problem of seasonal work, it is necessary to determine a total number of hours during which the employees are allowed to work, so as not to avoid tax obligations or to provide false image of other type of work relations. The number of working days for engagement is limited in the economies of Western Balkans, with the exception of Albania, regardless of whether the seasonal work is specifically regulated or not. There are significant differences among the legal frameworks. In the Federation of Bosnia and Herzegovina, limitation is only 60 days, while in North Macedonia, it is 8 months.

Table 1 Legal frameworks determining the problem of seasonal work rada

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
Seasonal work which is recognized as specific type of employment	NO	NO, but certain specific characteristics are provided in relation to seasonal workers	NO, but certain specific characteristics are provided in relation to seasonal workers	NO	NO	YES, in the field of agriculture	YES
The name of the relevant law and articles regulating the seasonal work	Law No. 7961, dated 12.07.1995 "The Labor Code of the Republic of Albania"	The Labor Law of the Federation of Bosnia and Herzegovina (article 39)	The Labor Law of the Republic of Serbia ("Official Gazette of Montenegro", No. 4/18) (article 25)	The Labor Law ("Official Gazette of Montenegro", No. 4/18) (article 25)	Labour Law No.03/L – 212	Law on Simplified Work Engagement on Seasonal Jobs in Certain Activities	Law on Employment (article 47)
Do the specific characteristics of seasonal work apply to all the activities	/	YES	YES	/	/	NO (only for the agricultural sector)	YES
Are there any limitations in the engagement of seasonal workers?	NO	YES (number of days in causal or temporary jobs)	YES (number of days in causal or temporary jobs, as well as number of days related to a fixed-term contract jobs)	YES in the case of temporary or casual labor contract (number of days in causal or temporary jobs)	YES (number of years or days, depending upon the type of contract)	YES (number of days an employer and employees can be engaged in seasonal jobs)	YES (number of days and employer can engage seasonal workers and the status of contract on the engagement of seasonal workers)
Maximum number of days of seasonal workers engagement	/	60 days	Contract on causal or temporary jobs – 90 days during the calendar year Fixed-term contract – 24 months	120 days on causal or temporary jobs	Fixed-term contract – maximum of 10 cumulative years Temporary service agreement, 120 days during the calendar year	180 days for the employer and 120 days during the year for the employee of the same employer, including the causal or temporary work	8 months in 12 consecutive months (it doesn't have to be a calendar year) The contract cannot be changed to the indefinite-term contract



2.2. CONTRACTS ON THE ENGAGEMENT OF SEASONAL WORKERS

Contracts conducted between employers and seasonal workers in the economies of western Balkans are different. Without strictly regulated seasonal work, the workers are formally employed in another ways, such as by the contract on causal or temporary jobs or by the fixed-term contract. In such case, there are no specific limitations related to certain sectors. For instance, in most of economies, workers are engaged on the basis of the causal and temporary work agreement. These contracts do not imply employment and the need for them occurs in shorter period of time, which is limited by regulations.

In relation to standard employment contract, the contracts upon which the workers are engaged in seasonal jobs are different in terms of specific characteristics. In Serbia, the contracts are concluded orally, while in North Macedonia (since they are not limited, registration of workers is conducted daily) the probation work and period of notice are reduced. In North Macedonia, the law also provides that contracts cannot be changed into employment contract, unlike the standard fixed-term contract.

There are different practices in relation to limitation of daily working hours of seasonal workers. In economies where fixed-term contracts are concluded, in the majority of cases, there is no time limitation on a daily basis that is specifically provided for seasonal workers. Serbia and Macedonia (along with the Federation of Bosnia and Herzegovina), on the other hand, also impose daily, that is weekly, limitation of work of seasonal workers, which is usually longer than daily or weekly limitation which is prescribed for workers with employment contract. That limitation is 12 hours a day (considering specific nature of seasonal work), while for the workers with employment contract, it is usually 10 hours a day.

Apart from direct relation between the employer and the employee, in certain economies of western Balkans there also mediators. In North Macedonia very often the employers reach the seasonal workers through the agencies. Until 2018, the engagement of seasonal workers via employment agencies was very common. However, as a result of the amendment to the Regulation on Private Employment Agencies, this possibility was cancelled.

Table 2 Contracts for the engagement of seasonal workers

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
The most common type of contract provided for the engagement of seasonal workers	Part-time labor contract	Temporary or casual labor contract	Temporary or casual labor contract, specific task work contract or fixed-term contract	Fixed-term contract Temporary or casual labor contract	Fixed/term contract Specific task work contract	Contract on simplified engagement – for the agricultural sector Casual or temporary labor contract	Seasonal works contract
What are specific characteristics of contracts for seasonal workers compared to the standard labor contract	/	/	/	/	/	it is concluded orally, liabilities on the basis of taxes and contributions are charged in fixed amount per day of engagement	probation work is reduced to 3 days, notice period is reduced to 7 days, this contract cannot be changed to labor contract, unlike the standard fixed-term contract
Are the working hours of seasonal workers on a daily basis limited specifically	NO	YES	YES – indirectly	NO	NO	YES	YES
What is the maximum number of working hours for a seasonal worker	/	The average working hours of seasonal workers are maximum 60 days per week	A seasonal worker is given right to break between two consecutive working days of at least 10 hours. .	/	/	Maximum of 12 hours per day	Maximum of 12 hours per day, that is 55 hours per week
Is engagement of seasonal workers via agencies a common practice	YES, but the frequency is unknown	NO* * Since 2018, this possibility was canceled, which used to be very common.	NO	NO	NO	NO	YES



2.3. RIGHTS OF SEASONAL WORKERS

The rights of seasonal workers may differ from the rights of workers employed on a fixed or indefinite period of time. In the majority of economies (North Macedonia, Albania, Montenegro and Kosovo*), the rights of seasonal workers do not differ than the rights provided for workers employed on the basis of fixed-term or indefinite-term labor contract. This means that they are given the same rights in terms of pension, health and unemployment insurance. On the other hand, in Serbia, as well as both entities of Bosnia and Herzegovina, seasonal workers are not entitled the right to compensation in case of unemployment. Apart from that, health insurance of seasonal workers in Serbia is limited to insurance for the injury at workplace and occupational diseases.

Working conditions of seasonal workers in agricultural sector are averagely harder in relation to the majority of other economy sectors. Thus, some questions related to the seasonal work and conditions of seasonal work can be regulated separately in accordance with the characteristics of the sector.

Legal framework my determine specific rights of seasonal workers as well, such as the right to time distribution, daily break or the right to social welfare. North Macedonia and the Federation of Bosnia and Herzegovina have used the possibility of time distribution. Time distribution in North Macedonia denotes adding new working days, or extra vacation days, to a seasonal worker in case that he/she has worked more than 40 hours per week consecutively during the period of 3 months. Time distribution in this case is performed only on the basis of written request submitted by a seasonal worker. However, in the Federation of Bosnia and Herzegovina the time distribution has a completely different meaning. Namely, according to the provisions, a seasonal worker in the Federation of Bosnia and Herzegovina is entitled daily break with the duration of 10 consecutive hours.

In other words, seasonal workers in the Federation of Bosnia and Herzegovina can be engaged not longer than 14 hours per day. According to the provisions, in case the nature of a job allows for such action, the working hours of an employee can be distributed in such manner that during one period it lasts longer and during the second one shorter. However, average working hours per week must not exceed 60 hours.

The legislation in Serbia provides that a seasonal worker is not removed from the unemployment list, nor to pause the payment of contributions on the basis of unemployment or social welfare. The provisions have impact on the solution of the problem which was identified during the market analysis which refers to the fact that even the seasonal workers did not want to be legally registered because they would lose all they rights to compensation or other financial aid they receive.

Table 3 Rights of seasonal workers

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
Are the rights of a seasonal workers different than those provided by a fixed-term or indefinite-term contract	NO	YES – a seasonal worker is not entitled to compensation in case of unemployment	YES – a seasonal worker is not entitled to compensation in case of unemployment	NO	NO	YES – a seasonal worker is not entitled to compensation in case of unemployment; a seasonal worker has the right to health insurance in case of injury at workplace. In the case that these rights were acquired on the basis of previous statuses, the seasonal worker does not lose them	NO
Which rights are given to a seasonal worker on the basis of the most common contract concluded with him/her	1) Right to pension 2) Right to health insurance 3) Right to compensation in case of unemployment	a) Right to pension b) Right to health care	a) Right to pension b) Right to health care	a) Right to pension b) Right to health care c) Right to compensation in case of unemployment	1) Right to pension	a) Right to pension b) Right to health care in case of injury at workplace	a) Right to pension b) Right to health care c) Right to compensation in case of unemployment
Are there any specific rights given only to seasonal workers	NO	YES 1) Right to time distribution providing that a seasonal worker works 60 days per week on an average basis. 2) A seasonal worker is given right to a daily break of at least 10 consecutive hours	NO	NO	NO	YES – He/she may retain entire social welfare or unemployment benefits received on the basis of employment or previous status on labor market	YES – Right to time distribution (adding the working days) in case that he/she works consecutively more than 40 hours per week during the period of 3 months



2.4. OBLIGATIONS OF EMPLOYERS AND WORKERS

The scope of obligations of an employer has a crucial influence on their encouragement to register seasonal workers. Agricultural producers are exposed to the pressure of competition, as well as buyers (multi-sale chains), which leads to introduction of measures aimed at reduction of costs that often include non-registering the workers. Non-registering the workers in the field of agriculture is influenced by a series of factors. Reasons of not registering the workers in the agricultural production are equally related to encouragement to avoid tax and contribution payment, as well as avoidance to fulfill certain standards regarding the production conditions, payment of minimum wages and number of working hours and, in general, the administration of workers' legal status..

Reasons of failure to register may be of intentional and unintentional nature. If the administrative procedures and requests related to the engagement of workers too complex, the employers are not capable to fulfill such requests even though they don intentionally fail to register their workers. On the other hand, if the burden related to the taxes and contributions is too high, or the employment standards are high, the employers will be encouraged to avoid them by not registering their workers.

Usual request which prevents informal engagement of seasonal workers is the contract conducted on the first day of work engagement. In this way, the system is set up so that the field inspector can determine whether the worker is registered or not. Otherwise, the employer may claim that the worker was not engaged prior to that day, and that he intended to register him/her. A specific solution was implemented in Serbia and it provides flexibility of employers which allows him/her to engage a worker on the same day (until 10:00 am) to work in the morning shift, that is from 01:00 pm for the afternoon shift. On the other hand, Kosovo* allows an opportunity for the employer to register an employee 15 days after the start of the work. Even though such solution does not impose burden on the employer, it leaves space for the misuse. Similar solution exists in Montenegro (the deadline is 8 days from the first day of work), but in practice the Tax Administration insists the registration to be completed within the 24 hours from the moment of employment.

Simplification of administrative procedures is the key method for the states to make the registration simpler, encouraging both employers and employees to register. Many employers give up the registration process because it is very complex or they cannot do the registration in necessary period.

The complexity of the procedure (from finding an employee to his/her registration) is significantly different. As a result of reform in the Republic of Serbia, the entire procedure is reduced to 1 step, during which an employer can use the electronic application and there is no need to physically communicate with state authorities.

On the other hand, this process consists of six steps in North Macedonia, even though the seasonal work is recognized as specific. The employer directly communicates with two institutions (Employment Agency and Administration of Public Revenues).

The illustration depicts 6 steps because of which an employer in North Macedonia need 140 minutes for this procedure, plus expenses amounting to EUR 7 per employee.

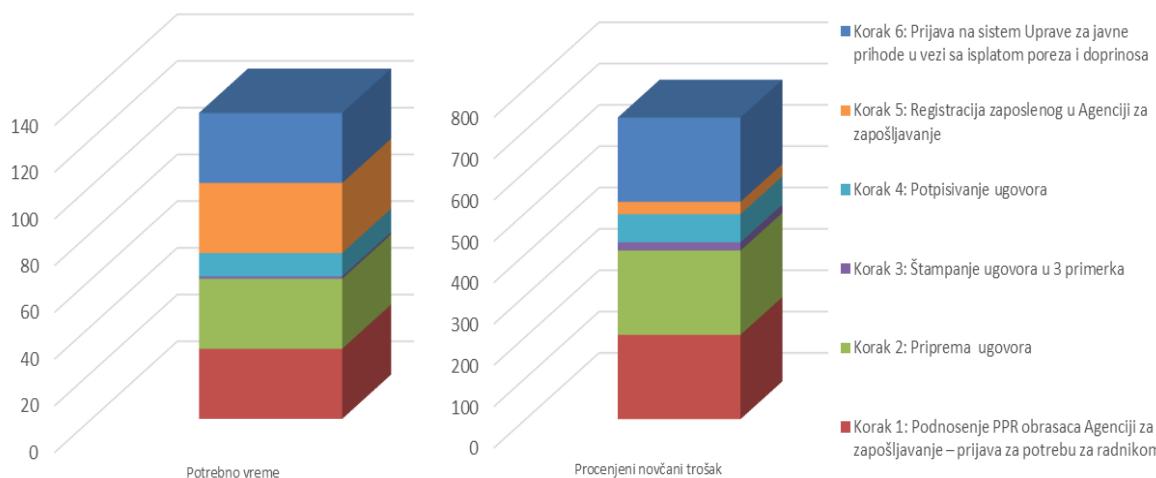


Illustration 2 North Macedonia – time evaluation and financial expenses in RSD needed for the engagement of a seasonal worker

The situation is not any better in other countries either, because the number of necessary steps to be undertaken is between 5 and 6. This shows that there is a sufficient ground for the reform of administrative procedures and their simplification.

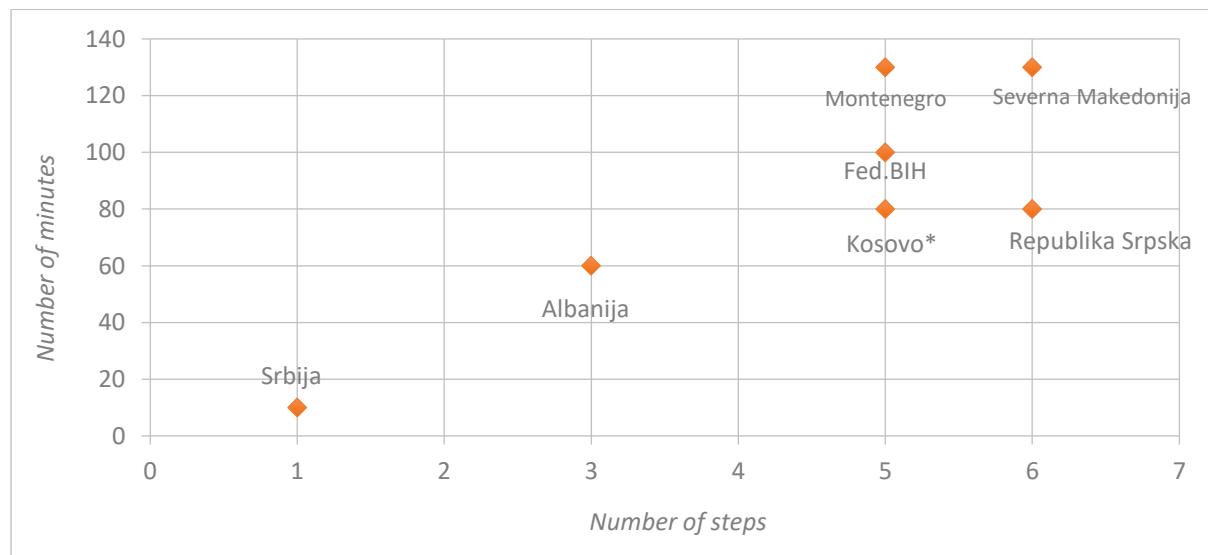


Illustration 3 Minutes and number of steps needed for the engagement of a seasonal worker

The administrative costs for the employment of one seasonal worker are significantly different. For the purpose of this study, the cost an employer has for the engagement of a seasonal worker is calculated as well. Cost includes both fees and benefits, if any, that

the employer has to allocate for the application of workers, costs for printing contracts, documents, and the like (or direct costs), but also an estimate of the amount of time the employer allocates to complete the entire application process (implicit cost). The funds (both direct and implicit) allocated by the employer are relatively low and for the majority of economies, they range from EUR 5 and EUR 8. The expenses partially depend on the height of an average salary, but such expenses in Serbia are around EUR 0.5, which indicates the potential of their reduction. Along with the increase in the number of seasonal workers, this difference decreases, but it also indicates that the employers have high expense in terms of time.

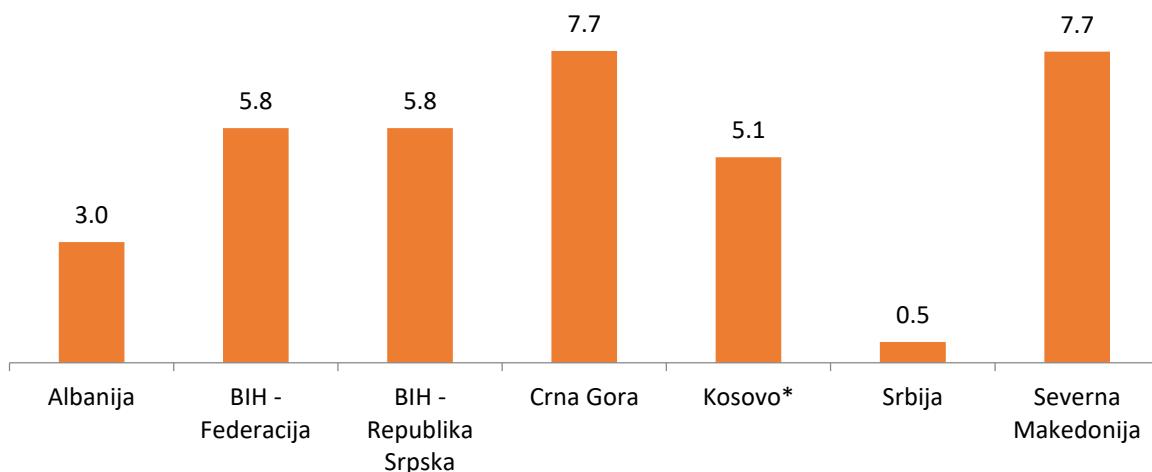


Illustration 4 Calculation of administrative costs (assuming an average salary)

In the majority of cases, the employers communicate only with one institution. When employing the seasonal workers, the employers submit the necessary information to the tax administrations, and in some economies to employment services as well. This clearly indicates that even without the introduction of more significant reforms, economies can at least consider one common counter (one-stop shop) for the registration of seasonal workers as a potential solution, as the point of contact of the employer with the administrative bodies, who then forward and process the necessary information.

The majority of economies in western Balkans does not impose administrative requests upon workers. Seasonal workers are obliged to perform certain activities related to the health insurance in three cases, while in Albania there are also obligations imposed over the employer.

Table 4 Obligations of an employer

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
Deadline to register a seasonal worker	One day prior to the start of work	One day prior to the start of work	One day prior to the start of work	8 days after the start of work In practice, it is insisted to complete the registration within the 24 hours from the start of work	15 days after the start of work	On the first day of employment the latest, namely: until 10:00 am for the morning shift, and between 01:00 pm and 03:00 pm for the afternoon shift	Before the start of the work
Number of steps to be taken form finding an employee to his/her registration	3 steps	N/A	6 steps	5 steps	5 steps	1 step	6 steps
How many institutions an employer must communicate with in order to register an employee	1 institution	1 institution	1 institution	1 institution	1 institution	1 – registration is conducted via an electronic application	2 institutions
Which institutions an employer must communicate with in order to register an employee and pay the taxes and contributions	Tax Administration	Tax Administration	Tax Administration	Tax Administration	Tax Administration	Electronic application	Employment Agency Health Insurance Fund
Total estimated time for administrative activities	90 minutes	N/A	80 minutes	130 minutes	60 minutes	10 minutes	130 minutes
Total direct (monetary) expenses provided for administrative activities related to the registration of employees	100 dinars	N/A	30 dinars	30 dinars	120 dinars	0 dinars	20 dinars
Total costs (direct and implicit)	351 dinars (3 euro)	683 dinars (6 euro)	683 dinars (6 euro)	907 dinars (7.5 euro)	597 dinars (5 euro)	60 dinars (0.5 euro)	905 dinars (7.5 euro)



Table 5 Obligations of employees

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
Are there any administrative obligations that a seasonal worker must fulfill in order to exercise his/her rights?	YES, toward both the employer and Health Insurance Service	NO	YES	YES – only the first time he/she applies for the health insurance card	YES in case the employee has more than one employer	NO	NO
Which administrative procedures must a seasonal worker conduct in order to exercise his/her rights?	Health insurance application or through the Internet independently or via a family doctor.	/	Extension of health insurance card (this does not happen often in practice).	Activation of health insurance card at the Health Insurance Fund	Must report to the tax authority who is his principal employer	/	/
Total estimated time for administrative steps to be undertaken by a seasonal worker	/	/	30 minutes	30 minutes	/	/	/
Total direct (monetary) expenses for administrative activities related to the registration	/	/	0 dinars	0 dinars	/	/	/



2.5. TAX OBLIGATIONS AND OBLIGATIONS RELATED TO PENSION AND HEALTH INSURANCE

It is usually believed that taxes and other obligations are one of the main reasons the workers are not being registered. By not registering the employees, the employers avoid the burden of tax obligations, as well as payment of contributions for social insurance.

The system of taxation of contract conducted with seasonal workers may depart from standard labor contracts. In both entities of Bosnia and Herzegovina, obligation related to the insurance on the grounds of unemployment are not being paid. The reform in the Republic of Serbia has introduced a fixed obligation on the grounds of taxes and contributions amounting to RSD 300 on a daily basis.

The tax rate is approximately the same in the majority of economies of west Balkan. In Montenegro, the tax rate is 9%, in both entities of Bosnia and Herzegovina, as well as North Macedonia, it is 10%, while Albania and Kosovo* apply progressive taxation. In Kosovo*, there is a differentiation between the principal and other employers, whereas the main employer is exempted from the obligation to pay the income tax up to EUR 80 and after that it is increased by 4 percentage points. In case the employer pays the earnings exceeding EUR450, the taxes are calculated with rate of 10%. For all the other employers, the tax rate is 20%. In Albania, the taxation progressiveness is also introduced indirectly – through the introduction of an exempt part of around EUR 240, as well as directly through various tax rates.

The contributions rate related to pension and health insurance in the economies of west Balkans is significantly different. In the Federation of Bosnia and Herzegovina it is only 10.5% due to charges related to the contributions, while on the basis of the contributions for a seasonal worker, the employer would pay 38% of gross income⁴. Almost all economies, except Serbia, use the gross income as a basis for the calculation. In the Federation of Bosnia and Herzegovina, the basis for the calculation is a gross income reduced by the amount of standardized expenses of 20%, while in Serbia the basis equals 1/30 of the lowest monthly contributions, that is around RSD 800 (6.8 euro). The illustration shows the mount of charge in relation to the assumed income in 10 days of work of seasonal workers in the economies of Western Balkans. For example, the employment of a seasonal worker for 10 days with gross income of 10,000 dinars.

⁴ For the case of hiring a seasonal worker for 10 days with a gross salary of 10,000 dinars

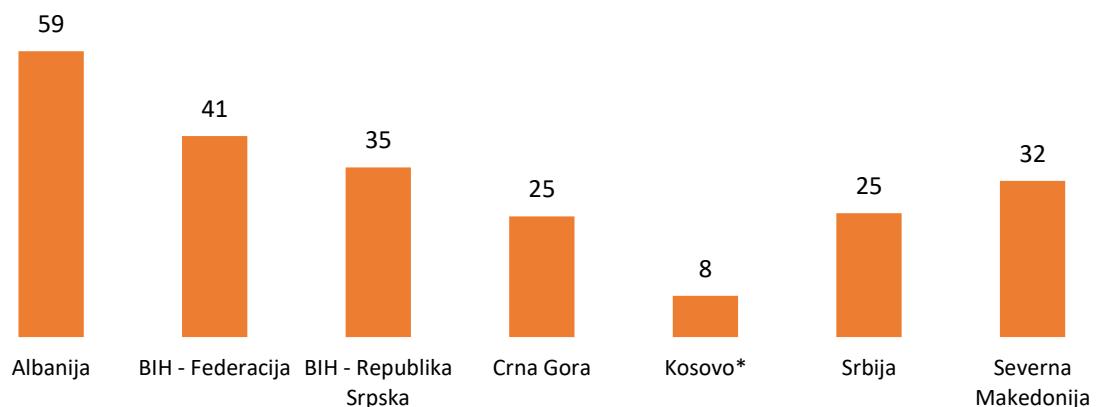


Illustration 3 Charges in case a seasonal worker works 10 days in a month and earns gross income of RSD 10,000.

Charges on the basis of tax and other obligations comprise only one of factors, which is often less significant than other structural factors affecting the failure to register seasonal workers. Considering the nature of seasonal employment, specific measures intended to the encouragement of registration are usually applied in practice.

Table 6 Tax obligations

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
The law regulating taxes and contributions for seasonal workers	<p>Law Nr. 8438, Date 28.12.1998 ‘On Taxation of Incomes’</p> <p>Law Nr. 9920, dated 19.5.2008 ‘ON tax procedures in the Republic of Albania changed’</p> <p>LAW Nr. 7703, dated 11.05.1993 “On Social Security in the Republic of Albania”</p> <p>DCM Nr. 77, dated 28.1.2015 ‘On mandatory contributions and benefits from the system social insurance and health care insurance’</p>	<p>Law on Income Tax ("Official Gazette of the Federation of Bosnia and Herzegovina "No. 10/08,... 65/13)</p> <p>Law on Contributions (Official Gazette of the Federation of Bosnia and Herzegovina "No: 35/98,... 34/18)</p>	<p>Law on Contributions ("Official Gazette of the Republic of Serbia", No. 114/17) and Law on Income Tax ("Official Gazette of the Republic of Serbia", No: 60/15, 5/2016 - ispr. And 66/2018).</p>	<p>Law on Contributions for Mandatory Social Insurance, Law on Pension and Disability Insurance, Law on Personal Income Tax</p>	<p>The Law on Pension Funds The Law No. 05/L -028, on Personal Income Tax</p>	<p>Law on Simplified Work Engagement on Seasonal Jobs in Certain Activities</p>	<p>Law on Contributions for Mandatory Social Insurance</p>
Is the taxation different than standard that in standard labor contracts?	NO	YES	YES	YES	NO	YES	NO
Specific nature of taxation in relation to standard labor contracts?	/	Contributions in case of unemployment and contributions to disaster reduction are not paid	Contributions in case of unemployment and contribution for child protection are not paid	/	/	The obligation on the basis of taxes and contributions is fixed and it amounts to RSD 300 on a daily basis	/
Mandatory contributions for pension and disability insurance	YES	YES	YES	YES	YES	YES	YES
Mandatory payment of health insurance	YES	YES	YES	YES	There is no mandatory fund	YES, but only in case of injury at workplace	YES
Mandatory payment of insurance in case of unemployment	NO	NO	NO	NO	There is no mandatory fund	NO	YES



Table 7 Tax obligations

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
Tax rate	In case the income is below 30,000 ALL (around EUR 240) – 0%, in case the income is up to 130,000 ALL (around EUR 1,050), the tax rate is 13% of difference between gross income and nontaxable part. If the income is over 130,000 ALL, 13,000 ALL + difference of gross income and 130,000 ALL x 23% are taxed	10%	10%	9%	For principal employer – progressive (0% for EUR 80, from EUR 80 to 250 it is 4%, from EUR 250 to 450, it is 8%, and over EUR 450, it is 10%) For other employer – 20%	10%	10% 18% in case the basis is higher than MKD 90,000
Contribution rate for Pension and Disability Insurance	from 0 to 24.5% The rates differ depending upon the type of employment	6%	18.50%	20.50%	10%	26%	18.40%
Contribution rate for health insurance	from 0 to 3.4% The rates differ depending upon the type of employment	4%	12%	10.80%	/	2%	7.40%
Contribution rate for unemployment	/	/	/	/	/	/	1.20%
1.20% The rate of other mandatory contributions	/	0.5%	/	Tax payed on the wage tax - for Podgorica it is 15%, for Budva 10%, other municipalities 13% and it is paid to the municipality	/	/	0.50%
The basis for calculation of taxes	Gross income	Gross earnings less standardized costs of 20% and health insurance contributions	Gross income	70% for gross wage	Gross earnings less 5% of pension contributions	1/30 of the lowest monthly basis	Gross earnings minus contribution and non-taxable portion of MKD 263 per day
The basis for calculation of contributions	Gross income	Gross earnings less standardized costs of 20%	Gross income	70% for gross wage	Gross income	1/30 of the lowest monthly basis	Gross income
Is there a minimum basis for contributions calculation	YES	YES – km 516	NO	NO	NO	YES	NO
The total rate for taxes and contributions	It cannot be determined due to different tax rates and depending upon the income	20.00%	41%	40.3% + extra tax	min 10%, max 20%	38%	37.5%



2.6. DATA EXCHANGE AND SUPERVISION

Efficient data exchange is a precondition of the overall reform implementation. Public authorities are ex officio obliged to inspect the date on the facts necessary for decision making, that is the authorities may request from a party only such data which are necessary for his/her identification, as well as documents confirming the facts not provided in the official records.

In several cases, electronic data exchange between the authorities hasn't been conducted yet. In the Republic of Serbia, The Law on General Administrative Procedure establishes the duty of the authorities to obtain data on facts on which official records are kept, the Law on Electronic Administration provides basis for electronic business of state administration which states that authorities keeping the official records in electronic form exchange data through the service data bus of state authorities. These particular regulations have provided basis for introduction of such a simple electronic system in Serbia which requires from its users to type in only two data – personal identification number of an employee and the date of the employee's employment. All the other data required by the institution in charge (Tax Administration, Central Register of Compulsory Social Security, National Employment Service) are obtained through the exchange via the web services of the state authorities. The lack of infrastructure significantly aggravates the possibility to implement reforms in a short period of time in other economies. In this context, North Macedonia, Montenegro and Albania are certainly the economies where it is possible to implement the reform similar to the one implemented in Serbia much faster. The data exchange in other economies is conducted electronically, except in the Federation of Bosnia and Herzegovina. As a rule, the tax authorities the employer addresses forward the data on the engaged seasonal workers to other authorities.

In the majority of economies, the inspection in charge of labor relations conducts supervision over the implementation of regulations, that is the registration of seasonal workers. Whether other inspection authorities are engaged too depends on the position and role of the relevant inspection, the existence of general inspectorate, etc. In case of Kosovo*, apart from labor inspection, the Tax Administration also conducts the supervision formally speaking, while in Serbia it is conducted by tax and agricultural inspections as well. Supervision of seasonal workers in the field of agriculture is more difficult due to identification of relation between the employer (unless it is a legal entity) and engaged employee.

Table 8 Data exchange and supervision

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
Is there a regulated legal framework for electronic data exchange	YES, but the data exchange is mainly conducted through official requests for the delivery of data.	NO	YES, but there is no certifying body which creates qualified electronic signatures, so electronic procedures have not been implemented yet in practice.	YES	YES	YES	YES
Is there a common platform for data exchange	NO	NO	NO	Currently, web services In the next two years the Government Service Bus is expected to develop for the purpose of data exchange.	NO	YES – government service bus	NO – data are exchanged bilaterally among the institutions
In relation to the registration of seasonal workers, which institution does the employer address	Tax Administration	Tax Administration	Tax Administration	Tax Administration	Tax Administration	Electronic application within the jurisdiction of the Tax Administration	Employment Agency Public Revenue Administration
Are the data on registration automatically and electronically exchanged with the remaining institutions relevant for the declaration and calculation of taxes and contributions for the employees.	YES, but there is no information that this procedure is regulated by law directly	NO	YES	YES	YES	YES	YES, except in cases of filling in the ZO1 form for health insurance of family members, in which case an employee must individually submit the request to the Health Insurance Fund.
Who the data on seasonal workers are submitted to	Tax Administration Service National Employment Service	/	Pension and Disability Fund, Health Insurance Fund,	a) Pension and Disability Fund b) Health Insurance Fund	To the Pension and Disability Fund and Employment Agency automatically, and if necessary to the Labor Inspectorate via e-mail.	a) Tax Administration b) Central Registry for Compulsory Social Insurance (CROSO) c) National Employment Service	a) Health Insurance Fund b) Pension Insurance Fund c) Public Revenue Administration
Who performs the supervision over work and engagement of seasonal workers?	National Labor Inspectorate	Federal Administration for Inspection Issues – Federal Labor Inspectorate	Republic Labor Inspectorate	Inspection of work within the Inspection Directorate	Tax Administration and Labor Inspectorate	Labor Inspectorate, Market Inspectorate and Agricultural Inspectorate, each in its own scope of work.	The State Labour Inspection Office within the Ministry of Labor and Social Policy



3. RECOMMENDATIONS

According to the authorities in charge, a common denominator for reasons of informal engagement of seasonal workers are too extensive tax burden, complex procedures and inadequate supervision. In some economies, the lack of encouragement of seasonal workers themselves to be registers is emphasized (North Macedonia and Federation of Bosnia and Herzegovina), and non-existence of an adequate legal framework in others (Albania). Even though the tax burden and inadequate supervision are important factors, the findings of the research have confirmed **that tax exemption only will not create adequate encouragement for the formalization of seasonal work without a simplified procedure.**

- **Even though in all the economies, the authorities in charge recognize the significance of formal registration of seasonal workers, only in some of them it is accompanied with adequate documents of public policies.**

North Macedonia recognizes the problem of gray economy among seasonal workers in the Strategy for the formalization of informal economy, stating that 43% of data subjects who were engaged in gray economy state that seasonal nature of their work was the main reason for such engagement. However, the Strategy does not focus its activities on seasonal work, but provides wider framework to diminish the gray economy which should be implemented in general labor market.

Montenegro recognizes seasonal nature of labor market in the National strategy for the employment and development of human resource in the period from 2016 to 2020 and puts special emphasis on the lack of domestic seasonal workforce, predicting certain stimulations for domestic workforce through seasonal engagements.

Other economies which have been analyzed do not refer to any document of public policy which recognizes and addresses the seasonal workforce labor.

It seems that it is necessary to explicitly name the measures and activities in terms of seasonal work in all the economies in the process of preparation of public policy documents in the field of gray economy or employment.

- **Implementation of reforms implies clear legal differentiation of seasonal work, in order to enable introduction of adequate stimulations for both employers and employees to formalize the seasonal work.**

Seasonal work is recognized and defined only in **North Macedonia**, as work which is not conducted over entire year, but in certain period, that is seasons, depending on natural and climate conditions, lasting up to 8 months in the period of 12 consecutive months.

Other analyzed economies either do not recognize seasonal work (Montenegro, Kosovo*, Albania) or recognize it only indirectly only in the regulations (Republika Srpska, Federation of Bosnia and Herzegovina).

It is necessary to provide a clear definition of seasonal worker and seasonal work in legal solution in order to recognize the specific nature of this type of work in the labor market and enable more flexible engagement of seasonal workers.

That solution may imply either introduction of new legal solutions into the existing legislation determining the labor issues, or new laws (similar to the solution in Republic of Serbia).

- Some economies do not have the necessary preconditions in terms of infrastructure for the data exchanges, which would enable implementation of a comprehensive reform, similar to the one in Serbia, but it does not mean that they cannot conduct other measures.**

In terms of regulations regarding the electronic administration (such as electronic document, electronic signature, etc.)

The Republic of Serbia and Federation of Bosnia and Herzegovina currently do not have grounds for the proper functioning of a completely electronic procedure.

In some countries (Albania and Kosovo*), it is necessary to further improve the import of official records in terms of software in order to make the data exchange through electronic procedures quicker.

- The number of contacts of the employer with the authorities in charge should be minimized as much as possible. In case there is no necessary infrastructure in terms of data exchange, simple solutions are also possible, such as one common counter.**

All the analyzed economies in the process of registration of workers and consequent payment procedure for the accompanying taxes and contribution consist of 5 to 6 steps (from the preparation of the written contract to the registration and payment of taxes and contribution), out of which two steps refer to the communication with the authorities in charge (for the registration of a new employee and declaration of taxes and contribution).

In some countries (North Macedonia and Albania), the employer is obligated to announce prior need for an employer in order to initiate the procedure of the engagement of workers, which additionally makes the process of the engagement slower.

In relation to that, the number of steps and communications of the employers with the authorities in charge should be reduced to minimum.

It is necessary to provide one procedure at one place for the employer to submit all the data required for the registration of an employee and enable mutual data exchange between the institutions, automatically if possible.

- The economies should consider the possibility of simplified calculation of taxes and contributions in case of seasonal work considering its specific nature.**

Tax systems in the analyzed economies **do not recognize the specific nature of seasonal work**, so the manner in which the taxation is performed is almost identical to the taxation of labor contract.

Taxation in certain economies (Albania, Montenegro, Federation of Bosnia and Herzegovina, Republika Srpska) is several percentage points lower than that in labor contracts since there is no obligation mainly to pay contributions on the grounds of non-employment. On the other hand, in North Macedonia and Kosovo* the taxation is identical to that in labor contract.

Generally speaking, the tax system in Albania is the most complex because it introduces not only the different tax rates for different types of employees, but also amounts which cannot be taxed and various bases for the calculation of taxes and contributions. In such system small entrepreneurs, primarily natural persons, cannot easily calculate the taxes for seasonal workers without the help of an accountant.

Kosovo* also differentiates between the principal employer and other employers, the amount of income tax to be payed depends upon, which brings the employers of seasonal workers in an unfair position, considering the fact that these workers have many employers in one season.

The additional problem is the presence of minimum tax and contribution bases in certain economies (Montenegro, Federation of Bosnia and Herzegovina and Albania), which can significantly increase the burden on income in case the employee is engaged only for the period of several days.

The data subjects in all the economies where the interviews were carried out have stated that the problem of high taxation of their income is the main reason the seasonal workers are engaged in the gray economy.

For that reason, it is necessary to reduce the taxation and act in a encouraging way in order to encourage the engagement of seasonal workers in legal flows.

Besides, it is also necessary to simplify the calculation of taxes and contribution, as well as automatize as much as possible, in order to motivate the small entrepreneurs (especially natural persons) to engage their seasonal workforce in a legal way.

- It is essential to provide flexible period of registration of seasonal workers, and always before the start of the work.**

The process of seasonal workers registration does not consider the dynamic nature of seasonal work in any of the economies observed, but it is identical with the process of engagement of employees with labor contract.

The regulations in some countries (Albania) even require provision of medial certificate, criminal record certificate of the employee and degree diploma (if necessary) which is not justified considering the fact that the employee can only be engaged for the duration of several days.

In four countries (North Macedonia, Federation of Bosnia and Herzegovina, Republika Srpska and Albania), the registration of employees is conducted at least one day prior to the start of work, which can be a problem in case of seasonal work in agriculture considering the fact that weather conditions play a major role here.

In the remaining countries (Kosovo* and Montenegro), an employee may register after the start of the work (15 or 8 days respectively), which allows for misuse.

In relation to that, it is essential to prescribe the obligation of an employee to register prior to the start of work, but not necessarily one day prior. The registration process must be such so that it does not require unjustified steps for both the employer and the employee.

- **Horizontal approach in the issue of seasonal work is recommended.**

In other words, it is necessary to provide simplified procedures for other sectors as well, excluding the agriculture. It is especially important in the sector of catering industry, while the next step would include other sectors as well. This also implies modification of solutions related to the agriculture, since the seasonal work in other sectors has relatively longer duration.

Representatives of state authorities in selected economies who were interviewed agreed that the reform on the engagement of seasonal workers should be implemented in all the sectors.

However, they selected as "pilot" the following:

- North Macedonia – agriculture
- Montenegro – catering industry, tourism and domestic assistance
- Albania – agriculture and tourism
- Kosovo* – catering industry, tourism and agriculture
- Federation of Bosnia and Herzegovina – agriculture, construction works and tourism
- Republika Srpska – agriculture

- **It is necessary to increase the capacities and clearly allocate jurisdiction in terms of supervision over seasonal employment.**

In the countries of west Balkans, responsibility in terms of supervision of the registration of temporary (seasonal) workers in the field of agriculture is performed by various authorities.

These are mainly the labor inspectorates, tax administrations, but also agricultural inspectorates and other authorities

In the countries where the labor inspectorate does not have the sufficient capacity, better coordination and information exchange can increase the chances to detect non-registering seasonal workers.

Table 9 Opinions of the authorities in charge

	Albania	Bosnia and Herzegovina		Montenegro	Kosovo*	Serbia	North Macedonia
		Federation of Bosnia and Herzegovina	Republika Srpska				
According to the opinion of the interviewed subjects, what are the most common reasons of non-registration of seasonal workers?	1) Insufficiently elaborate legal framework 2) Complex procedures 3) Significant financial burden	1) Too extensive tax burden 2) Lack of inspectors 3) Insufficiently imported systems of institutions 4) Lack of high quality workers	1) Too extensive financial burden 2) Complex procedures 3) Inadequate inspection supervision 4) Lack of personnel	1) Too extensive tax burden 2) Complex administrative procedures	1) Tax evasion 2) Insufficiently developed inspection system	1) Complex administrative procedures 2) Too extensive tax burden	1) Complex procedures 2) Workers do not wish to register
Are there already public policies implying the reform of seasonal workers engagement system?	N/A	N/A	N/A	National Strategy of Employment and Development of Human Resources for 2016–2020	N/A	The reform has already been implemented in agricultural sector.	Strategy for formalization of the informal economy
According to the opinion of interviewed subjects, which areas are leading in non-registration of seasonal workers?	Agriculture and tourism/catering industry	Agriculture, tourism and construction works	The problems are evident in all the areas.	Domestic assistance, tourism and catering industry	Agriculture and catering industry (waiters)	In agriculture, which is the reason for the initiation of a pilot.	In agriculture.
Is the reform of seasonal workers employment system already being worked on	NO	NO. In the past, there were attempts with the agency for the employment of seasonal workers, but there were cases of misuse.	NO	NO, specifically for seasonal workers, but there are general activities aimed at simplification of procedures and introduction of one stop shop	NO. Generally speaking, Kosovo will work on the establishment of the registry of employed and reduction of gray economy.	YES	YES – potential solution is being elaborated through the aforementioned Strategy
Do the interviewed subjects consider that the reform should be implemented horizontally or the pilot should be developed first in certain areas?	Horizontally for all, while agriculture and tourism are primary. It is necessary to define the sectors where the seasonal work is present.	Horizontally for all, but it is necessary to determine precisely what should be considered a seasonal work in each activity.	The reform should be implemented horizontally for all the activities, with clear definition of the term seasonal worker.	It is advised to implement it for all the activities, but primarily in the field of tourism/catering industry and construction works.	It is necessary for all, starting with the sector of agriculture and catering industry.	Pilot – agriculture	Horizontally for all the seasonal workers
Is there a potential to implement electronic system of seasonal workers registration, similar to the system in Serbia?	YES, but it is essentially important to explain in detail entire system of part-time jobs.	YES	YES, but it is necessary to obtain the consent of all the key actors and state authorities.	The comment of the economy: "It would be a godsend" The comment of the authorities: YES, with slight adjustments of the system and prior analyses.	YES, but focus should be on empowering inspections performing supervision over seasonal work.	/	YES and for all the seasonal workers



4. INDIVIDUAL REPORTS**REPORT 1 – NORTH MACEDONIA****CONTENTS**

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INTRODUCTION

Within the project "Increasing Employment Opportunities for Seasonal Workers" Project, jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ), a research of the current systems of temporary-intermittent jobs of seasonal character was conducted in six economies in Southeast Europe: Albania, Kosovo⁵, the Federation of Bosnia and Herzegovina, Republika Srpska, Northern Macedonia and Montenegro. The main objective of the research was to analyze whether there is a potential to reform the systems based on the reform implemented in the Republic of Serbia with the aim of simplifying engagement of seasonal workforce in agriculture, which has produced impressive results - as many as 25,000 seasonal agricultural workers legally engaged in the first nine months of 2019, an increase of over 600% compared to the entire 2017.

The document below presents detailed results of the analysis of the state of affairs in the Republic of North Macedonia.

The document is divided into three main sections. The first part describes the current regulatory framework governing seasonal employment in Albania; The second part presents seasonal work in Albania through statistical indicators; In the third part, we look at the problems identified in the current system and give a brief overview of the possibilities to implement a reform modeled on the reform in Serbia and a list of potential challenges.

I REGULATORY FRAMEWORK

1.1. Labor Legislation

The engagement of seasonal workers in the Macedonian legal system is governed by the Labor Relations Law⁶ of 2015, as last amended in 2019 (hereinafter referred to as the Law). Article 47 of the Law defines that seasonal work is work that is not performed throughout the year but only for certain periods of time depending on climatic and natural conditions (season) and lasts up to 8 months for a period of 12 consecutive months. Therefore, the Law does not define the areas or sectors in which seasonal work is performed, but provides that such work can be performed for a limited period of time.

There are two ways in which an employer in Northern Macedonia can hire a seasonal worker:

- Through a contract of employment for seasonal work; or
- With the use of the services of the Temporary Employment Agency.

⁵ This designation is without prejudice to the status and is in accordance with UN Security Council Resolution 1244 (1999) and the International Court of Justice Advisory Opinion on the Kosovo Declaration of Independence

⁶ Labor Relations Law ("Official Gazette of the Republic of North Macedonia" No. 167/15,...,110/19)
http://www.mtsp.gov.mk/content/pdf/zakoni/30.9_ZRO%20precisten%20167%2015.pdf

Even though there is no official data, according to local experts, larger companies that use these types of work relatively often are more likely to opt for seasonal contracts, while smaller companies are more likely to engage seasonal workers through the Agency.

Contract of employment for seasonal work

Although the law defines a specific type of contract, in practice there are no major differences between a standard fixed-term contract and a seasonal contract. The differences in contracts are reflected in the couple of benefits that employers and seasonal workers have:

1. *Shortened probationary period* - Unlike a standard contract of employment where probation can last up to six months, when concluding a fixed-term contract for seasonal work, probationary work may last for a maximum of three working days (Article 60).
2. *Shortened notice period* - In the case of a seasonal worker hired for a seasonal contract, the minimum notice period is seven working days, as opposed to the minimum one month notice period prescribed for standard employment contracts (Article 88).
3. *There is no obligation of transformation into an employment contract* - As Article 46 of the Law prescribes, a fixed-term employment contract can be concluded for a maximum of five years. Thereafter, the contract is transformed into an indefinite duration contract. The exception to this rule is if the employer has concluded a fixed-term employment contract, but for seasonal jobs in which case the contract is not automatically transformed into an indefinite-period employment contract, but by agreement between the employer and the seasonal worker.
4. *There is no obligation to advertise the position* - As a significant relief for employers, the law exempts and allows an employer to hire a seasonal worker without first announcing a vacancy, but only if the worker is on the unemployment list of the Employment Agency and only if he is hired for less than 90 days. In all other cases, except in the case of a hired seasonal worker, the employer must announce the vacancy and the advertisement itself must be at least three working days before signing the contract with the employee.
5. *Opportunity for redeployment of working hours* - The law also introduces a benefit for seasonal workers in the form of the possibility of redeployment of working hours. Specifically, it is stipulated that the average weekly working time of a worker should not exceed 40 working hours. Also, in the case of seasonal workers, one working day may not exceed 12 working hours and one working week may not exceed 55 working hours. If it happens that, due to the unevenly distributed working hours, he has worked more than a standard 40 working hours a week in one week, he may request that his extra working hours be calculated as his working hours. This is a significant benefit when considering the number of working days required for the qualification for retirement.

Temporary Employment Agencies

As noted above, seasonal workers can also be hired through temporary employment agencies whose work is regulated by the Law on the Agencies for Temporary Employment⁷.

In accordance with this law, temporary employment is performed by a temporary employment agency on the basis of a previously concluded contract for the transfer of workers between the Agency and the employer. On the other hand, the Agency concludes employment contracts which it later assigns to the employer.

1.2. Costs of seasonal employment

As practice has repeatedly shown, simple procedures are the biggest incentive for employers to legally engage their workers, as well as lower tax burden on remuneration, i.e., wages. This is particularly true for hiring seasonal employees to perform temporary or occasional jobs in the company, which in some cases can only last for a few days.

In order to evaluate the burden that employers have on account of hiring a seasonal workforce, we looked at:

- The time and cost the employer has to bear in the process of workforce registration and deregistration;
- The cost of taxes and contributions that an employer would incur to hire a seasonal worker.

In order to compare the costs incurred by the current system in North Macedonia, with the costs incurred by the electronic system of registering seasonal agricultural workers in Serbia, we have assumed the following:

- Costs are calculated on a monthly basis for one seasonal worker.
- The worker works for 10 working days in one month.
- The employer is ready to allocate a total gross amount of 10,000 dinars.
-
- The number of working hours in a working day is in compliance with the regulatory framework.

Employee Registration Procedure

In the event that employers hire workers for only a few days or need them due to a sudden increase in workload (unplanned), companies generally use the services of the Agency for Temporary Employment. The obligations of the employer are then reduced to concluding a contract with the Agency and settling the obligations to the Agency in

⁷ Law on the Agencies for Temporary Employment ("Official Gazette of the Republic of Macedonia" No. 49/2006,...27/2016) http://www.mtsp.gov.mk/content/pdf/trud_2017/pravilnici/16,11-%D0%B7%D0%B0%D0%BA%D0%BE%D0%BD%D0%90%D0%9F%D0%92.pdf

accordance with the invoice. This type of engagement helps employers save time as the entire administration regarding hiring or terminating employees is moved to the Agency.

On the other hand, if an employer hires seasonal workers on its own, which happens if such workers are needed for more than a couple of days, the employer goes through the entire procedure of employment registration.

The steps for registering a seasonal worker with an estimate of time and cost are shown in *Table 1*.

Table 1: Steps required for registering a seasonal worker

Step in the procedure	Additional explanation of the time and money required	Service available on-line (YES/NO)	Time and money allocated by an employer (accountant)	Estimated costs
Step 1: Filing a PPR form with the Employment Agency– reporting a vacancy	The employer or the authorized person of the Employment Agency files the PPR form (Reporting a vacancy (a need for a worker)).	YES	30 min	RSD 204
Step 2: Preparation of the contract	Communication with the employee, signing, registration and archiving the contract	NO	30 min	RSD 204
Step 3: Printing 3 copies of the contract	The contract contains 4 pages. Each page costs on average MKD 5, 16-20 pages are printed out.	NO	MKD 10 (RSD 20)	RSD 20
Step 4: Signing the contract	The employee reads the contract again and signs it with a short signature once the authorized person (employer) has already signed.	NO	10 min	RSD 68
Step 5: Registering the employee with the Employment Agency	The authorized person (the employer) goes to the Employment Agency to register the employee with the compulsory social insurance system (pension and disability, health and unemployment insurance). The authorized person (employer) is obliged to submit a PPR form with the Employment Agency to register workers (the PPR contains the registration number) as well as the M1 form.	YES	30 min	RSD 204
Step 6: Registering with the Public Revenue Administration regarding payment of taxes and contributions	The accountant hired by the employer receives a contract of employment and a M1 and M2 form of employment where, on the basis of the contract and the form, current wages are calculated through the tax system services (Public Revenue	YES	30 min	RSD 204

	Administration)			
	Total			RSD 905

According to employers and employees of the Employment Agency, and since the procedures for concluding seasonal and fixed-term contracts do not differ too much, most employers choose to enter into a fixed-term contract with their employees.

The only procedural difference between the above contracts is the obligation of the employer to report to the Agency the need to hire workers before the conclusion of the contract. In case a worker is hired as a seasonal worker, this obligation does not exist. In the case of a fixed-term contract, by submitting a PPR form, the employer indicates to the Agency how many employees he needs, as well as on what basis they will be employed, for what time period and similar. The PPR form is available in electronic form on the Agency's website.

Only after the need for worker is registered, the employer can start the contracting procedure for the worker. The employee and the employer must have a written contract, two of which remain with the employer and one with the employee.

The employer then applies for the registration of workers for compulsory social security. This request is available electronically on the Agency's website and can be submitted both electronically and directly at the Agency's counter. The request is submitted at least one day before the commencement of work, and in urgent cases it is possible to submit the request one hour before the commencement of work, although the Law does not specify how the “emergency” is proved. When this request is submitted, the Agency can issue a M1 employment registration form.

An accountant hired by the employer receives a copy of the contract and an M1 form and, on the basis of the same workers, reports to the Public Revenue Administration, which takes into account the collection of the required taxes and contributions on a monthly basis.

Overall, an employer must address the institutions at least twice to hire one seasonal worker (once directly to the Employment Agency, the second time an accountant hired by the employer must reach out to the Public Revenue Administration system to calculate taxes and contributions). In total, it is estimated that an employer will need about 2 hours, or about 905 MKD (7.6 euros), to complete the application procedure for one worker if one considers the average monthly salary in North Macedonia in 2018.

In order to see the relationship between the costs of employing a seasonal worker in North Macedonia and the costs borne by employers in Serbia, Table 2 lists the main features of the systems in these countries.

Table 2: Comparative overview of the basic characteristics of the worker registration systems in Serbia and the Republic of North Macedonia

Employer obligations	Serbia	North Macedonia
Deadline for registration of a seasonal worker	At the latest on the day of commencement of employment: 1. to 10am for the morning shift 2. from 13 to 15h for the afternoon shift	Before the commencement of work (one day or, at the latest, one hour prior to the commencement of work)
Number of steps for the employer from finding an employee to registering the employee	1 step	6 steps
How many institutions the employer communicates with to register workers	0, because the registration is made through application software	2 institutions* *one for registration and the other for taxes and contributions
Which institutions the employer communicates with to register workers and pay the taxes and contributions	Application software	Employment Agency Public Revenue Administration (for taxes and contributions)
Total estimated time for administrative activities	10 min	130 min
Total direct (monetary) costs for administrative activities related to the registration of workers	RSD 0	RSD 20
Estimation of total costs related to administrative procedures before the registration of an employee in RSD *	60	RSD 905

As it can be concluded from the table the system introduced in Serbia in the agricultural sector brings significant savings to employers. First of all, the basic advantage of the system is reflected in the number of “counter” visits an employer must make in order to register a seasonal worker. In Serbia, the counters have been completely abolished and the entire registration of the seasonal worker is done electronically and requires only a few details (citizens’ unique identifier and date of engagement). It is also important to note that there is no official behind the application software who handles the data manually; instead the system automatically transmits the data through the service bus of the state authorities to all the necessary registers, so the system itself enabled the state administration to make savings.

On the other hand, the main limitation of the Macedonian system for rapid recruitment of seasonal workforce, especially in dynamic work conditions such as weather-dependent agriculture, is the obligation of the employer to first report the need for workers before concluding the contract, and that the same notification must be pending at least three days before entering into an agreement with an employee.

Also, even if there is no obligation to advertise the workplace, as in the case of a seasonal contract, the employer still has the obligation to hire only those unemployed who are on the unemployment list of the Employment Agency. This significantly limits the choice of

an employer who, for example, cannot hire a student who wants to work only during the summer months, or pensioners who want additional income, since they are not on the unemployment list.

Tax burden

The amount of taxes and contributions paid by employers to hire a seasonal worker is prescribed by the Law on Mandatory Social Security Contributions⁸. In accordance with what is prescribed in this law, there are no differences in the amount and manner of calculating taxes and contributions between a standard employment contract and a seasonal employment contract.

The basic characteristics of the system taxation in North Macedonia are shown in *Table 3*.

Table 3: Comparative overview of the basic characteristics of the taxation system in Serbia and North Macedonia

Tax burden	Serbia	North Macedonia
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	NO
Tax rate	10% 18% for base over MKD 90.000	10% 18.40%
Pension and Disability Fund contribution rate	26%	18.40%
Healthcare contribution rate	2%	7.40%
Unemployment contribution rate	/	1.20%
The rate for other mandatory contributions	/	0.50% - capital financial collateral mandatory
Tax base	1/30 the lowest monthly contribution base, or about 800 dinars	Gross wage minus the contribution amount and the non-taxable portion amounting to MKD 263 per day (510 dinars)
Base for the calculation of contributions	1/30 the lowest monthly contribution base, or about 800 dinars	Gross earnings
Is there a minimum basis for calculating contributions	YES	NO
Total tax and contributions rate for a seasonal worker	38%	37.5%
In case the employee works 10 days a month and the total cost is 10.000 dinars, what is paid to the state in taxes	RSD 3000 (300x10 days)	RSD 3775
How much is the gross salary burdened in the above example	30%	38%

⁸ Law on Mandatory Social Security Contributions ("Official Gazette of the RM" No. 142/08 (...) 35/2018 and 247 dated December 31, 2018

http://www.ujp.gov.mk/files/attachment/0000/1037/Zakon_za_pridonesi_od_zadolzitelno_osiguruvanje_247_od_31_12_2018_godina.pdf

What is the net salary of an employee	RSD 7000	RSD 6225
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As indicated in the table, in North Macedonia there is an obligation to pay both income tax and payment of contributions for basic pension insurance, capital pension insurance, health insurance and unemployment insurance. The total nominal rate at which the seasonal worker's earnings are taxed is 37.5%.

The base on which the tax rate is calculated is the gross monthly earnings. An extenuating circumstance for employers is the fact that there is no minimum basis for calculating the contribution, and that it is adjusted according to the number of working hours.

Suppose that in order to hire one worker for 10 days, the employer wanted to spend a total of 10,000 dinars (gross salary). In Serbia, the employer would pay a total of 3000 dinars for taxes and contributions, while in North Macedonia it would have to spend 3775 dinars. So, in our hypothetical example, a seasonal worker would earn 7000 dinars in Serbia, or 6225 dinars in North Macedonia.

Estimating total costs

Taking into account all the above information, we will summarize all costs incurred by an employer for hiring one seasonal worker through a single spreadsheet.

Table 4: Estimated costs of employing one seasonal worker

Costs	Serbia	North Macedonia
Time to complete the procedure	10 min	130 min
Costs of the procedure	RSD 60	RSD 905
Costs for taxes and contributions	RSD 3000	RSD 3775
Total	RSD 3060	RSD 4680

Based on the above we conclude that hiring a seasonal worker in North Macedonia is more complicated and more expensive than doing the same in Serbia. That is, the employer must spend about 2 hours longer per worker to go through the entire procedure, as well as RSD 1.765 more⁹.

1.3. Supervision of seasonal employment

The State Labor Inspectorate, as a body within the Ministry of Labor and Social Policy, is responsible for supervising work, including temporary and seasonal work. Within the Inspectorate, there is a Sector of Labor Relations Inspection responsible for on-site inspections the implementation of the labor legislation and for oversight of employers as they apply laws and other regulations in connection with labor, collective agreements and employment contracts.

⁹ The case of a worker who works for 10 days in a month and earns gross salary of RSD 10.000

1.4. Ex officio exchange of information

In the regional analysis of the seasonal employment system, particular attention has been paid to the way in which ex officio exchange of electronic information is regulated. What makes this piece of research very important? Namely, Article 9 of the Law on General Administrative Procedure¹⁰ had an important role in streamlining seasonal employment in Serbia. Amongst other things it provides that the government authority is obliged ex officio to inspect data on facts necessary for deciding the official procedure, to collect and process them, and that the government authority may require the party to provide only identifiable information and documents confirming facts which are not confirmed by official records. Further, the Law on Electronic Government¹¹ provides the basics of electronic commerce of the state administration, which stipulates that the government bodies that maintain official records in electronic form exchange data through the service bus of state bodies. These regulations provided the basis for the introduction of such a simple electronic system in Serbia, which requires users to enter only two data elements - the employee's unique identifier and the date when the employee will be hired. All other information required by the competent institutions (the Tax Administration, CROSO (Central Registry of Compulsory Social Insurance), the National Employment Service) is obtained by automatic download, via the service bus, from the original registers.

How is the official exchange of electronic information regulated in North Macedonia? The Law on Electronic Management and Electronic Services regulates the work of ministries, other state administration bodies, administrative organizations and local government units in the exchange of data and documents in electronic form, i.e., the delivery of electronic services.

With respect to the data required for the registration and deregistration of workers on mandatory social security systems, the Employment Agency has developed an electronic system through which data is exchanged with other competent institutions such as the Health Insurance Fund, the Pension and Disability Insurance Fund and the Public Revenue Administration. Data between these institutions is exchanged bilaterally, so there is no single exchange system, but depends on the communication between each of these institutions. According to the analysis, the exchange of information is based on the Law on Mandatory Social Security Contributions and the Law on Labor Relations. According to the Agency's representatives, the exchange of data with these funds is carried out completely electronically, without great difficulty. The Agency does not automatically exchange data only with the State Labor Inspectorate, but the exchange is made upon request and need of inspection, although it has been announced that the State Labor Inspectorate is working on developing software that would allow automatic data exchange.

¹⁰ Law on General Administrative Procedure ("Official Gazette of the RS", No. 18/2016 and 95/2018 – authentic interpretation)

<https://www.paragraf.rs/propisi/zakon-o-opstem-upravnom-postupku.html>

¹¹ Law on Electronic Government ("Official Gazette of the RS", No. 27/2018)

<http://www.pravno-informacioni-sistem.rs/SIGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2018/27/4/reg>

II SEASONAL WORK IN NUMBERS

According to data from the Workforce Survey in North Macedonia, in 2018 there were a total of 759,054 workers¹², of whom 618,229 (81%) were formally employed and 140,825 (29%) were informally employed¹³. However, during the regional analysis, it was concluded that in the analyzed economies, even in the Republic of North Macedonia, there is no reliable data on the number of seasonal workers employed in recent years.

The shadow economy reduction strategy in the Republic of North Macedonia for the period 2018-2022 recognizes the problem of informal employment of seasonal workers. Referring to the 2016 IPA project research, the Strategy states that about 43% of respondents who were hired in the gray area cited the seasonal character of their work as a reason for such engagement.

In 2018, the Center for Research and Policy Making (CRPM) conducted a study - Adaptation of Industrial Relations to New Forms of Work¹⁴ where interviews were conducted with representatives of employers who employ seasonal workers, as well as focus groups with trade union representatives. The survey found that most seasonal workers are engaged in agriculture, tourism, catering and construction. Unfortunately, there is no official data on the total number of seasonal workers working in the North Macedonia market by sector. The number of seasonal workers is mentioned only in agriculture, as a sector where, according to the competent institutions, the seasonal character of work is most pronounced.

According to the 2007 census, there were a total of 109,606 seasonally engaged workers in agriculture. In 2013, according to a survey conducted by the Central Bureau of Statistics, the number of seasonal workers hired was 95,544.

Table 5: Number of seasonal and other agricultural workers

Number of seasonal and other agricultural workers			
Year	Total	Individual sector	Businesses
2007 ¹⁵	109 606	103 187	6 419
2013 ¹⁶	95 544	94 229	1 315

¹² Statistical Office

http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat_PazarNaTrud_AktivnosNaNaselenie/012_PazTrud_Mk_polno4_mk.px/table/tableViewLayout2?rxid=2a9dafa6-4842-4eeb-afe0-956ac3c29dce

¹³ Statistical Office:

http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat_PazarNaTrud_AktivnosNaNaselenie/06_6_Formalna_NeformalnaVrab_PoI_Vozrast_mk.px/table/tableViewLayout2?rxid=2a9dafa6-4842-4eeb-afe0-956ac3c29dce

¹⁴ Original: The adaptation of industrial relations towards new forms of work, 2018, CRPM

¹⁵ Agriculture Census of 2007

http://makstat.stat.gov.mk/PXWeb/pxweb/mk/MakStat/MakStat_Popisi_PopisZemjodelie_MakIndOpstini_RabotnaSila/T31-I-O.px/table/tableViewLayout2?rxid=2a9dafa6-4842-4eeb-afe0-956ac3c29dce

¹⁶ Agricultural Holdings Census of 2013 http://www.stat.gov.mk/PrikaziPoslednaPublikacija_en.aspx?id=69

However, the question is to what extent we can interpret the above data properly, does this mean that an average of about 100,000 seasonal agricultural workers are hired annually by individual farmers and businesses to work for money, or does this number include friends, family, neighbors helping the farmer without compensation? Namely, the above mentioned survey of the Central Bureau of Statistics also covers annual units of work in agriculture. Annual unit of work in agriculture is defined as the equivalent of one person working full time in one year (8 hours a day, 225 working days). According to agricultural census, in 2013 there were a total of 243,689 annual units of work - 238,678 recorded by individual agricultural holdings and 5,011 by legal entities. Only 15,206 annual units of work are seasonal work (about 6%). The remainder is the work of owners and members of agricultural holdings, which are mainly labor that is not formally contracted, i.e. represents assisting household members. If we consider the total number of agricultural workers as presented in the Workforce Survey (119,337), by applying a simple proportion, we can estimate that there are about 7,500 seasonal workers, which makes up about 6% of the total agricultural workforce. On the other hand, the annual unit of work implies 225 working days. Even if we assume that the season lasts for six months, the number of seasonal workers in agriculture would be around 15,000, which is not even close to an average of 100,000 workers, which is mentioned in *Table 5*.

Table 6: Evaluation of the number of seasonal workers in agriculture

The total number of workers in agriculture	119.337
Total number of annual units of work	243.689 ¹⁷
Number of annual units of work in legal entities	5.011
Number of annual units of work in individual AH	238.678
Number of AUW in individual AH - owners and members	223.473
Number of AUW in individual AH - seasonal labor force	15.206
Participation of seasonal workforce in total AUW in individual AH	6%
Estimation of the number of seasonal workers in agriculture	Approx. 15.000 ¹⁸

Central Bureau of Statistics also monitors the number of seasonal workers who did not work during the workweek covered by regular surveys, but who expect to resume work within a few months. Based on this information, we cannot conclude what the total number of seasonal workers in agriculture is, but we can have at least an „order of magnitude”.

Table 7: Number of seasonal workers who did not work in the previous week but believe they will resume work within one month

Activity	Number of seasonal workers who did not work during the previous week but expect to continue working within a few months		
	2016	2017	2018
Agriculture (A Sector)	4.130	8.772	18.317

Seasonal workers are also mentioned in the reports of the Employment Agency in North Macedonia. Given that the Republic of North Macedonia provides for a special type of

¹⁷ http://www.stat.gov.mk/PrikaziPoslednaPublikacija_en.aspx?id=69

¹⁸ Author's estimate based on the number of annual units of work relating to seasonal work for a seson of 6 months

contract for seasonal workers, the Agency has some information on the number of seasonal workers. However, the problem arises in the separation of seasonal workers from the remaining part-time workers due to a couple of problems: The first relates to the fact that the seasonal worker contract is only one part of a fixed-term contract, and the statistics are not kept separately but rather aggregately. Another problem, mentioned above, is that due to minimal procedural differences and differences in tax and contribution burden, employers often choose to hire a seasonal workforce under a fixed-term contract and it is impossible to separate seasonal workers on account of that. The third problem is that the Agency keeps records of the additional number of registered employees who started their work during the select year, i.e., the Agency does not provide aggregate reports on the total number of employees in the select year.

From *Table 7*, we can only conclude that, year in year out, the number of registered seasonal and other part-time workers is increasing relative to those who are employed on a permanent basis, but it is impossible to assess the ratio of seasonal and other temporary workers.

Table 7: Registered employment reports – M1 form

Registered employment reports - M1 forms ¹⁹			
Year	Total employment registered	Total fixed-term employment registered	Total fixed-term employment and seasonal work registered
2015	189 807	90 691	99 116
2016	184 877	84 805	100 072
2017	185 237	76 317	108 920

III PROPOSAL FOR REFORM

3.1 Brief description of the reform of the agricultural sector in Serbia

The shadow economy and informal employment are one of the leading challenges in Serbia, and due to the seasonal nature of jobs, a particular problem of informal employment has arisen in the agricultural sector. In order to reduce the shadow economy in this sector, but also to protect the rights of seasonal workers, NALED, in cooperation with the Ministry of Labor, Employment, Veterans' and Social Affairs, the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance and with the support of German Development Agency (GIZ) implemented a reform streamlining the engagement of seasonal workers in agriculture.

In this regard, a special Law on Simplified Work Engagement on Seasonal Jobs in Specific Areas²⁰ was adopted. The primary objective of the law is to free employers from unnecessary and extensive administration related to the process of registering and deregistering seasonal workers, which would encourage formal reporting of these workers and increase tax and contribution income on this basis. On the other hand, in addition to earnings, the seasonal workers would also exercise the rights arising from employment - the right to insurance in case of injury at workplace as well as the right to

¹⁹ The Employment Agency of the Republic of North Macedonia, <https://av.gov.mk/esarm-reports.nspx> accessed on October 15, 2019

²⁰ "Official Gazette of the RS", No. 50/18

pension insurance. The reform also established a Seasonal Workers Register containing basic information on the workers and their skills, making it easier for the employer to find a quality workforce, given that this is often highlighted as a problem.

The law provided for a fully electronic procedure for the registration and deregistration of seasonal workers. For this purpose, an online platform/application for the registration of seasonal workers in agriculture (www.sezonskiradnici.gov.rs) was introduced; it became operational in January 2019. The portal is under the jurisdiction of the Tax Administration, but it is directly linked to the Central Registry of Compulsory Social Insurance, which automatically registers workers for pension, accident and unemployment insurance, and the National Employment Service, and thus the Seasonal Workers Register is automatically created.

A comparative overview of the main characteristics of the previous system and the system implemented after the reform is given in *Table 8*.

Table 8: Comparative review of the basic characteristics of the system

	Previous system	Reform
1	Employers can only be legal entities and entrepreneurs, but not private individuals (such as farmers)	Legal entities, entrepreneurs, as well as natural persons or farmers are considered to be employers.
2	Employers and workers sign a contract on seasonal/occasional jobs	Employers and workers conclude an oral agreement that enters into force upon registration through the online portal
3	The registration and deregistration of workers is done electronically through the Central Registry of the Compulsory Social Insurance (CROSO). On the pay date, the employer submits the tax return through the e-taxes portal for each worker individually.	The registration and deregistration of employees is done electronically in one place through the portal www.sezonskiradnici.gov.rs , and the tax return information is submitted to the employer via the portal.
4	The registration and deregistration procedure of one seasonal worker takes an average of five hours per month.	The registration and deregistration procedure of workers takes less than 10 minutes, regardless of whether the worker is registered for one day or even a month.
5	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 10,200	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 6,000 (RSD 300 per day)
6	Each form of hiring and receiving compensation in exchange of work directly suspends social rights and benefits of the employees who are entered into the Registry of the National Employment Service (NES) as unemployed.	Employing seasonal workers in agriculture does not affect social rights and benefits the workers had acquired before, and they remain registered with the NES Registry.
7	95% of seasonal workers (unregistered seasonal workers) did not have pension and disability insurance, as well as insurance in case of injury at workplace	All workers registered through the portal have the right to pension and disability insurance as well as insurance in case of injury at workplace.
8	The employer can hire one worker for the same jobs for a maximum of 120 days in a calendar year, based on the contract on temporary/occasional employment.	The employer can hire one worker for a maximum of 120 days in a calendar year, including the sum of days of engagement through the portal and contracts on temporary/occasional employment
9	The estimated number of seasonal workers engaged in agriculture ranges from 65,000 to 80,000	
1	In 2017, around 3,500 seasonal workers were	In the first nine months of implementation of the

o registered.	system about 25,000 seasonal workers were registered.
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3.2. Reform potential of the system in the Republic of North Macedonia

As stated in the interviews, legislation separating seasonal work from standard temporary work is not favorable to employers. Due to present disregard for particularities and dynamism of seasonal work, many employers, and individuals, often choose not to report seasonal workers. , On the other hand, employers who are conscientious and choose a fixed-term contract, because of the slight differences between seasonal and fixed-term contracts, suffer heavy procedural and financial burdens.

According to the interviewees, the biggest problems that occur in the Macedonian system regarding the seasonal workforce are:

- Complicated administrative procedures
- Labor shortage
- Excessive financial burden

The existence of these problems leads to the emergence of the shadow economy among the engaged seasonal workers. Also, in dynamic sectors, such as agriculture and tourism, which depend heavily on the weather, the rigid system does not even suit those employers who register their workers, pay taxes, and cannot use their services in bad weather.

Another problem that further exacerbates the informal economy is the fact that workers do not want to be registered because they will lose other acquired rights, such as social benefits. It is characteristic of agricultural work that it is often performed by pensioners, students, students, or workers who have excess free time and need for additional income, who cannot register to be put on the unemployment list in the Employment Agency, which is a mandatory prerequisite for seasonal employment registration.

The Government of North Macedonia has already recognized the problem of the shadow economy among seasonal workers. The draft decision is envisaged and included in the Strategy for Formalization of the Informal Economy in the Republic of North Macedonia for the period 2018-2022²¹ adopted by the Ministry of Labor and Social Affairs. The Strategy itself does not provide a solution specific to the informal economy among seasonal workers, but addresses the need to reduce the administrative and tax burden on employers. It is particularly important to mention that one of the specific objectives of the Strategy is the objective of “Developing a system of cooperation for reducing informal activities in rural areas”.

According to the interviewees, the electronic system implemented in Serbia is very simple and suitable for both employers and workers. They agreed that such a system could be implemented in North Macedonia as well. Although the problem of seasonal

²¹ Strategy for formalizing the informal economy in the Republic of Macedonia, 2018-2022

workers is the greatest in agriculture, in their view the system should not be made sector-specific, but the reform should be implemented horizontally for all sectors where there is a seasonal employment.

3.3. Potential challenges identified in North Macedonia

The current system in the Republic of North Macedonia is similar to the system that the Republic of Serbia had before reforming the system of seasonal employment registration in agriculture, that is, the system currently in place for the registration of seasonal workers in all other sectors.

The introduction of an electronic portal for the registration of seasonal workers is possible in a system such as North Macedonia, especially considering that North Macedonia already has experience in the introduction of fully electronic procedures (construction permitting system).

Potential challenges that reform implementers would face when introducing an electronic system, which concern the procedure and proposals for their solution are shown in *Table 9*.

Table 9: List of potential reform challenges with suggested solutions

Potential challenge	Possible solution
1 Lack of official statistics on the number of seasonal workers. It is difficult to separate seasonal workers from other part-time workers.	Conduct in-depth analyzes and interviews with employers to estimate the number of seasonal workers. First, select pilot sectors where there is more information on the number of seasonal workers.
2 Estimated small number of seasonal workers in agriculture - 12,000 to 18,000 seasonal workers.	Covering a large number of sectors with the reform
3 The employer is required to notify the Employment Agency about a need for a worker before any contracting takes place	Elimination of reporting about the need for workers
4 Workers must be added to the list of the unemployed maintained by the Employment Agency in order for the employer to enter into an agreement with them	Enable engagement of all persons, regardless of their status in the Agency
5 Employment registration must be done the day before the commencement of work or no later than one hour before the emergency occurs	There must be a requirement to register a worker prior to the commencement of work, but not necessarily one day before
6 A written contract with a seasonal worker is required.	Introducing the concept of an oral agreement for seasonal workers with an electronic filing that remains on the system.
7 Taxes and contributions are calculated on a monthly gross basis.	Allowing the calculation of taxes and contributions on a daily basis for seasonal workers or the introduction of a fixed amount per day. The liability can be settled on a monthly basis.
8 There is a mandatory notice period for contracts with seasonal workers	The notice period should not exist for employment that is seasonal, flexible and time-limited
9 Too long a limit of the number of months that can be covered by seasonal work - allowed engagement 8 months in the last 12 months	Define clearer restrictions on flexible employment while retaining the possibility of long-term engagement under existing employment systems.

CONCLUSION

The “Increasing employment opportunities for seasonal workers” Project jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ) provided an initial mapping of the current situation in six economies in Southeast Europe, including the Republic of North Macedonia.

Although there is currently a seasonal employment contract in the North Macedonian system, it is not too different from a standard fixed-term contract that is not suitable for hiring a seasonal workforce. Namely, in order to register a seasonal worker, say, for only one day, the employer must conclude an employment contract with him. The conclusion of an employment contract is preceded by a procedure for reporting the need for a worker, and the worker himself must be entered on the list of the unemployed in the Employment Agency. All of this causes an employer to invest on average about 2 hours of his or her time to hire one worker. What is positive is that there are no minimum bases for calculating taxes and contributions; instead the base is adjusted to the number of working days, which in practice means that the employer bears the tax burden in proportion to the number of days for which he hires a worker. The contracting system for seasonal workers is too rigid and cannot respond to the dynamic conditions in which seasonal workers work, especially in sectors that are dependent on weather (agriculture) or on unforeseen circumstances (such as removing snow due to heavy weather).

Certainly, the results of the research have shown that there is potential for implementing the reform and streamline hiring of seasonal workers in Albania modeled on the system in Serbia, although the dimensions of the potential effects of introducing the system remain unknown due to the lack of precise data on the current number of seasonal workers.

The research before you is the first step and provides a tentative overview of the current system, possible reforms and potential challenges we might face as we implement the reform. The next step would certainly be a more detailed, preferably sectoral, analysis that would highlight all the particularities that the North Macedonian labor market has regarding the employment of seasonal workers.

REPORT 2 – REPUBLIC OF SRPSKA

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INTRODUCTION

Within the project "Increasing Employment Opportunities for Seasonal Workers" Project, jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ), a research of the current systems of temporary-intermittent jobs of seasonal character was conducted in six economies in Southeast Europe: Albania, Kosovo^{*22}, the Federation of Bosnia and Herzegovina, Republic of Srpska, Northern Macedonia and Montenegro. The main objective of the research was to analyze whether there is a potential to reform the systems based on the reform implemented in the Republic of Serbia with the aim of simplifying engagement of seasonal workforce in agriculture, which has produced impressive results - as many as 25,000 seasonal agricultural workers legally engaged in the first nine months of 2019, an increase of over 600% compared to the entire 2017.

The document below presents detailed results of the analysis of the state of affairs in the Republic of Srpska.

The document is divided into three main sections. The first part describes the current regulatory framework governing seasonal employment in the Republic of Srpska; The second part presents seasonal work in the Republic of Srpska through statistical indicators; In the third part, we look at the problems identified in the current system and give a brief overview of the possibilities to implement a reform modeled on the reform in Serbia and a list of potential challenges.

I REGULATORY FRAMEWORK

1.1. Labor Legislation

The employment of seasonal workers in the Republic of Srpska is not specifically defined by law, that is, the legislation in the RS does not recognize the term "seasonal worker". The term "seasonal work" is mentioned only in Articles 69 and 77 of the Law, which prescribes the length of working time for seasonal jobs, as well as the right to reallocation to full-time.

The Labor Law of the Republic of Srpska²³, Chapter 16 "Work beyond Employment Relation" defines temporary and intermittent jobs, service agreement, contract on vocational training and professional development, and contract on additional work. In practice, in order to hire a seasonal worker employer can use temporary work contract, but also service contract and fixed-term contracts are also used.

²² This designation is without prejudice to the status and is in accordance with UN Security Council Resolution 1244 (1999) and the International Court of Justice Advisory Opinion on the Kosovo Declaration of Independence

²³ Labor Law of the RS („Official Gazette of RS“, no. 1/16 and 66/18)

Temporary and intermittent work contracts

Temporary and intermittent work contract is a contract that is concluded in writing in regard to work that by its nature is such that it does not last more than 90 working days in a calendar year that is not work for which an employment contract is concluded.

Subject contract may be concluded with an unemployed person, a part-time worker - up to full-time, a member of a youth or student cooperative, in accordance with special regulations, and old-age pension beneficiary.

Service contract

Service contract is regulated by the Labor Law and the Law on Obligations.

The Labor Law, in Article 205, states: "An employer may conclude a service contract with a certain person for the purpose of performing activities outside the employer's activity, and that have as their purpose the independent production or repair of a certain thing, the independent performance of a particular physical or intellectual work. The contract ... must be in written form".

Article 600 of the Law on Obligations stipulates: "The service contract gives the employee (contractor, contractor) takes an obligation to carry out a specific work, such as the preparation or repair of a thing or the performance of some physical or intellectual work, etc. and the contracting authority undertakes to pay him compensation. "

Fixed term contract

Article 39 of the Labor Law defines the conditions for concluding a fixed-term employment contract, such as:

- For the purpose of establishing a work force whose duration is predetermined by objective reasons justified by the deadline, the execution of a specific job or the occurrence of a predetermined event;
- The employer and the employee may conclude one or more employment contracts referred to in paragraph 1 of this Article for a period which, with or without interruptions, may not exceed 24 months in total.

1.2. Costs of seasonal employment

As practice has repeatedly shown, simple procedures are the biggest incentive for employers to legally engage their workers, as well as lower tax burden on remuneration, i.e., wages. This is particularly true for hiring seasonal employees to perform temporary or intermittent jobs in the company, which in some cases can only last for a few days.

In order to evaluate the burden that employers have on account of hiring a seasonal workforce, we looked at:

- the time and cost the employer has to bear in the process of workforce registration and deregistration;
- The cost of taxes and contributions that an employer would incur to hire a seasonal worker.

In order to compare the costs incurred by the current system in the Republic of Srpska with the costs incurred by the electronic system of registering seasonal agricultural workers in Serbia, we have assumed the following:

- Costs are calculated on a monthly basis for one seasonal worker.
- The worker works for 10 working days in one month.
- The employer is ready to allocate total gross amount of 10,000 dinars.
- The number of working hours in a working day is in compliance with the regulatory framework.

Employee Registration Procedure

Assuming that temporary contracts are used to hire seasonal workers, the steps for applying for workers are shown in Table 1.

Table 1: Steps required to register a seasonal worker

Step in the procedure	Additional explanation of the time and money required	Service available online (YES/NO)	Time and money allocated by an employer (accountant)	Estimated costs
Step 1: Preparing the contract	Communication with the worker, signing, filing and archiving of the contract	/	30 min	245 RSD
Step 2: Printing 3 copies of the contract	The contract has 1 page. Each side costs 0.10 BAM on average. 3 pages are printed.	/	around 0.30 BAM around 20 RSD	20 RSD
Step 3: Signing the contract		/	10 min	82 RSD
Step 4: Filling in the PD 3100 form Registration/Change/De registration of the contribution payment	The form is available online via the RS Tax Administration portal but cannot be submitted electronically. https://www.poreskaupravars.org/	Yes	10 min	82 RSD
Step 5: Printing of PD 3100 form – filled in	The form has one page. Two copies are printed. Each side costs BAM 0.10 on average.	/	0.20 BAM around 10 RSD	10 RSD
Step 6: Trip to the Tax Administration	Usually done by the accountant.	NO	30 min	245 RSD
Total				683 RSD

Article 204 of the Labor Law stipulates that the contract on temporary and intermittent work shall be concluded in writing, and, as stated in the table, the first step in hiring a seasonal worker is to prepare, print and sign the contract with the worker.

After signing the contract, the employer prepares documentation to register the employee with the Tax Administration. The registration of workers is made at least one day before they start work as prescribed by the Law on Tax Procedure of the Republic of

Srpska²⁴. In addition to the signed contract, the employer prepares the form PD3100 - Registration, Change, Dereistration of contributions payment. The form itself contains about 30 data pieces on the contributor, the payer, as well as the basis for payment of taxes and contributions. Among other things, this form includes the start and expiration date of the contract, and the Tax Administration automatically deregisters employees from the Unified Register, provided that all tax liabilities and all contributions are paid. The form is available on the official website of the Tax Administration, but the prepared documentation cannot be submitted electronically.

The Unified Register of the Tax Administration is linked to the Health Insurance Fund and the Pension and Disability Insurance Fund, and upon registration, information about the worker is automatically forwarded to the line funds.

The employee's obligation to certify the health care booklet still exists. However, since the Tax Administration is linked to the compulsory social fund systems, field doctors can check via citizens' unique identifier whether he/she is insured or not, but in practice they do not refuse to treat a patient if he or she has no certified health care booklet. This method of certification has limitations and depends only on whether the healthcare institution is linked to the system of certification.

It is estimated that an employer will need about 1.5 hours to complete the registration procedure or about 680 RSD (6 Euros) if the average monthly salary in the Republic of Srpska in 2018 is taken into account.

In order to see the relationship between the costs of employing a seasonal worker in the Republic of Srpska and the costs borne by employers in Serbia, Table 2 lists the main features of the system in these countries.

Table 2: Comparative overview of the basic characteristics of the worker registration systems in Serbia and the Republic of Srpska

Employer obligations	Serbia	Republic of Srpska
Deadline for registration of a seasonal worker	At the latest on the day of commencement of employment: 1. to 10am for the morning shift 2. from 13 to 15h for the afternoon shift	One day before the start of work
Number of steps for the employer from finding an employee to registering the employee	1 step	6 steps
How many institutions the employer communicates with to register workers	0, because the registration is made through application software	1 institution

²⁴ Law on Tax Procedure of the Republic of Srpska („Official Gazette of RS“, no. 102/11, 108/11, 67/13, 31/14 and 44/16)

Which institutions the employer communicates with to register workers and pay the taxes and contributions	Application software	Tax Administration
Total estimated time for administrative activities	10 min	80 minutes
Total direct (monetary) costs for administrative activities related to the registration of workers	RSD 0	30 RSD
Estimation of total costs related to administrative procedures before the registration of an employee in RSD *	60	683

As it can be concluded from the table the system introduced in Serbia in the agricultural sector brings significant savings to employers. First of all, the basic advantage of the system is reflected in the number of "counters" visits an employer must make in order to register a seasonal worker. In Serbia, the counters have been completely abolished and the entire registration of the seasonal worker is done electronically and requires only a few details (citizens' unique identifier and date of engagement). It is also important to note that there is no official behind the application software who handles the data manually; instead the system automatically transmits the data through the service bus of the state authorities to all the necessary registers, so the system itself enabled the state administration to make savings.

The biggest obstacle, by far, to registration and deregistration of seasonal workers in the Republic of Srpska is the fact that the system is not designed to support the dynamic and fast environment in which seasonal workers work, but it requires registration via paperwork at the counters of the Tax Administration at least one day before the start of work. An employer must, even if he/she hires a worker for only a few days, undergo almost identical procedure as if it is hiring a worker with an indefinite employment contract.

Tax burden

The amount of taxes and contributions paid by employers to hire a seasonal worker is prescribed by the Law on Contributions and the Law on Personal Income Tax²⁵. In accordance with what is prescribed in the aforementioned laws, the employer pays a lower level of contribution for the temporary and intermittent work contract than for the standard employment contract. As indicated in Table 3, the employer does not pay unemployment and child care contributions for the TI contract, which totals 2.5% of gross wage.

Table 3: Comparative overview of taxes paid for the employment contract and TI contract

Type of tax/contribution	Employment contract	TI work contract
Personal Income Tax (10%)	YES	YES
Contributions for PDI (18.5%)	YES	YES
Health Insurance Contribution (12%)	YES	YES

²⁵ Law on Contributions („Official Gazette of RS“, no. 114/17) and Law on Personal Income Tax („Official Gazette of RS“, no. 60/15, 5/2016 - corr. and 66/2018)

Unemployment Contribution (0.8%)	YES	NO
Child Care Contribution (1.7%)	YES	NO

The main characteristics of the taxation system in the Republic of Srpska are shown in Table 4.

Table 4: Comparative overview of the basic characteristics of the taxation systems in Serbia and the Republic of Srpska

Tax burden	Serbia	Republic of Srpska
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	YES
Tax rate	10%	10%
Pension and Disability Fund contribution rate	26%	18.50%
Healthcare contribution rate	2%	12%
Unemployment contribution rate	/	/
The rate for other mandatory contributions	/	/
Tax base	1/30 the lowest monthly contribution base, or about 900 dinars	Gross wage
Base for the calculation of contributions	1/30 the lowest monthly contribution base, or about 900 dinars	Gross wage
Is there a minimum basis for calculating contributions	YES	NO
Total tax and contributions for a seasonal worker	38%	41%
In case the employee works 10 days a month and the total cost is 10.000 dinars, what tax is paid to the state	RSD 3000 (RSD 300x10)	4100
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	41%
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	5900 RSD

As stated in the table, in the Republic of Srpska there is an obligation to pay both income tax and basic pension and health insurance contributions. The total nominal rate at which the seasonal workers wages are taxed is 41%.

The base of the tax calculation is the gross monthly wage. An extenuating circumstance for employers is the fact that there is no minimum basis for calculating the contribution and that it is adjusted to the number of working hours. On the other hand, the non-taxable part of the income, which amounts to about 250 Euros, relates only to work within the framework of employment. Since temporary and intermittent work contracts are not employment, the non-taxable portion of income does not apply here.

Suppose that for hiring one worker for 10 days, the employer wanted to spend a total of 10,000 RSD (gross wage). In Serbia, the employer would pay a total of 3000 RSD

for taxes and contributions, while in the Republic of Srpska he/she would have to spend 4100 RSD. So, in our hypothetical example, a seasonal worker would earn 7000 RSD in Serbia, or 5900 RSD in the Republic of Srpska.

Estimating total costs

Taking into account all the above information, we will summarize all costs incurred by an employer for hiring one seasonal worker through a single spreadsheet.

Table 5: Estimated costs of employing one seasonal worker

Costs	Serbia	Republic of Srpska
Time to complete the procedure	10 minutes	80 minutes
Costs of the procedure	60 RSD	681 RSD
Costs for taxes and contributions	3000 RSD	4100 RSD
Total	3060 RSD	4861 RSD

Based on the above we conclude that hiring a seasonal worker in the Republic of Srpska more complicated and more expensive than doing the same in Serbia. That is, the employer must spend a bit more than 1 hour more per worker to go through the entire procedure, as well as RSD 1791 more²⁶.

1.3. Supervision of seasonal employment

The Law on Inspections in the Republic of Srpska (Official Gazette of RS, No. 74/10, 109/12, 117/12, 44/16) defines the competences of, inter alia, the Republic Labor Inspectorate to carry out inspections regarding compliance with regulations that relate to: employment, work and employment relations, safety and health at work and other administrative spheres when specified by a special regulation.

In accordance with the prescribed responsibilities, the Republic Labor Inspectorate controls: concluding and implementation of labor contracts, calculation and payment of salaries and benefits, working hours, vacations and leaves, termination of employment, operating environment for trade unions and workers' councils, organization of safety at work and enforcement of safety at work measures and other requirements prescribed by law.

Within the scope of their regular responsibilities, the inspection oversight of application of regulations governing the general conditions for conducting activities (registration, permitting work, decisions, approvals, other approvals of line institutions, business activities, headquarters and title) shall be exercised by all inspectors provided for by this Law. All inspectors under this law, within their regular responsibilities, also check the application of regulations on registration of contributors in the Unified System of registration, control and collection of contributions in accordance with the law governing the tax procedure.

²⁶ The case of a worker who works for 10 days in a month and earns gross salary of RSD 10.000

1.4. Ex officio exchange of information

In the regional analysis of the seasonal employment system, particular attention has been paid to the way in which ex officio exchange of electronic information is regulated. What makes this piece of research very important? Namely, Article 9 of the Law on General Administrative Procedure²⁷ had an important role in streamlining seasonal employment in Serbia. Amongst other things it provides that the government authority is obliged ex officio to inspect data on facts necessary for deciding the official procedure, to collect and process them, and that the government authority may require the party to provide only identifiable information and documents confirming facts which are not confirmed by official records. Further, the Law on Electronic Government²⁸ provides the basics of electronic commerce of the state administration, which stipulates that the government bodies that maintain official records in electronic form exchange data through the service bus of state bodies. These regulations provided the basis for the introduction of such a simple electronic system in Serbia, which requires users to enter only two data elements - the employee's unique identifier and the date when the employee will be hired. All other information required by the competent institutions (the Tax Administration, CROSO (Central Registry of Compulsory Social Insurance), the National Employment Service) is obtained by automatic download, via the service bus, from the original registers.

How is the official exchange of electronic information regulated in the Republic of Srpska? Ex officio exchange of information in the Republic of Srpska is regulated by the Law on General Administrative Procedure²⁹, but also by the Law on Electronic Signature³⁰ and the Law on Electronic Document. The enactment of these laws created a legislative framework for the application of electronic signatures and electronic documents for business purposes. Additionally, the Law on Electronic Signature provides the possibility that public institutions can be holders of electronic certification, thus the Tax Administration has established a certification body that should, in the coming period, register users and issue a qualified electronic certificate for electronic signature. At this moment, the Tax Administration does not issue a qualified electronic signature, but only an electronic signature and only for the needs of the Tax Administration. According to announcements from the line ministry (Ministry of Scientific and Technical Development, Higher Education and Information Society of RS), the issuing of qualified electronic signature for the needs of both public authorities and private entities should start by the end of the year, which would create preconditions for full implementation of qualified electronic communication in practice.

²⁷ Law on General Administrative Procedure (Official Gazette of Serbia", no. 13/02, 87/07, 50/10, 66/18)

²⁸ Law on Electronic Government Official Gazette of Serbia br. 27/2018)

<http://www.pravno-informacioni-sistem.rs/SIGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2018/27/4/reg>

²⁹ Law on General Administrative Procedure (Official Gazette of RS, br. 13/02, 87/07, 50/10, 66/18)

³⁰ Law on Electronic Signature (Official Gazette of RS no. 106/15 i 83/19), Law on Electronic Document ("Official Gazette of RS", broj 106/15)

In accordance with Article 10 of the Law on Tax Procedure of the RS³¹, the RS Tax Administration runs a Unique System of registration, control and collection of contributions, which is an administrative and technical system through which the Tax Administration registers, controls and collects contributions and collects data from payers of contributions and insured persons. The same article defines the beneficiaries of the system (Republic of Srpska Health Insurance Fund, Republic of Srpska Pension and Disability Insurance Fund, Republic of Srpska Public Child Protection Fund and Republic of Srpska Employment Service). The Tax Administration, in accordance with the Rulebook on the method and procedure of establishing a database and categorization of risky contributors in the unified system of registration, control and collection of contributions³², ensures the internal functioning of the Unified System and data exchange with users of the Unified System. In accordance with the same Rulebook, the Tax Administration concludes Protocols with other system users that determine the data to be exchanged and shared, the technical specification for data exchange and sharing, the data correction processes, the frequency of exchange and access to the data.

II SEASONAL WORK IN NUMBERS

During the regional analysis, it was concluded that in the analyzed economies, even in the Republic of Srpska, there are no reliable data on the number of seasonal workers employed in recent years.

A particular problem in the Republic of Srpska arises from the fact that the methodology of statistics is not yet fully aligned with the rules of Eurostat and the question is to what extent the numbers presented below are reliable and comparable to other countries. Certainly, data shown below are published on the official website of the Republic of Srpska Statistics Office, as well as the data provided to us by the Tax Administration from its records.

According to data from the Labor Force Survey, there were a total of 313,000 employees³³ in the Republic of Srpska in 2017, out of which 142,000 were in the service sector, 94,000 in agriculture and 77,000 in industry.

The data is different when the 2013 Census results are taken into account. According to the census, there were 350,670 employees in total. What is interesting is that a total of 1,423 farmers are employing workers on their own farm. Given that the agricultural sector is characterized by seasonal work, these 1,423 farmers represent the number of employers - natural persons - who employ seasonal workers.

Table 6: Employment structure, 2013 Census

Total employment	Workers	Employers	Self-employed	Farm owners with	Farm owners without	Dependent household
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³¹ Law on Tax Procedure of the RS (Official Gazette of RS no. 102/11, 108/11, 67/13, 31/14, 44/16)

³² Rulebook on the method and procedure of establishing a database and categorization of risky contributors in the unified system of registration, control and collection of contributions („Official Gazette of RS“, no.95/13)

³³ Statistical Office http://www.rzs.rs.ba/static/uploads/bilteni/godisnjak/2018/06rad_2018.pdf

				employees	employees	members
350.670	259339	15153	15628	1423	31545	27522

This information is particularly interesting when considering the data from the records of the Tax Administration. Namely, as we have noted, seasonal workers may be hired in the Republic of Srpska system on the basis of temporary and intermittent work contracts. According to the Tax Administration, as shown in Table 7, in 2018, a total of 768 workers were hired by a total of 10 employers under the TI work contracts. So, out of a minimum of 1423 farmers who are hiring workers, only 10 employers do this through TI work contracts. Certainly, since seasonal workers can be hired under both a service and a fixed-term contract, we must take this estimations with a certain dose of reserve.

Table 7: Employed via TI work contracts by sectors³⁴

Sector	Temporary and Intermittent Work Data							
	No. of employers	No. of workers	No. of employers	No. of workers	No. of employers	No. of workers	Total No. of employers	Total No. of workers
	2016	2016	2017	2017	2018	2018	2016-2018	2016-2018
Agriculture	3	285	6	195	10	768	19	1248
Civil engineering	21	46	18	50	10	45	49	141
Hospitality and tourism	41	100	45	137	41	122	127	359
Other	380	2114	401	1964	405	1939	1186	6017
TOTAL	445	2545	470	2346	466	2874	1381	7765

III PROPOSAL FOR REFORM

3.1. Brief description of the reform of the agricultural sector in Serbia

The shadow economy and informal employment are one of the leading challenges in Serbia, and due to the seasonal nature of jobs, a particular problem of informal employment has arisen in the agricultural sector. In order to reduce the shadow economy in this sector, but also to protect the rights of seasonal workers, NALED, in cooperation with the Ministry of Labor, Employment, Veterans' and Social Affairs, the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance and with the support of German Development Agency (GIZ) implemented a reform streamlining the engagement of seasonal workers in agriculture.

In this regard, a special Law on Simplified Work Engagement on Seasonal Jobs in Specific Areas was adopted³⁵. The primary objective of the law is to free employers from unnecessary and extensive administration related to the process of registering and

³⁴ Data source: Ministry of Finance, Tax Administration of the Republic of Srpska

³⁵ "Official Gazette of RS", no. 50/18

deregistering seasonal workers, which would encourage formal reporting of these workers and increase tax and contribution income on this basis. On the other hand, in addition to earnings, the seasonal workers would also exercise the rights arising from employment - the right to insurance in case of injury at workplace as well as the right to pension insurance. The reform also established a Seasonal Workers Register containing basic information on the workers and their skills, making it easier for the employer to find a quality workforce, given that this is often highlighted as a problem.

The law provided for a fully electronic procedure for the registration and deregistration of seasonal workers. For this purpose, an online platform/application for the registration of seasonal workers in agriculture (www.sezonskiradnici.gov.rs) was introduced; it became operational in January 2019. The portal is under the jurisdiction of the Tax Administration, but it is directly linked to the Central Registry of Compulsory Social Insurance, which automatically registers workers for pension, accident and unemployment insurance, and the National Employment Service, and thus the Seasonal Workers Register is automatically created.

A comparative overview of the main characteristics of the previous system and the system implemented after the reform is given in Table 8.

Table 8: Comparative review of the basic characteristics of the system

	Previous system	Reform
1	Employers can only be legal entities and entrepreneurs, but not private individuals (such as farmers)	Legal entities, entrepreneurs, as well as natural persons or farmers are considered to be employers.
2	Employers and workers sign a contract on seasonal/occasional jobs	Employers and workers conclude an oral agreement that enters into force upon registration through the online portal
3	The registration and deregistration of workers is done electronically through the Central Registry of the Compulsory Social Insurance (CROSSO). On the pay date, the employer submits the tax return through the e-taxes portal for each worker individually.	The registration and deregistration of employees is done electronically in one place through the portal www.sezonskiradnici.gov.rs , and the tax return information is submitted to the employer via the portal.
4	The registration and deregistration procedure of one seasonal worker takes an average of five hours per month.	The registration and deregistration procedure of workers takes less than 10 minutes, regardless of whether the worker is registered for one day or even a month.
5	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 10,200	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 6,000 (RSD 300 per day)
6	Each form of hiring and receiving compensation in exchange of work directly suspends social rights and benefits of the employees who are entered into the Registry of the National Employment Service (NES) as unemployed.	Employing seasonal workers in agriculture does not affect social rights and benefits the workers had acquired before, and they remain registered with the NES Registry.
7	95% of seasonal workers (unregistered seasonal workers) did not have pension and disability insurance, as well as insurance in case of injury at workplace	All workers registered through the portal have the right to pension and disability insurance as well as insurance in case of injury at workplace.
8	The employer can hire one worker for the same jobs for a maximum of 120 days in a calendar year,	The employer can hire one worker for a maximum of 120 days in a calendar year, including the sum of days

	based on the contract on temporary/occasional employment.	of engagement through the portal and contracts on temporary/occasional employment
9	The estimated number of seasonal workers engaged in agriculture ranges from 65,000 to 80,000	
	In 2017, around 3,500 seasonal workers were registered.	In the first nine months of implementation of the system about 25,000 seasonal workers were registered.

3.2. Reform potential of the system in the Republic of Srpska from the respondents' point of view of

In the Republic of Srpska, two interviews were organized with representatives of state institutions - the Ministry of Agriculture, Forestry and Water Management and the Tax Administration. Also, telephone interviews and visits to business entities and agricultural producers in the Republic of Srpska (Gradiška, Laktaši, Kozarska Dubica, Banja Luka, Bijeljina, Trebinje, Ljubinje) were organized.

As stated in the interviews, the regulatory solution for hiring seasonal workers through temporary and intermittent work contracts does not constitute a solution that is favorable for employers or employees. Due to the lack of specificity and dynamism of seasonal work, many employers, and individuals, often choose not to register seasonal workers. Conscientious employers, on the other hand, suffer a great deal of procedural and financial burden.

According to the respondents, the following are the biggest problems in the Republic of Srpska system:

- Lack of workforce - an issue particularly highlighted by employers that causes employers to seek workforce beyond the borders of RS;
- Excessive financial burden - slightly different from the burden of the standard employment contracts;
- Complicated procedures for concluding contracts, registering and deregistering employees;
- Insufficient number of inspectors, as well as insufficiently planned controls leading to lack of detection and sanctioning of work within the framework of shadow economy.

According to the respondents, the electronic system implemented in Serbia is very simple and suitable for both employers and workers. They agreed that such a system could also be implemented in the Republic of Srpska, but that such reform will require the consent of all key actors, relevant state institutions, employers and workers. Although the problem of seasonal workers is the most obvious in agriculture, in the opinion of the respondents, the system should not be made sector-specific, but the reform should be implemented horizontally for all sectors where there is a seasonal nature of work, especially given the respondents' estimates that the number of seasonal workers is relatively small.

In order to implement the reform, it is necessary to first define the concept of seasonal worker, seasonal activity, as well as the duration, method of registration and deregistration of workers, as well as the tax treatment of seasonal work. The opinion of the respondents is that the administrative procedures need to be simplified so as to

encourage employers and workers to operate legally, allow for easy control, but also provide social security for workers as a result..

3.3. Potential challenges identified in the Republic of Srpska

The hiring procedures in the Republic of Srpska are similar by current characteristics to the system that the Republic of Serbia had before reforming the system of registering seasonal workers in agriculture, i.e. to the system currently in place for registering seasonal workers in all other sectors.

The introduction of an electronic portal for registration of seasonal workers in the Republic of Srpska is somewhat difficult due to the underdeveloped basis for e-operations, which was recognized by the interviewed representatives of the state administration.

Potential challenges that reform implementers would face when introducing an electronic system, which concern the procedure and proposals for their solution are shown in Table 9.

Table 9: List of potential reform challenges with suggested solutions

Potential challenge		Possible solution
1	Lack of official statistics on the number of seasonal workers.	Conduct in-depth analyzes and interviews with employers to estimate the number of seasonal workers. First, select pilot sectors where there is more information on the number of seasonal workers.
2	Potentially small number of seasonal workers (up to 15000 workers –rough estimate).	To justify the cost of reform, the solution may be to introduce the reform in all sectors, rather than gradual introduction by sector.
3	Employer concludes with a seasonal worker the TI contract in writing, which is too rigid system for dynamically seasonal activities	Introduce a verbal contract institute for hiring seasonal workers with the obligation to electronically register workers which remain recorded in the system and available to inspectors as an information
4	The employer must register the worker at least one day before starting the work	It is necessary to lay down an obligation for a worker to be registered before taking up work to avoid system abuse
5	E-government is not sufficiently developed In the Republic of Srpska. There are no certification houses, electronic signatures and stamps are not used, electronic procedures are not common	Electronic registration of workers should be introduced at the time when there are conditions provided to ensure that electronic procedure is both legally and technically secure.

CONCLUSION

The “Increasing employment opportunities for seasonal workers” Project jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ) provided an initial mapping of the current situation in six economies in Southeast Europe, including the Republic of Srpska.

The Republic of Srpska Labor Law does not define seasonal work or seasonal workers. In practice, the system of hiring seasonal workers in the Republic of Srpska entails the use of temporary and intermittent work contracts. By virtue of its characteristics, TI contract is not an employment contract and it is concluded for jobs that last not more than 90 days in one calendar year. However, the procedures for concluding TI contracts are almost identical to concluding employment contracts. What is different is the amount of taxes and contributions the employer has to pay, which is 2.5% lower than for the standard employment contracts.

Although the results of the analysis, due to the lack of official and verified data, do not show the breadth of the problem of hiring seasonal workers, according to interviews with representatives of state institutions and employers, it can be concluded that much of the seasonal workforce is engaged within the framework of shadow economy. Respondents cite complicated administrative procedures and high wage burden as the main causes.

However, although both causes would be mitigated by reforming the system modeled on Serbian agricultural reform, the bases for conducting an electronic procedure in the Republic of Srpska have not yet been laid. Adoption of the Law on Electronic Signature and the Law on Electronic Document created the legal framework required for application of the electronic signature and electronic document, but RS still has no certification body in charge of qualified electronic signature, which is one of the basic prerequisites for the introduction of an electronic portal for seasonal workers.

The research before you is the first step and provides a tentative overview of the current system, possible reforms and potential challenges we might face as we implement the reform. The next step would certainly be a more detailed, preferably sectoral, analysis that would highlight all the particularities that the labor market of Republika Srpska has regarding the employment of seasonal workers.

REPORT 3 – FEDERATION BOSNIA AND HERCEGOVINA

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INTRODUCTION

Within the project "Increasing Employment Opportunities for Seasonal Workers" Project, jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ), a research of the current systems of temporary-intermittent jobs of seasonal character was conducted in six countries/entities in Southeast Europe: Albania, Kosovo*, the Federation of Bosnia and Herzegovina, Republika Srpska, Northern Macedonia and Montenegro. The main objective of the research was to analyze whether there is a potential to reform the systems based on the reform implemented in the Republic of Serbia with the aim of simplifying engagement of seasonal workforce in agriculture, which has produced impressive results - as many as 25,000 seasonal agricultural workers legally engaged in the first nine months of 2019, an increase of over 600% compared to the entire 2017.

The document below presents detailed results of the analysis of the state of affairs in the Federation of Bosnia and Herzegovina.

The document is divided into three main sections. The first part describes the current regulatory framework governing seasonal employment in the Federation of BiH; The second part presents seasonal work in the Federation of BiH through statistical indicators; In the third part, we look at the problems identified in the current system and give a brief overview of the possibilities to implement a reform modeled on the reform in Serbia and a list of potential challenges.

I REGULATORY FRAMEWORK

1.1. Labor Legislation

The Employment of seasonal workers in the Federation of BiH is not specifically defined by law, that is, the legislation in the Federation of BiH does not recognize the term "seasonal worker". The term "seasonal worker" is mentioned only in Article 39 of the Labor Law³⁶, which stipulates the possibility of reallocation of working hours and stipulates that seasonal workers may work a maximum of 60 hours during one working week.

Temporary and intermittent work contract

Currently in the Federation of BiH, the most common way of hiring seasonal workers is through the temporary and intermittent work contracts.

Article 166 of the Labor Law defines temporary and intermittent jobs, for which seasonal workers can and are most often hired. Pursuant to the Law on Temporary and Intermittent Jobs, a contract on temporary and intermittent jobs may be concluded under the following conditions:

³⁶ Labor Law of the Federation of BIH („Official Gazette of the Federation of Bosnia and Herzegovina“, no.26/16)
<https://advokat-prnjavorac.com/zakoni/Zakon-o-radu-Federacije-BiH-2016.pdf>

- Temporary and intermittent jobs are set out in a collective agreement or in an employment rulebook;
- Temporary and intermittent jobs do not represent jobs for which the employment contract is concluded;
- Temporary and intermittent jobs should not last more than 60 days during one calendar year;

A person who is hired to perform temporary and intermittent jobs shall be provided rest during work under the same conditions as for workers under employment, as well as all other rights in accordance with the regulations on pension and disability insurance.

Article 167 of the Law regulates the form and content of contracts for temporary and intermittent jobs. The contract must be in writing, and must contain at least the required following elements: the type, method and term of execution of the work, as well as the amount of compensation for the work performed.

Employment of seasonal workers through the Employment Agency

In addition to temporary and intermittent work contracts, until the beginning of 2018, the Law on Employment Agency and Social Security for Unemployed³⁷ allowed temporary and temporary jobs, and therefore seasonal workers, with the assistance of the Employment Agency.

Pursuant to Article 3 of the Law, the Regulation on Private Agencies for Employment Mediation was adopted³⁸, which laid down the conditions under which a particular company may engage in employment mediation. Article 2 of the Regulation provides that, in addition to mediation in fixed-term and indefinite employment, it also provides services of mediation in the employment of temporary and intermittent workforce. This is precisely what enabled the Agencies to rent a seasonal workforce where stimulating tax was paid versus employment with an employment contract. This stimulating tax amounted to 23.84% of gross wage, which is three times less than the fixed-term and indefinite employment contract.

The classification of the activities stipulates that the Agencies have the status of Employment Agency with activity code 78.20. The regulation also prescribes the procedure the business entity must undergo in order to be able to engage in this activity. According to the Regulation, the business entity had to contact the Ministry of Social Affairs of the Government of the FBiH and provide evidence that it met all the prescribed conditions (number of employees, technical conditions, etc.).

Due to misuse, as stated, in 2018 the amendment of Article 2 of the Regulation prohibited the mediation in employment for temporary and intermittent activities. The question

³⁷ Law on Employment Agency and Social Security for Unemployed ("Official Gazette of the Federation of Bosnia and Herzegovina", no. 55/00, 41/01, 22/05 and 9/08

³⁸ Regulation on Private Agencies for Employment Mediation ("Official Gazette of the Federation of Bosnia and Herzegovina", no. 28/09 and 43/11, 610/18)

remains whether this has abolished the possibility of renting workforce, bearing in mind that in the classification of activities of business entities activity code 78.10 - Temporary Employment Agency still remains. According to the inspector, mediation in employment of temporary workers is prohibited and these agencies are also prevented from doing this work.

Therefore, currently the only indisputable option for the employer to hire seasonal workers is by means of the temporary and intermittent work contract that is not a simple procedural solution.

1.2. Costs of seasonal employment

As practice has repeatedly shown, simple procedures are the biggest incentive for employers to legally engage their workers, as well as lower tax burden on remuneration, i.e., wages. This is particularly true for hiring seasonal employees to perform temporary or intermittent jobs in the company, which in some cases can only last for a few days.

In order to evaluate the burden that employers have on account of hiring a seasonal workforce, we looked at:

- the time and cost the employer has to bear in the process of workforce registration and deregistration;
- The cost of taxes and contributions that an employer would incur to hire a seasonal worker.

In order to compare the costs incurred by the current system in the Federation of BiH with the costs incurred by the electronic system of registering seasonal agricultural workers in Serbia, we have assumed the following:

- Costs are calculated on a monthly basis for one seasonal worker.
- The worker works for 10 working days in one month.
- The worker earned a total of 10,000 dinars in 10 working days.
- The number of working hours in a working day is in compliance with the regulatory framework.

Employee Registration Procedure

As already mentioned, seasonal workers in the Federation of BiH may be hired by concluding only the temporary and intermittent work contracts.

The steps for registering a seasonal worker with an estimate of time and cost are shown in Table 1.

Table 1: Steps required for registering a seasonal worker

Step in the procedure	Additional explanation of the time and money required	Service available on-line (YES/NO)	Time and money allocated by an employer (accountant)	Estimated costs
Step 1: Preparing the contract	Communication with the worker	NO	30 min	249

Step 2: Printing 3 copies of the contract	The contract has 2 pages. Each side costs 2 cents on average. 6 pages are printed.	NO	20 RSD	20
Step 3: Signing the contract	Communication with the worker and signing.	NO	10 min	83
Step 4: Submitting registration application to the Unified System of the Tax Administration – JS3100 form	Application can be done at the tax administration counters as per the seat of the employer, as well as electronically	YES	30 min	249
Step 5: Submitting deregistration application to the Unified System of the Tax Administration – Js3510 form	Registration of the employee with the Tax Administration with required documents	YES	30 min	83
Total				683

As stipulated by the Law, the contract on temporary and intermittent work in the Federation of Bosnia and Herzegovina is concluded in writing (Article 167 of the Law), so the first step in the procedure of hiring a seasonal worker is to prepare and print the contract.

The contract, signed and sealed, represents the basis for registering the workers with the Tax Administration. The worker is registered with the Tax Administration not later than one day before the start of work. Worker registration is done through the JS3100 form, which is defined in the Rulebook on Submission of Entries and Changes of Entries into the Unified System of Registration, Control and Payment of Contributions³⁹. Form JS3100 contains approximately 30 data pieces structured in four parts: Data on the payer, Data on the insured person, Insurance data, Confirmation and certification of the form.

As required by the Rulebook, the form can be submitted electronically, in which case the Law on Electronic Signature would apply. However, since this law has not yet been adopted, although in practice the form can be submitted electronically, this does not exclude the obligation to submit the form to the line office of the Tax Administration in paper form since it must be certified and signed by the person in charge. Therefore, at present, the submission of an electronic application is only informative and submitted electronic application has no legal effect.

In addition to the registration, after the expiry of the contract on temporary and intermittent work, the employer submits to the Tax Administration 3510 form - request for deregistration from the insurance, which requires the entry of about 15 data pieces.

³⁹ Rulebook on Submission of Entries and Changes of Entries into the Unified System of Registration, Control and Payment of Contributions ("Official Gazette of the Federation of Bosnia and Herzegovina", no. 73/09...53/19)

In total, it is estimated that an employer will need about one and half hours to complete the registration procedure, or about 700 dinars (6 Euros), if the average monthly salary in the Federation of BiH in August 2019 is taken into account.

In order to see the relationship between the costs of employing a seasonal worker in the Federation of BiH and the costs borne by employers in Serbia, Table 2 lists the main features of the system in these countries.

Table 2: Comparative overview of the basic characteristics of the worker registration systems in Serbia and the Federation of BiH

Employer obligations	Serbia	Federation of BiH*
Deadline for registration of a seasonal worker	At the latest on the day of commencement of employment: 1. to 10am for the morning shift 2. from 13 to 15h for the afternoon shift	One day before the start of work
Number of steps for the employer from finding an employee to registering the employee	1 step	5 steps
How many institutions the employer communicates with to register workers	0, because the registration is made through application software	1 institution
Which institutions the employer communicates with to register workers and pay the taxes and contributions	Application software	Tax Administration
Total estimated time for administrative activities	10 min	100 minutes
Total direct (monetary) costs for administrative activities related to the registration of workers	RSD 0	20 RSD
Estimation of total costs related to administrative procedures before the registration of an employee in RSD *	60	683

As it can be concluded from the table the system introduced in Serbia in the agricultural sector brings significant savings to employers. First of all, the basic advantage of the system is reflected in the number of "counters" visits an employer must make in order to register a seasonal worker. In Serbia, the counters have been completely abolished and the entire registration of the seasonal worker is done electronically and requires only a few details (citizens' unique identifier and date of engagement). It is also important to note that there is no official behind the application software who handles the data manually; instead the system automatically transmits the data through the service bus of the state authorities to all the necessary registers, so the system itself enabled the state administration to make savings.

The biggest obstacle, by far, to registration and deregistration of seasonal workers in the Federation of BiH is the fact that the system is not designed to support the dynamic and fast environment in which seasonal workers work. An employer must, even if he/she hires a worker for only a few days, undergo almost identical procedure as if it is hiring a worker with an employment contract, although the Rulebook left the possibility of

registering electronically, the registrations are still made in paper version at the tax office counters.

Employing foreign workers

Particular attention is paid to the complicated and time-consuming procedures for employing non-residents. Large share of seasonal workers in the Federation of BiH come from the countries in the region, and it is very important to see how the procedures have been prescribed and how long the procedures for employing foreigners really take.

According to the businesses, procedures for employment of foreigners are quite complex, especially considering the certification of diplomas, waiting for a residence permit, accommodation for workers, obtaining insurance policies, copying passport, obtaining medical certificate, proof of accommodation safety, etc.

So, the procedure of hiring a seasonal foreign worker takes up to several months, and it happens that by the time the whole procedure is completed, either the worker quits or the company has already found someone who will do the job quickly.

Tax burden

The amount of taxes and contributions paid by employers for hiring a seasonal worker is prescribed by the Law on Personal Income Tax⁴⁰ and Law on Contributions⁴¹. In accordance with what is prescribed in this law, there are no significant differences in the amount and manner of calculating taxes and contributions between the standard employment contract and the contract used to hire seasonal workers (TI contract). The burden of the TI contract is slightly lower, given that unemployment benefits are not paid, as well as accident protection contributions totaling 2.5%.

The main characteristics of the taxation system in the Federation of BiH are shown in Table 3.

Table 3: Comparative overview of the basic characteristics of the taxation systems in Serbia and the Federation of BiH

Tax burden	Serbia	Federation of BIH*
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	YES – not all contributions are paid as in the case of the employment contract
Tax rate	10%	10%
Pension and Disability Fund contribution rate	26%	6%

⁴⁰ Law on Personal Income Tax (“Official Gazette of the Federation of Bosnia and Herzegovina”, no. 10/08,...65/13)

⁴¹ Law on Contributions (“Official Gazette of the Federation of Bosnia and Herzegovina”, no. 35/98, ... 34/18)

Healthcare contribution rate	2%	4%
Unemployment contribution rate	/	/
The rate for other mandatory contributions	/	0.5 % tax for natural disasters
Tax base	1/30 the lowest monthly contribution base, or about 900 dinars	Gross wage less the standardized cost of 20% and health insurance contributions
Base for the calculation of contributions	1/30 the lowest monthly contribution base, or about 900 dinars	Gross wage less the standardized cost of 20%
Is there a minimum basis for calculating contributions	YES	YES - 516KM
Total tax and contributions for a seasonal worker	38%	20.00%
In case the employee works 10 days a month and the total cost is 10.000 dinars, what tax is paid to the state	RSD 3000 (RSD 300x10)	4.985 RSD
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	55%
Tax rate	10%	5015 RSD

As stated in the table, in the Federation of BiH there is an obligation to pay both income tax and pension and health insurance contributions. Unlike a standard employment contract, unemployment and accident contributions are not paid. The total nominal rate at which the seasonal worker's earnings are taxed is 20%.

The base of the tax calculation is the gross monthly wage less the amount of standardized costs in the amount of 20%, as well as the amount of calculated health insurance contributions.

The base for calculation of contributions calculated is the gross wage less 20% of standardized costs. What significantly increases the tax burden for these types of work is the fact that Article 7 of the Law on Contributions prescribes a minimum basis for calculating contributions, which in 2019 amounts to 516 BAM, or about 260 Euros.

Example of the calculation is shown Table 4.

Table 4: Example of taxes and contributions calculation for TI contract

Item	Label	Formula	Amount
The amount of the agreed gross remuneration	a	/	10.000 RSD
Tax and contribution calculation base (minimum basis)	b	/	Approx. 31000 RSD (516 BAM)
Cost reduction - 20%	c	20% x b	6200
Gross remuneration less costs	d	b-c	24.800
Health contribution 4%	e	4% x d	993
Taxable remuneration - the basis for calculating income tax	f	b-c-e	23808

Income tax -10%	g	fxg	2380
Contribution to PDI-6%	h	6% x d	1488
Tax for natural disasters 0.5	i	Dx0.5%	124
Total commitment of the company:	m	e+g+h	4985
Net wage paid to a worker	n	a-m	5015

Suppose that for hiring one worker for 10 days, the employer wanted to spend a total of 10,000 RSD (gross wage). In Serbia, the employer would pay a total of 3000 RSD for taxes and contributions, while in the Federation of BiH he/she would have to spend as much as 4985 RSD. The basic problem is the prescribed minimum basis. In our hypothetical example, a seasonal worker earns a total of 10,000 RSD, which is less than the minimum basis for calculation, and thus, a base of 260 Euros is used. Such high base causes the total amount of taxes and contributions to be high. So, in our example, 5015 RSDs would be paid to a seasonal worker versus 7000 RSD the worker would be paid in Serbia.

Estimating total costs

Taking into account all the above information, we will summarize all costs incurred by an employer for hiring one seasonal worker through a single spreadsheet.

Table 5: Estimated costs of employing one seasonal worker

Costs	Serbia	Federation of BIH*
Time to complete the procedure	10 minutes	80 minutes
Costs of the procedure	RSD 60	683 RSD
Costs for taxes and contributions	RSD 3000	4985 RSD
Total	RSD 3060	5.748 RSD

Based on the above we conclude that hiring a seasonal worker in the Federation of BiH is more complicated and significantly more expensive than doing the same in Serbia. That is, the employer must spend a bit more than 1 hour more per worker to go through the entire procedure, as well as RSD 2688 more⁴².

1.3. Supervision of seasonal employment

Federal Administration for Inspection – Federal Labor Inspectorate is responsible for supervising labor, including temporary and intermittent work and seasonal work.

1.4. Ex officio exchange of information

In the regional analysis of the seasonal employment system, particular attention has been paid to the way in which ex officio exchange of electronic information is regulated. What makes this piece of research very important? Namely, Article 9 of the Law on General Administrative Procedure had an important role in streamlining seasonal employment in Serbia. Amongst other things it provides that the government authority is

⁴² The case of a worker who works for 10 days in a month and earns gross salary of RSD 10.000.

obliged ex officio to inspect data on facts necessary for deciding the official procedure, to collect and process them, and that the government authority may require the party to provide only identifiable information and documents confirming facts which are not confirmed by official records. Further, the Law on Electronic Government provides the basics of electronic commerce of the state administration, which stipulates that the government bodies that maintain official records in electronic form exchange data through the service bus of state bodies. These regulations provided the basis for the introduction of such a simple electronic system in Serbia, which requires users to enter only two data elements - the employee's unique identifier and the date when the employee will be hired. All other information required by the competent institutions (the Tax Administration, CROSO (Central Registry of Compulsory Social Insurance), the National Employment Service) is obtained by automatic download, via the service bus, from the original registers.

How is the official exchange of electronic information regulated in the Federation of BiH? According to local experts, data exchange between state institutions in the Federation of BiH is not possible electronically. Despite the fact that a number of laws and by-laws were adopted at the level of the BiH institutions introducing and regulating the field of electronic operations, the BiH institutions did not ensure the implementation of the adopted legal framework. Namely, the key prerequisite for the introduction of electronic operations, i.e. no paper operations between institutions, as well as institutions and citizens and business entities, is the existence of electronic signature. However, BiH institutions have not ensured implementation of the Law on Electronic Signature, which is a key link in implementation of other laws governing the area of e-operations, too. Although the BiH institutions have undertaken activities to implement the Law on Signature, which should ultimately create all the preconditions for issuing an electronic signature, it remains unclear whether the electronic signature issued in accordance with the legal framework at the level of the BiH institutions will be recognized by other government tiers. In addition, the existing legal framework governing the area of electronic signature is not in line with the existing EU Regulation in this field, which further complicates the situation when introducing e-operations in BiH institutions.

II SEASONAL WORK IN NUMBERS

According to data from the Labor Force Survey in the Federation of BiH, in 2017, there were a total of 487,000 employees, of which 58,000 were in agriculture (11.8%), 270,000 in service activities (55.5%) and the rest of 159,000 in industry (32.7%).

It is interesting to analyze the data on the number of full-time and part-time employees. According to the 2017 LFS data, the majority of part-time workers work in the agricultural sector - as many as 36% of workers work part-time. Although there is no official data on the number of seasonal workers, we can assume that part-time workers potentially represent seasonal workers in agriculture.

Table 6: Number of employees by sectors and length of employment

	Total	Full-time	%	Less than full-time	%
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Total	487.000	442.000	91%	45.000	9%
Agriculture activities	58.000	37.000	64%	21.000	36%
Non-agriculture activities	159.000	152.000	97%	8.000	3%
Services	270.000	254.000	94%	16.000	6%

Unfortunately, there are no more detailed statistics on the labor market in the Federation of Bosnia and Herzegovina, as well as on the number of employees from which the seasonal labor hints can be drawn.

III PROPOSAL FOR REFORM

3.1. Brief description of the reform of the agricultural sector in Serbia

The shadow economy and informal employment are one of the leading challenges in Serbia, and due to the seasonal nature of jobs, a particular problem of informal employment has arisen in the agricultural sector. In order to reduce the shadow economy in this sector, but also to protect the rights of seasonal workers, NALED, in cooperation with the Ministry of Labor, Employment, Veterans' and Social Affairs, the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance and with the support of German Development Agency (GIZ) implemented a reform streamlining the engagement of seasonal workers in agriculture.

In this regard, a special Law on Simplified Work Engagement on Seasonal Jobs in Specific Areas was adopted⁴³. The primary objective of the law is to free employers from unnecessary and extensive administration related to the process of registering and deregistering seasonal workers, which would encourage formal reporting of these workers and increase tax and contribution income on this basis. On the other hand, in addition to earnings, the seasonal workers would also exercise the rights arising from employment - the right to insurance in case of injury at workplace as well as the right to pension insurance. The reform also established a Seasonal Workers Register containing basic information on the workers and their skills, making it easier for the employer to find a quality workforce, given that this is often highlighted as a problem.

The law provided for a fully electronic procedure for the registration and deregistration of seasonal workers. For this purpose, an online platform/application for the registration of seasonal workers in agriculture (www.sezonskiradnici.gov.rs) was introduced; it became operational in January 2019. The portal is under the jurisdiction of the Tax Administration, but it is directly linked to the Central Registry of Compulsory Social Insurance, which automatically registers workers for pension, accident and unemployment insurance, and the National Employment Service, and thus the Seasonal Workers Register is automatically created.

A comparative overview of the main characteristics of the previous system and the system implemented after the reform is given in Table 7.

⁴³ "Official Gazette of RS", no. 50/18

Table 7: Comparative review of the basic characteristics of the system

	Previous system	Reform
1	Employers can only be legal entities and entrepreneurs, but not private individuals (such as farmers)	Legal entities, entrepreneurs, as well as natural persons or farmers are considered to be employers.
2	Employers and workers sign a contract on seasonal/occasional jobs	Employers and workers conclude an oral agreement that enters into force upon registration through the online portal
3	The registration and deregistration of workers is done electronically through the Central Registry of the Compulsory Social Insurance (CROSO). On the pay date, the employer submits the tax return through the e-taxes portal for each worker individually.	The registration and deregistration of employees is done electronically in one place through the portal www.sezonskiradnici.gov.rs , and the tax return information is submitted to the employer via the portal.
4	The registration and deregistration procedure of one seasonal worker takes an average of five hours per month.	The registration and deregistration procedure of workers takes less than 10 minutes, regardless of whether the worker is registered for one day or even a month.
5	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 10,200	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 6,000 (RSD 300 per day)
6	Each form of hiring and receiving compensation in exchange of work directly suspends social rights and benefits of the employees who are entered into the Registry of the National Employment Service (NES) as unemployed.	Employing seasonal workers in agriculture does not affect social rights and benefits the workers had acquired before, and they remain registered with the NES Registry.
7	95% of seasonal workers (unregistered seasonal workers) did not have pension and disability insurance, as well as insurance in case of injury at workplace	All workers registered through the portal have the right to pension and disability insurance as well as insurance in case of injury at workplace.
8	The employer can hire one worker for the same jobs for a maximum of 120 days in a calendar year, based on the contract on temporary/occasional employment.	The employer can hire one worker for a maximum of 120 days in a calendar year, including the sum of days of engagement through the portal and contracts on temporary/occasional employment
9	The estimated number of seasonal workers engaged in agriculture ranges from 65,000 to 80,000	
	In 2017, around 3,500 seasonal workers were registered.	In the first nine months of implementation of the system about 25,000 seasonal workers were registered.

3.2. Reform potential of the system in the Federation of BiH

In the Federation of BiH, three interviews were organized with the Cantonal Ministry of Health, Labor and Social Welfare, the Ministry of Trade, Tourism and Environmental Protection, as well as with the Cantonal Employment Service. In addition, interviews were conducted with employers from the agriculture and tourism sector and a clear picture of the seasonal employment situation in BiH was created, as well as project implementation proposals.

As stated in the interviews, the system in the Federation of BiH for employment of seasonal workers creates a considerable burden for employers, both in terms of administrative steps and requirements, and in terms of tax burden. Due to the lack of understanding for specific and dynamic nature of seasonal work, many employers, and

particularly individuals, often choose not to register seasonal workers. Employers, who on the other hand, are conscientious, have the option of using the TI contract and suffer a great deal of procedural and financial burden.

According to the respondents, the biggest problems that occur in the system regarding the seasonal workforce in Federation of BiH are:

- Excessive financial burden on wages, as well as complicated procedures for registering seasonal workers that are not adapted to the dynamic environment in the labor market;
- Lack of inspectors to control the labor market;
- No electronic data exchange between institutions;
- Employers also highlight the problem of lack of quality workforce.

The problem of hiring seasonal workers has been recognized by the authorities in the Federation of BiH and they have tried to solve it through the Temporary Employment Agencies. However, due to the alleged abuse of the system, agencies can no longer assist the hiring for temporary and intermittent jobs, and the only way to hire seasonal workers is to conclude TI contracts, directly with the employees.

According to the respondents, the reform implemented in Serbia enables quick and easy registration of seasonal workers, which motivates employers and workers to work legally. However, in order to implement any reform, in addition to political will, an additional obstacle is the lack of preconditions for electronic procedures. Before implementing the reform, it is first necessary to adopt the Law on Electronic Signature and enable electronic connection of institutions, and then increase the number of inspectors who will monitor seasonal work in the field.

Table 8 shows the identified strengths and weaknesses of the system in the Federation of BiH in relation to the reform of seasonal workforce employment.

Table 8: SWOT analysis

STRENGTHS	STRATEGIC OPTION - MAINTAINING STRENGTHS	WEAKNESSES	STRATEGIC OPTION - IMPROVING WEAKNESSES
1. There is a need for seasonal employment 2. Seasonal work indirectly recognized in law	1. Create legally and financially attractive temporary and intermittent employment opportunities 2. Specify the law to make it clear what seasonal jobs are by sector and adapt to the needs of employers and workers 3. Maintain and enhance incentives and extend to all sectors where there is a need for seasonal employment.	1. No authorities. The FBiH and BiH level authorities are in a technical mandate, 2. Failure to adopt electronic signature law 3. Employers' financial burdens 4. Lack of field inspectors	1. Adoption of the Law on Electronic Signature 2. Hiring more inspectors to reduce the chance of negative utilization of these opportunities 3. Reduce the financial burden for temporary and intermittent employment.
OPORTUNITIES	STRATEGIC OPTION - UTILIZING OPPORTUNITIES	THREATS	STRATEGIC OPTION – PROTECTING AGAINST OR OVERRIDING THE THREATS
1. Seasonal Employment Project in the Republic of Serbia 2. Existing funding for project	1. Use of project experience in the Republic of Serbia. 2. Transfer experience of the institutions of the Republic of	1. Long-term failure of forming authorities at the level of FBiH and BiH. 2. The lack of interest of	1. Organizing a panel where all stakeholders relevant to the implementation of the seasonal employment project from the

implementation by GIZ. 3 Employers' openness to these types of projects	Serbia to the institutions of FBiH and BiH. 3. Organization for project implementation at FBiH level and use of funds allocated for the project by GIZ.	the authorities in the implementation of the seasonal employment project at the FBiH level.	Republic of Serbia and BiH would participate, in order to transfer positive experiences and indicate the needs of this project.
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3.3. Potential challenges identified in the Federation of BiH

The hiring procedures in the Federation of BiH are similar by current characteristics to the system that the Republic of Serbia had before reforming the system of registering seasonal workers in agriculture, i.e. to the system currently in place for registering seasonal workers in all other sectors.

The introduction of an electronic portal for registration of seasonal workers in the Federation of BiH is somewhat difficult due to the underdeveloped basis for e-operations, which was recognized by the interviewed representatives of the state administration.

Potential challenges that reform implementers would face when introducing an electronic system, which concern the procedure and proposals for their solution are shown in Table 9.

Table 9: List of potential reform challenges with suggested solutions

	Potential challenge	Possible solution
1	Lack of official statistics on the number of seasonal workers.	Conduct in-depth analyzes and interviews with employers to estimate the number of seasonal workers. First, select pilot sectors where there is more information on the number of seasonal workers.
2	Employer concludes with a seasonal worker the TI contract in writing, which is too rigid system for dynamically seasonal activities	Introduce a verbal contract institute for hiring seasonal workers with the obligation to electronically register workers which remain recorded in the system and available to inspectors as an information
3	The employer must register the worker at least one day before starting the work	It is necessary to lay down an obligation for a worker to be registered before taking up work to avoid system abuse
4	E-government is not sufficiently developed In the Federation of BiH. There are no certification houses, electronic signatures and stamps are not used, electronic procedures are not common	Electronic registration of workers should be introduced at the time when there are conditions provided to ensure that electronic procedure is both legally and technically secure.

CONCLUSION

The “Increasing employment opportunities for seasonal workers” Project jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ) provided an initial mapping of the current situation in six countries/entities in Southeast Europe, including the Federation of BiH.

The Federation of BiH Labor Law does not define seasonal work or seasonal workers. In practice, the system of hiring seasonal workers in the Federation of Bosnia and Herzegovina entails the use of temporary and intermittent work contracts. By virtue of its characteristics, TI contract is not an employment contract and it is concluded for jobs that last not more than 60 days in one calendar year. However, the procedures for concluding TI contracts are almost identical to concluding employment contracts. What is different is the amount of taxes and contributions the employer has to pay, which is 2% lower than for the standard employment contracts.

Although the results of the analysis, due to the lack of official and verified data, do not show the breadth of the problem of hiring seasonal workers, according to interviews with representatives of state institutions and employers, it can be concluded that much of the seasonal workforce is engaged within the framework of shadow economy. Respondents cite complicated administrative procedures and high wage burden as the main causes, as well as insufficiently linked systems of state institutions and lack of inspectors in the field.

However, although both causes would be mitigated by reforming the system modeled on Serbian agricultural reform, the bases for conducting an electronic procedure in the Federation of BiH have not yet been laid. The Law on Electronic Signature has not yet been adopted, which is one of the basic prerequisites for the introduction of an electronic portal for seasonal workers.

The research before you is the first step and provides a tentative overview of the current system, possible reforms and potential challenges we might face as we implement the reform. The next step would certainly be a more detailed, preferably sectoral, analysis that would highlight all the particularities that the Montenegrin labor market has regarding the employment of seasonal workers.

REPORT 4 – KOSOVO*

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INTRODUCTION

Within the project "Increasing Employment Opportunities for Seasonal Workers" Project, jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Agency (GIZ), a research of the current systems of temporary-intermittent jobs of seasonal character was conducted in six economies in Southeast Europe: Albania, Kosovo*, the Federation of Bosnia and Herzegovina, Republika Srpska, Northern Macedonia and Montenegro. The main objective of the research was to analyze whether there is a potential to reform the systems based on the reform implemented in the Republic of Serbia with the aim of simplifying engagement of seasonal workforce in agriculture, which has produced impressive results - as many as 25,000 seasonal agricultural workers legally engaged in the first nine months of 2019, an increase of over 600% compared to the entire 2017.

The document below presents detailed results of the analysis of the state of affairs in Kosovo*.

The document is divided into three main sections. The first part describes the current regulatory framework governing seasonal employment in Kosovo*; The second part presents seasonal work in Kosovo* through statistical indicators; In the third part, we look at the problems identified in the current system and give a brief overview of the possibilities to implement a reform modeled on the reform in Serbia and a list of potential challenges.

I REGULATORY FRAMEWORK

1.1. Labor legislation

The Law on Labor⁴⁴ in Kosovo* regulates the rights and obligations stemming from employment in the private and public sectors. In addition to the Labor Law, there is a separate Law on Health and Safety at Work⁴⁵, which requires the employer to take measures to promote occupational safety and health.

The Labor Law in Kosovo* does not explicitly recognize seasonal work. Specifically, the Law recognizes and defines temporary work, that is, work for a definite period of time, as well as work on specific tasks. Both types of work may include seasonal employment.

The difference between the aforementioned types of work, or types of contracts, is as follows: A fixed-term contract can be concluded for a maximum of 10 years (with or without termination) with the same employer, the minimum duration of the contract is not defined and can be concluded at one day. Bearing in mind that it is rarely controlled by inspectors, and that contracts exceeding 10 years are most commonly discovered only on the basis of a worker's report, the new draft Labor Law shortens the maximum period to a period of 3 years. It gives the possibility of extending the fixed-term contract for a maximum of two more years, but also defines a few restrictions. Extensions of two years

⁴⁴ Labor Law No.03/L –212

⁴⁵ Law on Safety and Health at Work, approved in 2013

must occur within the next three years from the expiry of the previous contract and provided that the renewal is made within 6 months from the date of termination / expiry of the previous contract. According to the applicable Labour Law, a fixed-term contract is a type of employment relationship and workers have all the rights and obligations as well as workers with a standard employment contract.

On the other hand, a contract for a specific task is, by its characteristics, a counterpart to a contract for temporary and occasional work. Namely, this contract can be concluded for a maximum of 120 days during one calendar year. Article 10 of the Labor Law stipulates that a contract for a specific assignment provides the employee with identical rights such as a standard employment contract except the right to annual leave and the rights arising from collective agreements, since this contract does not establish one of the forms of employment.

The announced amendments to the Labor Law introduce a definition of seasonal work, as a form of temporary and occasional work where activities are performed at certain times during the year and are repeated cyclically every year.

With regard to labor legislation, it is important to note that Kosovo* currently only has the Pension Insurance Fund in place, while the mandatory health insurance scheme has not yet been established, which is discussed further in the report below.

1.2. Costs of hiring a seasonal workforce

As practice has repeatedly shown, simple procedures are the biggest incentive for employers to legally engage their workers, as well as lower tax burden on remuneration, i.e., wages. This is particularly true for hiring seasonal employees to perform temporary or occasional jobs in the company, which in some cases can only last for a few days.

In order to evaluate the burden that employers have on account of hiring a seasonal workforce, we looked at:

- the time and cost the employer has to bear in the process of workforce registration and deregistration;
- The cost of taxes and contributions that an employer would incur to hire a seasonal worker.

Cost was estimated by using the standard cost method, using the average wages in Kosovo*.

In order to compare the costs incurred by the current system in Kosovo* with the costs incurred by the electronic system of registering seasonal agricultural workers in Serbia, we have assumed the following:

- Costs are calculated on a monthly basis for one seasonal worker.
- The worker works for 10 working days in one month.
- The employer is ready to allocate a total gross amount of 10,000 dinars (85 euros)
- The number of working hours in a working day is in compliance with the regulatory framework.

Employee Registration Procedure

Based on interviews with representatives of state institutions, it was concluded that a fixed-term contract is generally concluded for seasonal work, and the analysis of costs and procedures based on this contract is shown below.

The steps for registering a seasonal worker with an estimate of time and cost are shown in *Table 1*.

Table 1: Steps required for registering a seasonal worker

Step in the procedure	Additional explanation of the time and money required	Service available on-line (YES/NO)	Time and money allocated by an employer (accountant)	Estimated costs
Step 1: Preparing the contract	The contract must be in writing. Estimated time includes communication with employees, signing and archiving the contract.	NO	30 min	179
Step 2: Printing 3 copies of the contract	The average contract has up to 3 pages. A total of 10 pages are printed out.	NO	RSD 120	120
Step 3: signing the contract	/	NO	10 min	60
Step 4: Registration with the Tax Administration	ID number of the employee is entered in the online system of the Tax Administration. The system is linked to the Citizens Register.	YES	10 min	60
Step 5: Monthly declaration of taxes and contributions to the Tax Administration	Taxes and contributions are declared up to 15th of the month for the previous month.	YES	10 min	60
Total				RSD 479

As provided under the Labor Law, and given that a form of employment contract is used, in Kosovo, in order to hire a seasonal worker, a written contract must be drawn up. According to the law, the contract must contain at least mandatory information such as information about the employer (name, place of residence, business registration number), information about the employee (name, qualification, place of residence), as well as information about the work position (position, place of work, description of work, working hours).

The contract also contains the date of commencement of work, as the day when the position is no longer vacant. It is important to note that Kosovo * does not currently have an employee register, instead the Tax Administration maintains records of taxpayers and contribution payers. The employer is obliged to file taxes and contributions for his employees; however, the deadline for registration of employees with the tax authority is 15 days after they began working.

According to the representatives of the Ministry of Labor, this "gap" between the day of commencement of work and the day when the employee was first registered with the Tax Administration leaves room for shadow economy. This is a particular problem for seasonal workers who often work less than 15 days required for registration.

Regarding the registration procedure itself, according to the Tax Administration of Kosovo (TAK) officials, the registration process is a relatively quick and can be completed online without any additional charges. It is the responsibility of the employer to enter the employee's ID number through the Tax Administration's software, after which the system retrieves all required information from the Citizens Register. This is all that it takes to register workers.

After the registration of the worker, the employer is obliged to submit tax and contribution returns to the Tax Administration every month. Taxes and contributions are declared no later than the 15th of the month for the previous month. The application itself is made through the tax and contribution calculation forms prescribed by the Tax Administration, which include name, surname, ID number, gross earnings, pension contributions and accrued tax, as well as whether the employer is the main employer of the employee.

It is important to note that the Kosovo * system distinguishes between the main employer and other employers. The employee is obliged to report to the Tax Administration who will be his /her main employer within 15 days from the day when he/she starts working for the other employer. The difference between the principal and other employers is in the tax treatment, which will be discussed further in the report below.

Every employee can check online whether the employer has paid taxes and contributions. If the employer does not pay taxes and contributions on behalf of the employee, the employee is obliged to pay the related taxes and contributions by the end of the year at the latest.

It is estimated that an employer needs to invest about an hour, or about 500 dinars (4 euro), on account of the average monthly salary in Kosovo* in 2018, in order to complete the registration procedure.

In order to see the relationship between the costs of employing a seasonal worker in Kosovo * and the costs borne by employers in Serbia, *Table 2* lists the main features of the system in these countries.

Table 2: Comparative overview of the basic characteristics of the worker registration systems in Serbia and Kosovo*

Employer obligations	Serbia	Kosovo*
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Deadline for registration of a seasonal worker	At the latest on the day of commencement of employment: 1. to 10am for the morning shift 2. from 13 to 15h for the afternoon shift	15 days from the date of commencement of work
Number of steps for the employer from finding an employee to registering the employee	1 step	5 steps
How many institutions the employer communicates with to register workers	0, because the registration is made through application software	1 institution
Which institutions the employer communicates with to register workers and pay the taxes and contributions	Application software	Tax Administration
Total estimated time for administrative activities	10 min	60 minutes
Total direct (monetary) costs for administrative activities related to the registration of workers	RSD 0	RSD 120
Estimation of total costs related to administrative procedures before the registration of an employee in RSD *	60 (0.5 euros)	479 dinars (4 euros)

As it can be concluded from the table the system introduced in Serbia in the agricultural sector brings significant savings to employers. First of all, the basic advantage of the system is reflected in the number of "counters" visits an employer must make in order to register a seasonal worker. In Serbia, the counters have been completely abolished and the entire registration of the seasonal worker is done electronically and requires only a few details (citizens' unique identifier and date of engagement). It is also important to note that there is no official behind the application software who handles the data manually; instead the system automatically transmits the data through the service bus of the state authorities to all the necessary registers, so the system itself enabled the state administration to make savings.

By far, the biggest obstacle to the registration and deregistration of seasonal workers in Kosovo * is the fact that the system is not designed to support the dynamic and rapid environment in which seasonal workers work. An employer must, even if he hires a worker for only a few days, undergo the same procedure as if the worker had been hired indefinitely.

Also, a big problem is the deadline of 15 days after the commencement of the work for the worker to be registered with the Tax Administration. This problem is especially pronounced for seasonal workers who can work less than 15 days. The aforementioned "gap" enables unscrupulous employers to avoid reporting workers unless the tax inspector orders them to do so.

Tax burden

As already mentioned, Kosovo* currently has only mandatory pension insurance introduced, and accordingly, only pension contributions are paid in addition to income tax. The amount of taxes and contributions is regulated by the Law on Pension Funds⁴⁶ and the Law on Personal Income Tax⁴⁷.

The main characteristics of the taxation system in Kosovo * are shown in *Table 3.*

*Table 3: Comparative overview of the basic characteristics of the taxation systems in Serbia and Kosovo**

Tax burden	Serbia	Kosovo*
Is the taxation system different from the taxation of a standard employment contract	YES	NO
Tax rate	10%	For principal employer - progressive (0% to 80 euros, 80 to 250 euros 4%, 250 to 450 - 8%, over 450 euros 10%) For another employer - 20%
PIO contribution rate	26%	10%
Contribution rate health	2%	/
Contribution rate unemployment	/	/
Rate of other compulsory contributions	/	/
Tax base	1/30 the lowest monthly contribution base, or about 800 dinars	Gross earnings less 5% of pension contribution
Base for the calculation of contributions	1/30 the lowest monthly contribution base, or about 800 dinars	Gross earnings
Is there a minimum base for calculating contributions	YES	NO
Total rate of taxes and contributions for taxation of seasonal earnings	38%	min 10%, max 20%
If the worker works 10 days a month and the total cost of the employer is 10,000 dinars, how is paid to the state in taxes	RSD 3000 (300x10 days) (25 euros)	1002 (8.5 euros)
How much is the gross wage burden in the example above	30%	10%

⁴⁶ The Law on Pension Funds

⁴⁷ The Law No. 05/L -028, on Personal Income Tax

What is the net salary of an employee	RSD 7000 (60 euros)	8998 (76 euros)
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According to the Law on Pension Funds, the mandatory contribution rate is 10%, of which 5% is charged to the employer and 5% to the employee. The law allows employers and employees to voluntarily make up to 10% more contributions than the mandatory amount. Thus, the maximum contribution rate (mandatory + voluntary) can be 30% of gross earnings.

While the contribution basis is the total gross wage, the tax basis represents the gross wage less the amount of the obligatory employer contribution (5%). The rates that will be applied to the above-mentioned basis depend on whether or not the employer is the principal employer of the employee, as determined by the employee himself by filing an application with the Tax Administration.

If so, a direct progressive income tax rate is applied according to the following principle:

- Earnings of up to € 80 per month are not subject to income tax;
- A rate of 4% applies to a salary of 81 to 250 euros per month;
- An 8% rate applies to earnings of 251 to 450 euros per month;
- A rate of 10% applies to a salary of over 450 euros per month.

In case the employer is not the main employer of the employee, a fixed rate of 20% for each tax period applies.

Suppose an employee works for two employers. In case the salary of the employee with the main employer is 300 euros, the pension contributions of 5% are first calculated. After deduction, the amount remains € 285 for taxation. The first € 80 is not taxed, up to € 250 (€ 170) is taxed at a rate of 4% which is € 6.8, and the remaining amount of € 35 is taxed at the rate of 8% which is € 2.8. So the total tax will be paid 9.6 euros. The employee's net salary is EUR 275.4.

In case the employee has another employer and earns 200 euros from him, after deducting 5% for the pension contribution, 190 euros remain. A tax rate of 20% is calculated at € 190, which is € 38. The net salary of an employee is 152 euros.

Thus, the total nominal rate for taxing the earnings of a seasonal worker ranges from 10% if the monthly salary is below 80 euros, to 20% if the seasonal worker works with an "other" employer, i.e., an employer who is not his main employer.

Let's return to our hypothetical example shown in *Table 3*, which shows the calculation of the pay load in the event that a seasonal employee is hired for 10 days and the employer allocates a total of 10,000 dinars (gross salary) for this engagement. In Serbia, the employer would pay a total of 3,000 dinars for taxes and contributions, while in Kosovo* he would have to allocate around 1002 dinars if he is the principal employer. The main reason for the extremely low amount of taxes and contributions is the fact that there is only one mandatory contribution fund in Kosovo * - the Pension Fund. So, in our

hypothetical example, the net salary of an employee would be almost 9,000 dinars, unlike the 6,000 dinars that a Serbian seasonal worker would get.

Estimating total cost

Taking into account all the above information, we will summarize all costs incurred by an employer for hiring one seasonal worker through a single spreadsheet.

Table 4: Estimated costs of employing one seasonal worker

Costs	Serbia	Kosovo*
Time to complete the procedure	10 minutes	80 minutes
Costs of the procedure	RSD 60	RSD 479
Costs for taxes and contributions	RSD 3000	RSD 1002
Total	RSD 3060	RSD 1481

Based on the above we can conclude that hiring a seasonal worker in Kosovo*, although procedurally more complicated, is cheaper first of all due to the fact that other mandatory social security systems are not currently in place in Kosovo*. The introduction of a simple electronic system for seasonal employment registration, applying the tax rates currently in force in the Kosovo* system, would further reduce and facilitate the registration of seasonal workers.

1.3. Supervision of seasonal employment

In Kosovo* there is no special body that oversees specifically seasonal work, that is, only temporary and occasional work. The Tax Administration is the institution responsible for the general control of the registration of workers and the control of payment of taxes and contributions, while the Labor Inspectorate is responsible for the implementation of the Labor Law and the Law on Safety and Health at Work.

1.4. Ex officio exchange of information

In the regional analysis of the seasonal employment system, particular attention has been paid to the way in which ex officio exchange of electronic information is regulated. What makes this piece of research very important? Namely, Article 9 of the Law on General Administrative Procedure⁴⁸ had an important role in streamlining seasonal employment in Serbia. Amongst other things it provides that the government authority is obliged ex officio to inspect data on facts necessary for deciding the official procedure, to collect and process them, and that the government authority may require the party to provide only identifiable information and documents confirming facts which are not confirmed by official records. Further, the Law on Electronic Government⁴⁹ provides the

⁴⁸ Law on General Administrative Procedure (“Official Gazette of the RS”, No. 18/2016 and 95/2018 – authentic interpretation)

<https://www.paragraf.rs/propisi/zakon-o-opstem-upravnom-postupku.html>

⁴⁹ Law on Electronic Government (“Official Gazette of RS”, No. 27/2018)

<http://www.pravno-informacioni-sistem.rs/SIGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2018/27/4/reg>

basics of electronic commerce of the state administration, which stipulates that the government bodies that maintain official records in electronic form exchange data through the service bus of state bodies. These regulations provided the basis for the introduction of such a simple electronic system in Serbia, which requires users to enter only two data elements - the employee's unique identifier and the date when the employee will be hired. All other information required by the competent institutions (the Tax Administration, CROSO (Central Registry of Compulsory Social Insurance), the National Employment Service) is obtained by automatic download, via the service bus, from the original registers.

How is the official exchange of electronic information regulated in Kosovo*? Namely, the Law on Personal Data Protection provides for the rights, obligations, principles and measures regarding the protection of personal data in electronic data exchanges, as well as the competencies of institutions responsible for monitoring the use and management of this data. This law applies to both the private sector and the public sector. In Kosovo*, though not so commonplace, electronic data exchange is possible.

When it comes to exchanging information regarding the application of seasonal workers, or workers in general, it is regulated by the Law on Pension Funds, which obliges the Tax Administration to provide all information to the Kosovo Pension Fund within 24 hours*. The exchange of all data related to the contributions submitted is done electronically through the software.

On the other hand, the users of the records that are maintained by the Tax Administration are the Ministry of Labor, the Employment Agency, as well as tax inspectors and labor inspectors. Due to the current technical problems that are soon to be addressed, the remaining beneficiaries, with the exception of the Pension Insurance Fund, cannot directly access the tax administration software, instead the information is provided to them mainly by email on request.

II SEASONAL WORK IN NUMBERS

According to the results of the Labor Force Survey in Kosovo * in 2018, there were a total of 271,600 employees, of whom 14% of employees did not have a contract. Compared to 2017, this percentage was reduced by 7.5 percentage points, which, according to local experts, is not an expected result given that in the last year in Kosovo *, no significant reform has occurred that could affect the mentioned decrease. The share of employment of the vulnerable, i.e. the self-employed or assisting household members, in the total employment is almost 20%. Another interesting data from the Workforce Survey is that 74.6% of employees, or about 202,500 workers, had a fixed-term employment contract.

In 2018, Millennium Challenge Corporation conducted a survey analyzing the labor market in Kosovo * in 2017. According to the results of this research, vulnerable employment is significantly higher and amounts to as much as 34.7% of total employment, while the share of employees without contracts (the shadow economy) is as high as 40.8%.

Table 5: Vulnerable employment and employees without a contract

	Source	2012	2013	2014	2015	2016	2017	2018
Vulnerable employment	ARS	16.8	23.6	24.9	22.8	22.9	23.1	19.6
Employees without a contract	ARS	16.6	18	15.5	15.5	26.3	21.5	14.0
Vulnerable employment	Millennium Challenge Corporation Survey	/	/	/	/	/		/
Employees without a contract	Millennium Challenge Corporation Survey	/	/	/	/	/		/
							34.7	40.8

The Labour Force Survey does not track the number of seasonal workers. From the mentioned Millennium Challenge research several conclusions can be drawn about seasonal work. According to this study, although unexpectedly, the employment rate in agriculture and construction is 2.4 percentage points lower in the summer months compared to the spring months. However, the survey also found that in the summer months, employees worked on average 2.7 hours longer in one week, which, according to the author, justifies the assumption that in the summer months there is still strong seasonal work in these sectors.

In terms of employment in agriculture, where seasonal work is most pronounced, the 2014 Census of Agriculture states that a total of 362,700 workers are employed in agriculture. Most of these workers are unpaid assisting household members. The Workforce Survey, however, states that there were only 12,300 jobs in agriculture in 2018.

The Agricultural Census, however, states another interesting result. Namely, although it does not explicitly state the number of seasonal workers, the Census lists the number of annual work units that seasonal workers performed in 2014. Annual unit of work in agriculture is defined as the equivalent of one person working full time in one year (8 hours a day, 225 working days). According to a survey in agriculture in 2014, there were a total of 86,620 AUW, employed by a total of 362,700 workers. Most of the work is carried out either by the AH holder or by his assisting household members, while only 2.6% of the workers are seasonal workers, which is about 9,500 workers. **Estimates should be taken with a certain dose of reserve, given that they were estimated with very little field data.**

Table 6: Estimation of the number of seasonal workers in agriculture

Total number of workers in agriculture - ARS	12.300
Total number of workers in agriculture - Census of 2014	362.700
Total number of annual work units	86.620
Participation of seasonal workers in total AUW in individual AH	2.6%

Estimation of the number of seasonal workers in Agriculture	Approx. 9.500 ⁵⁰
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III PROPOSAL FOR REFORM

3.1. Brief description of the reform of the agricultural sector in Serbia

The shadow economy and informal employment are one of the leading challenges in Serbia, and due to the seasonal nature of jobs, a particular problem of informal employment has arisen in the agricultural sector. In order to reduce the shadow economy in this sector, but also to protect the rights of seasonal workers, NALED, in cooperation with the Ministry of Labor, Employment, Veterans' and Social Affairs, the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance and with the support of German Development Agency (GIZ) implemented a reform streamlining the engagement of seasonal workers in agriculture.

In this regard, a special Law on Simplified Work Engagement on Seasonal Jobs in Specific Areas⁵¹ was adopted. The primary objective of the law is to free employers from unnecessary and extensive administration related to the process of registering and deregistering seasonal workers, which would encourage formal reporting of these workers and increase tax and contribution income on this basis. On the other hand, in addition to earnings, the seasonal workers would also exercise the rights arising from employment - the right to insurance in case of injury at workplace as well as the right to pension insurance. The reform also established a Seasonal Workers Register containing basic information on the workers and their skills, making it easier for the employer to find a quality workforce, given that this is often highlighted as a problem.

The law provided for a fully electronic procedure for the registration and deregistration of seasonal workers. For this purpose, an online platform/application for the registration of seasonal workers in agriculture (www.sezonskiradnici.gov.rscreated) was introduced; it became operational in January 2019. The portal is under the jurisdiction of the Tax Administration, but it is directly linked to the Central Registry of Compulsory Social Insurance, which automatically registers workers for pension, accident and unemployment insurance, and the National Employment Service, and thus the Seasonal Workers Register is automatically created.

A comparative overview of the main characteristics of the previous system and the system implemented after the reform is given in *Table 8*.

Table 8: Comparative review of the basic characteristics of the system

	Previous system	Reform
1	Employers can only be legal entities and entrepreneurs, but not private individuals (such as farmers)	Legal entities, entrepreneurs, as well as natural persons or farmers are considered to be employers.

⁵⁰ Autor estimations

⁵¹ "Official Gazette of the RS", No. 50/18

2	Employers and workers sign a contract on seasonal/occasional jobs	Employers and workers conclude an oral agreement that enters into force upon registration through the online portal
3	The registration and deregistration of workers is done electronically through the Central Registry of the Compulsory Social Insurance (CROSSO). On the pay date, the employer submits the tax return through the e-taxes portal for each worker individually.	The registration and deregistration of employees is done electronically in one place through the portal www.sezonskiradnici.gov.rs , and the tax return information is submitted to the employer via the portal .
4	The registration and deregistration procedure of one seasonal worker takes an average of five hours per month.	The registration and deregistration procedure of workers takes less than 10 minutes, regardless of whether the worker is registered for one day or even a month.
5	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 10,200	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 6,000 (RSD 300 per day)
6	Each form of hiring and receiving compensation in exchange of work directly suspends social rights and benefits of the employees who are entered into the Registry of the National Employment Service (NES) as unemployed.	Employing seasonal workers in agriculture does not affect social rights and benefits the workers had acquired before, and they remain registered with the NES Registry.
7	95% of seasonal workers (unregistered seasonal workers) did not have pension and disability insurance, as well as insurance in case of injury at workplace	All workers registered through the portal have the right to pension and disability insurance as well as insurance in case of injury at workplace.
8	The employer can hire one worker for the same jobs for a maximum of 120 days in a calendar year, based on the contract on temporary/occasional employment.	The employer can hire one worker for a maximum of 120 days in a calendar year, including the sum of days of engagement through the portal and contracts on temporary/occasional employment
9	The estimated number of seasonal workers engaged in agriculture ranges from 65,000 to 80,000	
	In 2017, around 3,500 seasonal workers were registered.	In the first nine months of implementation of the system about 25,000 seasonal workers were registered.

3.2. Reform potential of the system in Kosovo* according to the interviewees

In Kosovo* two interviews were organized: one with representatives of the Tax Administration, the other with representatives of the Ministry of Labor.

The biggest problems that occur in the Kosovo * system regarding seasonal workforce, according to the interviewees are:

- Tax evasion - avoidance of taxes and contributions by employers;

- Lack of inspection capacity;
- Insufficient awareness of employees about the benefits of formal employment.

Inadequate inspection was identified as the biggest problem with seasonal work in Kosovo *, which appears due to certain problems within the prescribed deadlines, but also insufficient inspection capacity.

As already stated in the analysis, the deadline for employment registration in Kosovo * is 15 days from the day the employee starts working. In this regard, when during an on-site supervision the inspector detects an undeclared worker, he shall order the employer to register the employee. The employer registers the employee stating that the employee started working less than 15 days ago. On the other hand, an employee does not have a sufficiently developed awareness of the benefits he/she may enjoyed had the employer registered him/her on time, often because he/she does not believe that he/she can exercise his/her employment rights, especially when it comes to seasonal work.

Another problem in the control of labor, as stated by the competent authorities, is that regulations are unclear as to whether inspectors can control natural persons as employers and their engagement of seasonal workforce, which is especially pronounced in the agricultural sector, given that most farmers are not registered as legal entities. In the opinion of the Ministry of Labor, inspectors cannot enter a private residence of a natural person, while tax inspectors believe the opposite.

However, representatives of the Ministry of Labor and the Tax Administration agree that further work is needed to formalize employment in the shadow economy. They believe that the labor market in Kosovo * is flexible enough, and that the main problems are insufficient awareness of both employers and workers about the benefits of paying contributions.

As stated in the interviews, the system needs to undergo reform, not only in regards to seasonal work, but in the overall system of labor relations. There is a need to work on establishing a register of all employees, to introduce a better system of employment registration that will prevent abuse of the system, to make a better link between the information systems of Tax Administration, the Ministry of Labor and the Pension Insurance Fund.

With respect to seasonal work, the opinion of the representatives of the interviewed institutions is that the system implemented in Serbia is very simple and can be implemented in Kosovo *, taking into account the fact that there is currently no health insurance in Kosovo*. Although their recommendation is for the reform to be horizontal, for all sectors, pilot projects need to be made first. Considering the nature of business, priority should be given to:

- Agriculture sector – where the problem of seasonal employment is most pronounced;
- Services – above all waiters, bartenders and cooks who are seasonally engaged in the summer months;

Opinions are divided as to whether or not the involvement of workers in the construction sector needs to be reformed. According to the Ministry of Labor, the construction sector does not employ many workers because construction activities take place throughout the year, while representatives of the Tax Administration have a different view.

Certainly the biggest challenge in implementation will be to influence the awareness of seasonal workers about the importance of contributing to their future well-being and the establishment of a social security system to eliminate social risks (eg rights in the case of workplace injury, occupational disease or disability, etc.).

3.3. Potential challenges identified in Kosovo*

Procedures for hiring seasonal workers in Kosovo* differ significantly from the procedures that the Republic of Serbia has in its system. At first glance, the procedures seem relatively straightforward. Namely, the employer is obliged to register the worker after the contract has been concluded. The application is made electronically by entering one data element – his/her ID number. However, the reasonable assumption is that a large number of seasonal workers in Kosovo* are hired in the gray zone because it allows the employer to register the worker up to 15 days after the work commenced, thereby creating a large room for tax evasion.

The introduction of an electronic portal for the registration of seasonal workers is possible in a system such as Kosovo*, especially considering that Kosovo* already has an electronic employment registration procedure. By further simplifying and automating the process of calculating and filing taxes and contributions, Kosovo* can further facilitate and reduce the cost of the procedure, which will positively affect employers' motivation to register their workers.

Potential challenges that reform implementers would face when introducing an electronic system, which concern the procedure and proposals for their solution are shown in Table 9.

Table 9: List of potential reform challenges with suggested solutions

Potential challenge	Possible solution
1 Seasonal work not specifically defined in the labor law and its particularities are not recognized when creating procedures for employee engagement	<p>It is necessary to define seasonal work in the Labor Law. As announced in the new draft law, seasonal workers should be specifically defined.</p> <p>Specific simplified procedures need to be defined to accommodate the needs of seasonal work.</p>
2 Lack of official statistics on the number of seasonal workers. It is difficult to separate seasonal workers from other temporary workers.	<p>Conduct in-depth analyzes and interviews with employers to estimate the number of seasonal workers.</p> <p>First, select pilot sectors where there is</p>

		more information on the number of seasonal workers
3	<p>Estimated relatively small absolute number of seasonal workers in agriculture (only 9,500 workers), which may bring into question the investment into software development</p> <p>On the other hand, estimates should be taken with a certain dose of reserve, given that they were calculated based on very little field data.</p>	Reform costs can be justified by the wider scope of the sector. These, in addition to agriculture, may also include the services sector (waiters, bartenders) as well as the construction sector.
4	The time limit for registration with the Tax Administration is 15 days from the commencement of the work which opens a large space for abuse.	There needs to be an obligation to register the worker before the commencement of the work in order to avoid abuse of the system.
5	Employers and seasonal workers conclude employment agreements for a definite period of time in writing which is too rigid for dynamic seasonal activities.	Introducing the concept of an oral agreement for seasonal workers with an electronic filing that remains on the system and available to inspectors for their consideration
6	Employment registration procedure is currently relatively simple and does not require employers to incur significant expenses	Even though the procedure is relatively simple, there are steps that can speed up and simplify it to further automate the registration process and calculation and control of taxes and contributions.
7	<p>The requirement of a worker to provide information about his/her principal employer is not justified.</p> <p>Seasonal workers often have more than one employer during the season, and both the worker's obligation to file information about the principal employer and the unequal treatment of employers are inappropriate.</p>	It is worth considering the option of eliminating the category of a principal employer in the seasonal employment registration system in order to simplify the process and to create a fair market for all potential employers.
8	Underdeveloped awareness of employers and employees about the benefits of legal seasonal employment	Before carrying out reform, it is necessary to launch a strong campaign to raise awareness among all citizens of Kosovo *

CONCLUSION

The “Increasing employment opportunities for seasonal workers” Project jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Cooperation implemented by GIZ provided an initial mapping of the current situation in six economies in Southeast Europe, including Kosovo*.

The labor market in Kosovo * is regulated by the Labor Law and the Law on Safety and Health at Work. In the mentioned laws seasonal work is neither defined nor recognized as specific, although this is announced by amendments to the Labor Law. Under current regulations, seasonal workers are hired using a fixed-term employment contract. Employment registration procedures are not complicated, but they take about 1 hour of work per employee on a monthly basis to prepare and submit the required documents. A particular problem in Kosovo*s legislation is the fact that the employer has a deadline of 15 days from the date when the worker commenced working to register him/her with the Tax Administration, which leaves a lot of room for abuse.

According to interviews with representatives of the Ministry of Labor and the Tax Administration, seasonal workers are mostly engaged in the gray area. Kosovo* does not have sufficient inspection capacity to detect and prevent abuses in the labor market, and there are different interpretations regarding the scope of inspector jurisdiction (access to private property on which the work is carried out) and the type of supervised entities (individuals as employers).

Certainly, the results of the research have shown that there is potential for implementing the reform and streamline hiring of seasonal workers in in Kosovo * modeled on the system of hiring agricultural workers in Serbia, although the dimensions of the potential effects are unknown due to the lack of precise data on the current number of seasonal workers. Although the Kosovo* employment registration system is relatively simple, it can be further simplified by implementing the reform, which would, on the one hand, reduce costs for employers and, on the other, allow easier control and automated processing of tax and contribution data for tax authorities.

The research before you is the first step and provides a tentative overview of the current system, possible reforms and potential challenges we might face as we implement the reform. The next step would certainly be a more detailed, preferably sectoral, analysis that would highlight all the particularities that the Kosovo* labor market has regarding the employment of seasonal workers and feasibility assessment of the similar reform that was conducted in Serbia based on conducted sectoral analysis.

REPORT 5 – ALBANIA

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INTRODUCTION

Within the project "Increasing Employment Opportunities for Seasonal Workers" Project, jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Cooperation implemented by GIZ, a research of the current systems of temporary-intermittent jobs of seasonal character was conducted in six economies in Southeast Europe: Albania, Kosovo^{*52}, the Federation of Bosnia and Herzegovina, Republika Srpska, Montenegro and Northern Macedonia. The main objective of the research was to analyze whether there is a potential to reform the systems based on the reform implemented in the Republic of Serbia with the aim of simplifying engagement of seasonal workforce in agriculture, which has produced impressive results - as many as 25,000 seasonal agricultural workers legally engaged in the first nine months of 2019, an increase of over 600% compared to the entire 2017.

The document below presents detailed results of the analysis of the state of affairs in the Republic of Albania.

The document is divided into three main sections. The first part describes the current regulatory framework governing seasonal employment in Albania; The second part presents seasonal work in Albania through statistical indicators; In the third part, we look at the problems identified in the current system and give a brief overview of the possibilities to implement a reform modeled on the reform in Serbia and a list of potential challenges.

I REGULATORY FRAMEWORK

1.1. Labor Legislation

The labor market in Albania is governed by the Labor Law⁵³ which does not recognize seasonal work as a specific form of labor engagement but views it as a part-time job. Article 14 of this Law regulates part-time work as - half-time, weekly or monthly work or based on working hours. Part-time employees have the same rights and obligations as full-time workers, but in proportion to time spent working.

In addition to the Labor Law, the labor market in Albania is governed by the Employment Promotion Law⁵⁴ which defines the rules and operations of public employment agencies, the services they provide, as well as active and passive programs in the labor market.

Given that seasonal workers are considered part-time workers, there is no difference between full-time and part-time contracts in terms of administrative procedures and in the way taxes and contributions are calculated, except that the liability is proportionate to the amount of time spent at work.

⁵² This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

⁵³ The Law No. 7961, dated 12, 07, 1995 "The Working Code of the Republic of Albania"

⁵⁴ The Law No. 15, dated 13, 03, 2019 "For the promotion of Employment"

In addition to part-time contracts, although not provided under the Labor Law, the service contract is also used, even though this type of contract is not adequate for seasonal employment. Namely, the service contract can be concluded for a period of only one week (7 days) in one calendar year.

1.2. Costs of seasonal employment

As practice has repeatedly shown, simple procedures are the biggest incentive for employers to legally engage their workers, as well as lower tax burden on remuneration, i.e., wages. This is particularly true for hiring seasonal employees to perform temporary or occasional jobs in the company, which in some cases can only last for a few days.

In order to evaluate the burden that employers have on account of hiring a seasonal workforce, we looked at:

- the time and cost the employer has to bear in the process of workforce registration and deregistration;
- The cost of taxes and contributions that an employer would incur to hire a seasonal worker.

Cost was estimated by using the standard cost method, using the average wages in Albania.

In order to compare the costs incurred by the current system in Albania with the costs incurred by the electronic system of registering seasonal agricultural workers in Serbia, we have assumed the following:

- Costs are calculated on a monthly basis for one seasonal worker.
- The worker works for 10 working days in one month.
- The employer is ready to allocate a total gross amount of 10,000 dinars (85 euros)The number of working hours in a working day is in compliance with the regulatory framework.

Employee Registration Procedure

As mentioned when hiring a seasonal worker, employers have a part-time contract at their disposal, yet the procedure explained below is the same for both types of contracts.

The steps for registering a seasonal worker with an estimate of time and cost⁵⁵ are shown in Table 1.

Table 1: Steps required for registering a seasonal worker

Step in the procedure	Additional explanation of the time and money required	Service available on-line (DA/NE)	Time and money allocated by an employer (accountant)	Estimated costs
Step 1: (not mandatory) File information about a	Reporting is made one week before contracting, and at least	YES	10 min	0 – not mandatory

⁵⁵

vacant position with the National Employment Service	one day before contracting the worker. It involves communication with the service. Although according to the latest amendments to the Employment Promotion Law reporting about a vacancy is not required.			
Step 2: Preparing the contract	Communication with the worker and printing two copies of the contract.	NO	30 min RSD 100	251
Step 3: Signing the contract	Communication with the worker.	NO	10 min	50
Step 4: Reporting the employee to the Tax Administration	At least one day before starting the work. The application process is done online	YES	10 min	50
Step 5: Employer reports quarterly to the Republic Insurance Institute on the number of employees (not mandatory for all employees)		YES	30 min	151 – but not mandatory
Total				RSD 351

By mid-September, the first step in hiring workers, including seasonal workers, was the obligation of the employer to report to the Employment Service a vacant position, or a need for a worker. With the new amendments to the Employment Promotion Law, this obligation has been abolished and the first step in hiring a seasonal worker is to prepare and sign a part-time contract. According to the Labor Law, the employment contract is concluded in writing and there is an obligation to print and sign the contract.

After the contract has been signed, employers register the worker with the Tax Administration at least one day before the commencement of work engagement, and the Tax Administration automatically transmits all necessary information to the Institute of Social Insurance and the National Employment Service. The whole procedure does not take long, only 10 minutes and is available electronically through the e-Albania portal. This portal is under the jurisdiction of the National Agency for Information Society and links institutions through a "Government Interaction Platform" that allows data to be exchanged between institutions.

This platform was initially created with the aim of digitalizing main public services for Albanian citizens. Today, every Albanian citizens (with an Albanian identification number) can access most of the online services of public institutions in Albania.

After the registration of workers, it remains the obligation of the employer to report quarterly to the Institute of Social Insurance on the number of employees.

Overall, in order to hire a seasonal worker, an employer must contact the institutions (Tax Administration and Institute of Social Insurance) at least twice. In total, it is estimated that an employer will need about 1 hour to complete the registration procedure, or about 350 dinars (3 euro), if the average monthly salary in Albania in 2018 is taken into account.

In order to see the relationship between the costs of employing a seasonal worker in Albania and the costs borne by employers in Serbia, *Table 2* lists the main features of the system in these countries.

Table 2: Comparative overview of the basic characteristics of the worker registration systems in Serbia and Albania

Employer obligations	Serbia	Albania
Deadline for registration of a seasonal worker	At the latest on the day of commencement of employment: 1. to 10am for the morning shift 2. from 13 to 15h for the afternoon shift	A day before the commencement of employment
Number of steps for the employer from finding an employee to registering the employee	1 step	3 steps
How many institutions the employer communicates with to register workers	0, because the registration is made through application software	1 institution, electronic
Which institutions the employer communicates with to register workers and pay the taxes and contributions	Application software	Tax Administration
Total estimated time for administrative activities	10 min	60
Total direct (monetary) costs for administrative activities related to the registration of workers	RSD 0	RSD 100
Estimation of total costs related to administrative procedures before the registration of an employee in RSD *	60	351

As it can be concluded from the table the system introduced in Serbia in the agricultural sector brings significant savings to employers. First of all, the basic advantage of the system is reflected in the number of "counters" visits an employer must make in order to register a seasonal worker. In Serbia, the counters have been completely abolished and the entire registration of the seasonal worker is done electronically and requires only a few details (citizens' unique identifier and date of engagement). It is also important to note that there is no official behind the application software who handles the data manually; instead the system automatically transmits the data through the service bus of the state authorities to all the necessary registers, so the system itself enabled the state administration to make savings.

On the other hand, even though the Albanian system of employment registration does not involve the need to physically visit the counters, the main limitation of the system is

the obligation of the employer to conclude an employment contract with a seasonal worker. Even though it is part-time, a contract of employment is not a flexible or motivating solution for hiring workers operating in very dynamic working conditions.

Also, since seasonal workers in Albania are hired under an employment contract, according to the regulations, after signing the contract, the seasonal worker would have to submit to the employer:

- Medical report
- Clear Criminal Record Certificate
- Work card certified by the Service
- Diploma (if necessary).

In the dynamic conditions that apply for seasonal engagement, workers may have some work today, and be out of work tomorrow, the question is how it is physically possible to fulfill the conditions prescribed by the Law.

Tax burden

The amount of taxes and contributions paid by employers for hiring a seasonal worker is prescribed by the Law on Income Tax⁵⁶, the Law on Tax Procedures in the Republic of Albania⁵⁷, the Law on Social Insurance in the Republic of Albania⁵⁸, and the Law on Mandatory Social Insurance Contributions in the Republic of Albania⁵⁹. Given that a seasonal worker is hired through a part-time contract, there are no differences between a standard full-time and part-time contract.

The main characteristics of the taxation system in Albania are shown in *Table 3*.

Table 3: Comparative overview of the basic characteristics of the taxation systems in Serbia and Albania

Tax burden	Serbia	Albania
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	NO
Tax rate	10%	If earnings are below ALL 30,000 (approx. EUR 240) - 0%, if the earnings are up to ALL 130,000 (approx. EUR 1,050), the tax rate is 13% on the difference between gross earnings and the non-taxable part. If the salary is over ALL 130,000 then 13,000 ALL + difference in gross earnings are taxed and 130,000 ALL x 23%
Pension and Disability Fund contribution rate	26%	24.5% Rates vary depending on the type of employee or line of business of the employee
Healthcare contribution rate	2%	3.4% Rates vary depending on the type of

⁵⁶ Law Nr. 8438, Date 28.12.1998 "On Taxation of Incomes"

⁵⁷ Law Nr. 9920, dated 19.5.2008 "On tax procedures in the Republic of Albania changed"

⁵⁸ LAW Nr. 7703, dated 11.05.1993 "On Social Insurance in the Republic of Albania"

⁵⁹ DCM Nr. 77, dated 28.1.2015 "On mandatory contributions and benefits from the system social insurance and health care insurance"

		employee or line of business of the employee
Unemployment contribution rate	/	/
The rate for other mandatory contributions	/	/
Tax base	1/30 the lowest monthly contribution base, or about 900 dinars	Gross earnings
Base for the calculation of contributions	1/30 the lowest monthly contribution base, or about 900 dinars	Gross earnings
Is there a minimum basis for calculating contributions	YES	YES, as well as a maximum base for calculating contributions
Total tax and contributions for a seasonal worker	38%	minimum 27.9% maximum cannot be determined due to different tax rates depending on the amount of earnings
In case the employee works 10 days a month and the total cost is 10.000 dinars, what tax is paid to the state	RSD 3000 (RSD 300x10) (25 euros)	6914 (59 euros) 10,000 dinars is less than the minimum tax basis of 210 euros. Since the basis is below € 240, the tax rate is 0%. The assumption is that maximum contribution rates are charged.
How much is the gross salary burdened in the above example	30%	69%
What is the total net salary of an employee	RSD 7000 (60 euros)	RSD 3086 (26 euros)

As stated in the table, in Albania there is an obligation to pay contributions for pension and health insurance, as well as income tax. However, the tax and contribution rates will depend on the type, or classification, of the employee. The tax authorities have published a list ⁶⁰ of all types, and classifications of employees with their tax rates and contributions. Rates range from 0% to 24.5% for Social Insurance and from 0% to 3.4% for health insurance.

Even though seasonal workers are not explicitly mentioned anywhere, the assumption is that they can be classified into the following categories:

- Self-employed (mainly for farmers) regardless of hours worked;
- Employees with a contract of less than one week during the year;
- Students or trainees approved by relevant institutions;
- Employees who work as principal or assisting members of the farm registered with the tax authorities.

⁶⁰

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=2ahUKEwig996_iZTIAhURtIsKHQoTCgEQFjACegQIARAC&url=https%3A%2F%2Fnew.financa.gov.al%2Fwp-content%2Fuploads%2F2017%2F11%2F4_Kategorite_punonjesve_24.11.xls&usg=AOvVaw2sXM1U7NHFAgn1PhtTwr6t

The base on which the tax rate is calculated is the gross monthly earnings. In the Albanian system, there is both a minimum base and a maximum base for calculation.

Progressivity is introduced into the Albanian system both directly, through different tax rates, and indirectly through the introduction of a non-taxable income of 30,000 Albanian lek (ALL).

Suppose that in order to hire one worker for 10 days, the employer wanted to spend a total of 10,000 dinars (gross salary). In Serbia, the employer would pay a total of 3,000 dinars for taxes and contributions, while in Albania he would have to spend a maximum of 6,914 dinars. So, in our hypothetical example, a seasonal worker would earn 7000 dinars in Serbia, or 3086 dinars in Albania.

Estimating total costs

Taking into account all the above information, we will summarize all costs incurred by an employer for hiring one seasonal worker through a single spreadsheet.

Table 4: Estimated costs of employing one seasonal worker

Costs	Serbia	Albania
Time to complete the procedure	10 minutes	60 minutes
Costs of the procedure	RSD 60	RSD 351
Costs for taxes and contributions	RSD 3000	RSD 6914
Total	RSD 3060	RSD 7265

Based on the above we conclude that hiring a seasonal worker in Albania is more complicated and more expensive than doing the same in Serbia. That is, the employer must spend about 50 minutes longer per worker to go through the entire procedure, as well as RSD 4,205 more⁶¹.

1.3. Supervision of seasonal employment

The State Inspectorate for Labor and Social Services, through its local or regional offices, is supervising the area of labor, including seasonal employment, though is mainly focused on occupational safety issues.

1.4. Ex officio exchange of information

In the regional analysis of the seasonal employment system, particular attention has been paid to the way in which ex officio exchange of electronic information is regulated. What makes this piece of research very important? Namely, Article 9 of the Law on General Administrative Procedure⁶² had an important role in streamlining seasonal employment in Serbia. Amongst other things it provides that the government authority is obliged ex officio to inspect data on facts necessary for deciding the official procedure,

⁶¹ The case of a worker who works for 10 days in a month and earns gross salary of RSD 10.000

⁶² Law on General Administrative Procedure ("Official Gazette of RS", No. 18/2016 and 95/2018 –authentic interpretation)

<https://www.paragraf.rs/propisi/zakon-o-opstem-upravnom-postupku.html>

to collect and process them, and that the government authority may require the party to provide only identifiable information and documents confirming facts which are not confirmed by official records. Further, the Law on Electronic Government⁶³ provides the basics of electronic commerce of the state administration, which stipulates that the government bodies that maintain official records in electronic form exchange data through the service bus of state bodies. These regulations provided the basis for the introduction of such a simple electronic system in Serbia, which requires users to enter only two data elements - the employee's unique identifier and the date when the employee will be hired. All other information required by the competent institutions (the Tax Administration, CROSO (Central Registry of Compulsory Social Insurance), the National Employment Service) is obtained by automatic download, via the service bus, from the original registers.

How is the official exchange of electronic information regulated in Albania? The exchange of data in Albania is governed by the Law on the Right to Information of Public Importance⁶⁴, which regulates the right of access to information contained in public registers, as well as the Law on the Statistical Office⁶⁵, which regulates the manner of collecting, processing and publishing statistical data. According to the mentioned laws, information in Albania can be exchanged electronically between institutions. However, the exchange of data is generally done when one institution sends an official request for information to another, after which the data can be sent either electronically either by CD or in paper.

It is only recently that this procedure has been automated, especially when it comes to institutions relevant to the labor market such as the Tax Administration, the National Social Insurance Service or the National Employment Service. The Tax Administration is primarily responsible for collecting data relevant for the registration and deregistration of employees, and they are also responsible for the electronic distribution of information to all relevant institutions.

II SEASONAL WORK IN NUMBERS

According to the Labor Force Survey in Albania in 2018, there were a total of 1,230,000 employees, of which as many as 37.4% were agricultural workers (an average of 460,000 workers) and 42.9% in the services sector. On the other hand, official data from the registers show that a total of 1,138,000 workers are employed in Albania, of which an average of 459,778 is employed in the agricultural sector⁶⁶.

⁶³ Law on Electronic Government ("Official Gazette of RS", No. 27/2018)

<http://www.pravno-informacioni-sistem.rs/SIGlasnikPortal/eli/rep/sgrs/skupstina/zakon/2018/27/4/reg>

⁶⁴ The Law No. 119/2014 "On the right for information"

⁶⁵ The Law No. 17/2018 "For Official Statistics"

⁶⁶ Report on the Workforce by Sector <http://www.instat.gov.al/en/themes/labour-market-and-education/administrative-data-on-labour-market/#tab2>,
http://databaza.instat.gov.al/pxweb/en/DST/START_TP_AD_ADY/ADY132/table/tableViewLayout2/?rxid=367202b6-c3bf-4394-86d1-b82e22dc75e

Unfortunately, for the duration of the regional analysis, it was concluded that in the analyzed economies, even in the Republic of Albania, there is no reliable data on the number of seasonal workers employed in recent years.

According to the interviewed representatives of state institutions, seasonal work is most prevalent in the agriculture and tourism sector, and particular attention has been paid to finding data in these sectors.

According to the Census of Agriculture⁶⁷ in Albania, there are 32,053 farms that employ labor outside the assisting household members. As many as 90% of households hire a seasonal workforce, while only 10% hire a regular workforce throughout the year.

	Number of agricultural holdings	%
Total number of holdings hiring workers outside their family	32.053	100%
Number of holdings hiring workforce throughout the year	3.630	10%
Number of holdings hiring a seasonal or occasional workforce	29.168	90%

The census also indicates that, workers hired by farm owners, spend more than 2,200,000 working days. If we assume that each worker works for 120 working days (four months) in one year, we can assume that there are a total of 18,500 seasonal workers, of which about 11,500 work seasonally in the farm every year, and the rest of about 7,000 do this occasionally. However, this estimate is based on very scarce data and should be taken into account with some reservations.

	Number of working hours	%	Estimated number of workers
Holdings hiring workers outside their family	2.211.657	100%	18.500
Permanently engaged agricultural workers	1.392.421	63%	11.500
Seasonal and occasional agricultural workers	819.236	37%	7.000

With respect to tourism, during the summer season, tourism is the center of activity in Albania, according to representatives of the institutions interviewed. As stated in the posts on Invest in Albania, during the summer season it is very easy to find seasonal jobs

⁶⁷ Census of Agriculture <http://www.instat.gov.al/en/themes/censuses/agriculture-census/#tab2>

in bars, hotels, camps and resorts, first as waiters, bartenders and cooks, but also as support staff, guides or interpreters⁶⁸.

The only available data on seasonal workers in tourism in Albania come from the “Smile Albania” Project of the Ministry of Tourism and Environment, which states that a total of 720 young people were employed in July and August with a minimum wage of ALL 24,000 (around EUR 200). Yet this number is far too low compared to the high number of employers working in the tourism sector during the 3 months of summer.

The estimation regarding the seasonal worker (as presented above), are calculated only on the agriculture sector, taking in consideration only the collective and registered farms from the Agriculture Sector. Considering that a major part of the agriculture farms are not registered and operating as part of the shadow economy, the number of seasonal employment only in the agriculture sector can be much higher. Also, almost the same number of seasonal workers, could be estimated in the tourism sector as well as in the housekeeping sector (the latter is relatively uncovered in Albania).

When it comes to hiring foreign workers for seasonal jobs, it is regulated by the Law on Foreigners⁶⁹ in Albania. This Law regulates that the Regional Directorates and Local Employment Services, as well as the Tax Administration, are responsible for recording foreigners employed in Albania. Interestingly, the Law on Foreigners recognizes the seasonal work of aliens. Namely, Article 3 of the Law defines a seasonal worker as a foreigner who resides outside the territory of the Republic of Albania, but temporarily resides in the territory of Albania with a previously obtained residence permit by the competent authorities and performs seasonal work on the basis of one or more contracts. In Albania, a total of 12,519 residence permits were issued in 2016, of which about 50% are employment permits. Unfortunately, data on the number of foreigners doing seasonal jobs do not exist.

III PROPOSAL FOR REFORM

3.1. Brief description of the reform of the agricultural sector in Serbia

The shadow economy and informal employment are one of the leading challenges in Serbia, and due to the seasonal nature of jobs, a particular problem of informal employment has arisen in the agricultural sector. In order to reduce the shadow economy in this sector, but also to protect the rights of seasonal workers, NALED, in cooperation with the Ministry of Labor, Employment, Veterans' and Social Affairs, the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance and with the support of German Development Cooperation implemented by GIZ implemented a reform streamlining the engagement of seasonal workers in agriculture.

In this regard, a special Law on Simplified Work Engagement on Seasonal Jobs in Specific Areas⁷⁰ was adopted. The primary objective of the law is to free employers from

⁶⁸ https://invest-in-albania.org/businesses/jobs-in-albania/#Jobs_opportunities_in_Albania_for_foreign_people

⁶⁹ The Law Nr. 108/2013 ‘For Foreigners’ (Amended by Law No. 74/2016, dated 14.7.2016)

⁷⁰ “Official Gazette of the RS”, No. 50/18

unnecessary and extensive administration related to the process of registering and deregistering seasonal workers, which would encourage formal reporting of these workers and increase tax and contribution income on this basis. On the other hand, in addition to earnings, the seasonal workers would also exercise the rights arising from employment - the right to insurance in case of injury at workplace as well as the right to pension insurance. The reform also established a Seasonal Workers Register containing basic information on the workers and their skills, making it easier for the employer to find a quality workforce, given that this is often highlighted as a problem.

The law provided for a fully electronic procedure for the registration and deregistration of seasonal workers. For this purpose, an online platform/application for the registration of seasonal workers in agriculture (www.sezonskiradnici.gov.rsc) was introduced; it became operational in January 2019. The portal is under the jurisdiction of the Tax Administration, but it is directly linked to the Central Registry of Compulsory Social Insurance, which automatically registers workers for pension, accident and unemployment insurance, and the National Employment Service, and thus the Seasonal Workers Register is automatically created.

A comparative overview of the main characteristics of the previous system and the system implemented after the reform is given in *Table 8*.

Table 8: Comparative review of the basic characteristics of the system

	Previous system	Reform
1	Employers can only be legal entities and entrepreneurs, but not private individuals (such as farmers)	Legal entities, entrepreneurs, as well as natural persons or farmers are considered to be employers.
2	Employers and workers sign a contract on seasonal/occasional jobs	Employers and workers conclude an oral agreement that enters into force upon registration through the online portal
3	The registration and deregistration of workers is done electronically through the Central Registry of the Compulsory Social Insurance (CROSSO). On the pay date, the employer submits the tax return through the e-taxes portal for each worker individually.	The registration and deregistration of employees is done electronically in one place through the portal www.sezonskiradnici.gov.rs , and the tax return information is submitted to the employer via the portal .
4	The registration and deregistration procedure of one seasonal worker takes an average of five hours per month.	The registration and deregistration procedure of workers takes less than 10 minutes, regardless of whether the worker is registered for one day or even a month.
5	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 10,200	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 6,000 (RSD 300 per day)
6	Each form of hiring and receiving	Employing seasonal workers in agriculture

	compensation in exchange of work directly suspends social rights and benefits of the employees who are entered into the Registry of the National Employment Service (NES) as unemployed.	does not affect social rights and benefits the workers had acquired before, and they remain registered with the NES Registry.
7	95% of seasonal workers (unregistered seasonal workers) did not have pension and disability insurance, as well as insurance in case of injury at workplace	All workers registered through the portal have the right to pension and disability insurance as well as insurance in case of injury at workplace.
8	The employer can hire one worker for the same jobs for a maximum of 120 days in a calendar year, based on the contract on temporary/occasional employment.	The employer can hire one worker for a maximum of 120 days in a calendar year, including the sum of days of engagement through the portal and contracts on temporary/occasional employment
9	The estimated number of seasonal workers engaged in agriculture ranges from 65,000 to 80,000	
10	In 2017, around 3,500 seasonal workers were registered.	In the first nine months of implementation of the system about 25,000 seasonal workers were registered.

3.2. Reform potential of the system in Albania

For the purpose of a more detailed analysis, five interviews were conducted in Albania with representatives of relevant state institutions: the National Employment Service, the Ministry of Agriculture, the Social Insurance Institute, the Ministry of Economy and Finance and the Ministry of Tourism.

As stated in the interviews, seasonal work in Albania is not defined or recognized as specific, even though, according to all interviewees, it is a relatively common occurrence in the Albanian labor market in various sectors from agriculture, to tourism, construction and even housekeeping.

Despite the lack of specificity and dynamism of seasonal work, many employers, and individuals, often choose not to report seasonal workers. Employers, who, on the other hand, are conscientious, because of the slight differences between seasonal and fixed-term contracts, nevertheless choose a fixed-term contract and suffer a great deal of procedural and financial burden.

The biggest problems encountered in the Albanian system in relation to the seasonal workforce, according to the interviewees, are:

- High tax burden on wages and, consequently, large tax evasion of employers, which is singled out as a problem in the agriculture sector given the lower average wage in this sector;
- The procedures for hiring a seasonal worker are complicated both for the employer and the worker, primarily due to the fact that the procedures are no different from contracting "permanent" workers.

The existence of these problems leads to the emergence of the shadow economy among the engaged seasonal workers. Also, in dynamic sectors, such as agriculture and tourism, which depend heavily on the weather, the rigid system does not even suit those employers who register their workers, pay taxes, and cannot use their services in bad weather.

According to the interviewees, the electronic system implemented in Serbia is very simple and suitable for both employers and workers. They agreed that such a system could be implemented in Albania as well, and that such a system would not only solve the problems of seasonal work, but also generally the problems related to the insufficiently clarified distinction between full-time and part-time, service contracts, temporary and occasional jobs, etc. According to the interviewees, implementing a reform similar to that implemented in Serbia would create a clear and precise database of employees in Albania where workers can be classified into certain types of employment (full-time, part-time, seasonal, etc.) as opposed from the current situation when almost all workers in the market are hired under an employment contract. Precise statistics will allow further refinement of labor market policies.

Although the problem of seasonal workers is the biggest in the agriculture and tourism sectors, in their opinion the system should not be made sector-specific, but the reform should be implemented horizontally for all sectors where there is a seasonal nature of work, primarily including the construction and housekeeping sectors, providing care, call centers, etc. In the opinion of the interviewees, the implementation of the reform will accelerate: the operations of the e-Albania portal, which has already been developed and through which electronic services are provided by public institutions, which can also be used for the registration of seasonal workers; using local governments as service centers to help employers and adequate workers.

3.3. Potential challenges identified in Albania

The system in the Republic of Albania does not recognize temporary and occasional work, only full-time or part-time work. Seasonal work, like any other part-time work, is contracted through part-time contracts. This system is too rigid and does not recognize any particularities in the labor market.

The Government of Albania, is fully committed and engaged in fighting the informality, in various aspects, including employment as such. While various actions are being taken with regards to employment, the introduction of an electronic portal for the registration of seasonal workers is possible in an Albanian system, especially given that Albania already has experience in electronic procedures, as well as the Government of Albania's commitment to digitize as many procedures as possible.

Potential challenges that reform implementers would face when introducing an electronic system, which concern the procedure and proposals for their solution are shown in *Table 9*.

Table 9: List of potential reform challenges with suggested solutions

Potential challenge	Possible solution
1 Lack of official statistics on the number of seasonal workers. It is difficult to separate seasonal workers from other part-time workers.	Conduct in-depth analyzes and interviews with employers/tax offices to estimate the number of seasonal workers. First, select pilot sectors where there is more information on the number of seasonal workers (for example agriculture)
2 The estimated number of seasonal workers in agriculture is 18,500 workers and the question becomes whether the reform would be cost-effective.	Given that Albania already has an e-Albania portal in place for electronic procedures of government institutions it is possible to add portion that concerns seasonal workers. Also, in order to justify the costs of reform besides agriculture, other sectors such as tourism and housekeeping can be included in it.
3 Seasonal work is not defined in the labor law and particularities thereof are not included in employment procedures.	It is necessary to define seasonal labor in the Labor Law and to separate it from standard employment contracts. Adequate and simple procedures need to be defined to accommodate the needs of seasonal work.
4 Registration must be done the day before the employment starts or no later than one hour before the emergency occurs.	A worker must be registered before he/she should start working, but not necessarily one day before.
5 A written contract with a seasonal worker is required.	Introducing the concept of an oral agreement for seasonal workers with an electronic filing that remains on the system.
6 Taxes and contributions are calculated on a monthly gross basis.	Allowing the calculation of taxes and contributions on a daily basis for seasonal workers or the introduction of a fixed amount per day. The liability can be settled on a monthly basis.
7 The employer submits reports to the National Institute of Social Insurance on the number of employees once in three months, even though this government agency receives this information from the Tax Administration.	It is necessary to automate the process of data exchange between the Tax Administration and the National Social Insurance Service in order to improve the quality of reports for state institutions and to relieve the businesses of the excess

		burden.
8	A complicated system of calculating taxes and contributions that requires the help of accountants in the calculation discourages individual farmers to report their seasonal workforce.	Simplify the system of calculation of taxes and contributions for seasonal workers or to introduce a fixed amount per day / week / month engagement that will motivate employers to register their employees with tax authorities
9	The existence of a minimum basis for the calculation of contribution increases the tax burden on the earnings of seasonal workers who can work only for a few days.	Enable the calculation of taxes and contributions on a daily basis for seasonal workers or the introduction of a fixed amount per day.

CONCLUSION

The “Increasing employment opportunities for seasonal workers” Project jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Cooperation implemented by GIZ provided an initial mapping of the current situation in six economies in Southeast Europe, including the Republic of Albania.

The labor market in Albania is governed by the Labor Law, which does not recognize seasonal work as a specific form of labor engagement but views it as a part-time job. With this in mind, seasonal workers are hired using a part-time contract that requires the same administrative procedures and the calculation of taxes and contributions as the standard employment contract. However, the employment contract-based system is very rigid and does not fit the dynamic environment of seasonal employment, and this particularly applies to the agricultural sector, which is highly dependent on daily weather conditions. Due to such procedures, a conscientious employer must allocate 1.5 hours of work for one worker, as well as pay taxes and contributions in the amount of 6,914 RSD (59 euros). High payloads demotivate employers to report their workers, and a particular problem arises with seasonal workers due to their increased fluctuation.

Certainly, the results of the research have shown that there is potential for implementing the reform and streamline hiring of seasonal workers in Albania modeled on the system in Serbia, although the dimensions of the potential effects of introducing the system remain unknown due to the lack of precise data on the current number of seasonal workers.

The research before you is the first step and provides a tentative overview of the current system, possible reforms and potential challenges we might face as we implement the reform. The next step would certainly be a more detailed, preferably sectoral, analysis that would highlight all the particularities that the Albanian labor market has regarding the employment of seasonal workers.

REPORT 6 – MONTENEGRO

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INTRODUCTION

Within the project "Increasing Employment Opportunities for Seasonal Workers" Project, jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Cooperation implemented by GIZ, a research of the current systems of temporary-intermittent jobs of seasonal character was conducted in six countries/entities in Southeast Europe: Albania, Kosovo*, the Federation of Bosnia and Herzegovina, Republika Srpska, Northern Macedonia and Montenegro. The main objective of the research was to analyze whether there is a potential to reform the systems based on the reform implemented in the Republic of Serbia with the aim of simplifying engagement of seasonal workforce in agriculture, which has produced impressive results - as many as 25,000 seasonal agricultural workers legally engaged in the first nine months of 2019, an increase of over 600% compared to the entire 2017.

The document below presents detailed results of the analysis of the state of affairs in the Republic of Montenegro.

The document is divided into three main sections. The first part describes the current regulatory framework governing seasonal employment in Montenegro; The second part presents seasonal work in Montenegro through statistical indicators; In the third part, we look at the problems identified in the current system and give a brief overview of the possibilities to implement a reform modeled on the reform in Serbia and a list of potential challenges.

I REGULATORY FRAMEWORK

1.1. Labor Legislation

The labor market in Montenegro is governed by the Labor Law which does not recognize seasonal work as a specific form of labor engagement but views it as a form of part-time employment relation.

The Law mentions seasonal work only in Article 25, which defines the duration of a fixed-term employment contract in the case of seasonal work, without defining what is the meaning of that. As Article 25 prescribes a fixed-term employment contract, it can be concluded for a maximum of 24 months, after which the contract is transformed into an indefinite employment contract (Article 26). A fixed-term contract may be concluded for a period longer than 24 months only in the case of replacement of temporarily absent workers or seasonal jobs.

Although seasonal work is mentioned only in part of fixed-term employment contracts, the Law also recognizes special types of employment contracts such as temporary and intermittent work contracts. Article 163 of the Law stipulates that an employer may conclude a temporary and intermittent contract with a person registered by the Employment Service of Montenegro for the performance of certain tasks that do not require special knowledge and expertise, which by their nature do not last more than 120 days in a calendar year. In practice, the fixed-term contract and the TI contract are almost

equal. IT contract entails only 2% lower tax rate, which is not a big financial incentive for employers to choose this contract.

1.2. Costs of seasonal employment

As practice has repeatedly shown, simple procedures are the biggest incentive for employers to legally engage their workers, as well as lower tax burden on remuneration, i.e., wages. This is particularly true for hiring seasonal employees to perform temporary or intermittent jobs in the company, which in some cases can only last for a few days.

In order to evaluate the burden that employers have on account of hiring a seasonal workforce, we looked at:

- the time and cost the employer has to bear in the process of workforce registration and deregistration;
- The cost of taxes and contributions that an employer would incur to hire a seasonal worker.

In order to compare the costs incurred by the current system in Montenegro with the costs incurred by the electronic system of registering seasonal agricultural workers in Serbia, we have assumed the following:

- Costs are calculated on a monthly basis for one seasonal worker.
- The worker works for 10 working days in one month.
- The worker earned a total of 10,000 dinars in 10 working days.
- The number of working hours in a working day is in compliance with the regulatory framework.

Employee Registration Procedure

As already mentioned, seasonal workers in Montenegro may be hired by concluding either a temporary employment contracts or temporary and intermittent work contracts. In terms of the procedure an employer must go through, these types of contracts are identical. They differ only slightly in the amount of the tax burden, considering that in case of the TI contract unemployment insurance is not paid, but the duration of the TI contract is also limited to 120 days in a calendar year.

Given that in the analysis we are just looking at jobs that are seasonal in nature and generally do not last more than 120 days in a year, in the further analysis we will present the costs that an employer may incur in concluding the TI contract with a seasonal workforce.

The steps for registering a seasonal worker with an estimate of time and cost are shown in Table 1.

Table 1: Steps required for registering a seasonal worker

Step in the procedure	Additional explanation of the time and money required	Service available on-line (YES/NO)	Time and money allocated by an employer (accountant)	Estimated costs

Step 1: Preparing the contract	Communication with the worker	NO	30 min	263
Step 1: Printing 4 copies of the contract	The contract has 2 pages. Each side costs 2 cents on average. 8 pages are printed.	NO	20 RSD	20
Step 2: Signing the contract	Communication with the worker and signing.	NO	10 min	88
Step 3: Preparation of the documents for the Tax Administration	ID card photocopy Photo copy of the employment booklet JPR form and appendix B are completed	NO	30 min 10 RSD	273
Step 4: Trip to the Tax Administration	Registration with the Tax Administration with necessary documents (IOPPD form) The registration of workers with the Tax Administration is simultaneously the registration of workers with the PD Fund, as well as with the Health Insurance Fund. The health booklet is purchased and carried for certification to the local office of the Health Insurance Fund.	NO	60 min	263
Total				907 RSD

As stipulated by the Law that all contracts with workers, including seasonal workers, must be in writing (Article 22 of the Law), the first step in the procedure is the preparation and printing of contracts. According to the businesses and accountants, the contract is generally printed in 4 copies.

The signed contract is one of the documents that are submitted to the Tax Administration for the purpose of registering workers in the compulsory social security systems. In addition to the contract, a photocopy of the identity card and a photocopy of the employment booklet are also prepared. On the basis of this information, JPR form with appendix B is completed, which is the registration of workers in the compulsory social security systems. On behalf of the worker, this form is completed by the employer and submitted to the Tax Administration. The form contains about 60 data pieces about the employer and the employee, which is to be completed again in case of any change, so for example, if a worker signed a contract for one day each month, the employer would have to submit a JPR form 24 times (once for registration, once for deregistration), or 24 times to copy identical information except the registration date and deregistration date.

The employer then applies for the registration of workers with the compulsory social security by going to the Tax Administration counters. The information is automatically forwarded to the Health Insurance Fund and the PD Fund and, thus, information as to whether the worker is insured or not is automatically available to health care institutions. Therefore, there is no obligation to certify the health care booklet, unless the employee

has purchased the health care booklet for the first time, when it is necessary to go to the local branch of the Health Insurance Fund.

After registering the employee with the Tax Administration, the accountant in charge takes over the communication with the Tax Administration and once a month an electronic IOPPD document - a report on the accounted and paid taxes and benefits.

In total, it is estimated that an employer will need about one and half hours to complete the registration procedure, or about 900 dinars (7.5 euro), if the average monthly salary in Montenegro in 2018 is taken into account.

In order to see the relationship between the costs of employing a seasonal worker in Montenegro and the costs borne by employers in Serbia, Table 2 lists the main features of the system in these countries.

Table 2: Comparative overview of the basic characteristics of the worker registration systems in Serbia and Montenegro

Employer obligations	Serbia	Montenegro
Deadline for registration of a seasonal worker	At the latest on the day of commencement of employment: 1. to 10am for the morning shift 2. from 13 to 15h for the afternoon shift	8 days from the start of work In practice, it is insisted that the application be made within 24 hours of the start of work For the foreigners within 24 hours of the start of work
Number of steps for the employer from finding an employee to registering the employee	1 step	5 steps
How many institutions the employer communicates with to register workers	0, because the registration is made through application software	1 institution
Which institutions the employer communicates with to register workers and pay the taxes and contributions	Application software	Tax Administration (twice)
Total estimated time for administrative activities	10 min	130 minutes
Total direct (monetary) costs for administrative activities related to the registration of workers	RSD 0	30 RSD
Estimation of total costs related to administrative procedures before the registration of an employee in RSD *	60	907

As it can be concluded from the table the system introduced in Serbia in the agricultural sector brings significant savings to employers. First of all, the basic advantage of the system is reflected in the number of "counters" visits an employer must make in order to register a seasonal worker. In Serbia, the counters have been completely abolished and the entire registration of the seasonal worker is done electronically and requires only a few details (citizens' unique identifier and date of engagement). It is also important to note that there is no official behind the application software who handles the data

manually; instead the system automatically transmits the data through the service bus of the state authorities to all the necessary registers, so the system itself enabled the state administration to make savings.

The biggest obstacle, by far, to registration and deregistration of seasonal workers is the fact that the system is not designed to support the dynamic and fast environment in which seasonal workers work. An employer must, even if he/she hires a worker for only a few days, undergo a nearly identical procedure as if he had been hired indefinitely.

Employing foreign workers

Particular attention is paid to the complicated and time-consuming procedures for employing non-residents. As it will be noted in Part II of the analysis, many seasonal workers in Montenegro come from the countries in the region, and it is very important to see how the procedures have been prescribed and how long the procedures for employing foreigners really take.

According to the businesses, procedures for employment of foreigners are quite complex, especially considering the certification of diplomas, waiting for a residence permit (which takes about 15 days on average), applying to a tourist organization, obtaining insurance policies, copying passport pages, obtaining medical certificate, proof of accommodation safety, etc. Fees paid for temporary residence permits are about 150 Euros per worker.

So, the procedure of hiring a seasonal foreign worker takes up to a month, and it happens that by the time the whole procedure is completed, either the worker quits or the company has already found someone who will do the job quickly.

Tax burden

The amount of taxes and contributions paid by employers for hiring a seasonal worker is prescribed by the Law on Compulsory Social Security Contributions, the Law on Pension and Disability Insurance, the Law on Health Insurance and the Law on Personal Income Tax. In accordance with what is prescribed in this law, there are no differences in the amount and manner of calculating taxes and contributions between the standard employment contract and the contract used to hire seasonal workers (TI contract).

The main characteristics of the taxation system in Montenegro are shown in Table 3.

Table 3: Comparative overview of the basic characteristics of the taxation systems in Serbia and Montenegro

Tax burden	Serbia	Montenegro
Is the taxation system for part-time contracts any different from that for standard employment contracts	YES	YES
Tax rate	10%	9%
Pension and Disability Fund contribution rate	26%	20.50%
Healthcare contribution rate	2%	10.80%
Unemployment contribution rate	/	/

The rate for other mandatory contributions	/	Tax payed on the wage tax - for Podgorica it is 15%, for Budva 10%, other municipalities 13% and it is paid to the municipality (extra tax)
Tax base	1/30 the lowest monthly contribution base, or about 900 dinars	70% for gross wage
Base for the calculation of contributions	1/30 the lowest monthly contribution base, or about 900 dinars	70% for gross wage
Is there a minimum basis for calculating contributions	YES	NO
Total tax and contributions for a seasonal worker	38%	40.3% + extra tax
In case the employee works 10 days a month and the total cost is 10.000 dinars, what tax is paid to the state	RSD 3000 (RSD 300x10)	2916 dinars (70% x 10.000 x 0.403 + 0.15*tax)
How much is the gross salary burdened in the above example	30%	29.2%
What is the net salary of an employee	RSD 7000	7085 RSD

As stated in the table, in Montenegro there is an obligation to pay both income tax and contributions for pension and health insurance. The total nominal rate at which the seasonal worker's wage is taxed is 40.3% if the worker is not employed. In case that the seasonal worker is employed person the rate is a bit lower considering that employer's part of the contributions is not calculated in that case. In addition to these taxes and contributions, an extra tax is charged ranging from 10% till 15% of the amount of wage tax depending on the local government where it is charged, bearing in mind that this extra tax is directly payed to local government budget.

The base used for taxation is 70% gross monthly wage. This is significantly different from the employment contract. In the case of employment contract the basis equals to gross monthly earnings and there is a minimum basis for calculating the contribution of 331 Euros. Although it is prescribed that this minimum base should be adjusted to the employee's hours of work, there is still a minimum below which it cannot be reduced. According to Article 46 of the Labor Law, a worker in Montenegro may work part-time, but not less than 1/4 of the full-time, so the base itself can be reduced to not less than 82.75 Euros ($1/4 \times 331$).

Suppose that for hiring one worker for 10 days, the employer wanted to spend a total of 10,000 RSD (gross wage). In Serbia, the employer would pay a total of 3000 RSD for taxes and contributions, while in Montenegro he/she would have to spend around 2.916 RSD. The reduction of the base and the absence of a minimum tax base in the case of temporary contracts are thank for such low amounts. So, in our example, a seasonal worker would be paid around RSD 7,084.

Estimating total costs

Taking into account all the above information, we will summarize all costs incurred by an employer for hiring one seasonal worker through a single spreadsheet.

Table 4: Estimated costs of employing one seasonal worker

Costs	Serbia	Montenegro
Time to complete the procedure	10 minutes	100 minutes
Costs of the procedure	RSD 60	RSD 907
Costs for taxes and contributions	RSD 3000	RSD 2916
Total	RSD 3060	RSD 3823

Although the tax burden on employers in Montenegro is slightly lower than the burden in Serbia, when considering the estimated costs associated with the time it takes to complete the contracting and application process, the total cost to the employer is still slightly higher. In order to hire one worker in Montenegro, the employer has to spend 1.5 hours more per worker, but also about 760 dinars more.⁷¹.

1.3. Supervision of seasonal employment

The Labor Inspectorate of the Ministry of Labor and Social Welfare is responsible for supervising labor, including temporary and seasonal work. The Labor Inspectorate is the part of the Directorate for Inspection Affairs. Competences of labor inspection are defined in Article 32 of the Decree on Organization and Method of Public Administration⁷². In its work, it is responsible for control of all documentation related to the employee (employment contract, registration with the TA, certificate of paid taxes, etc.)

1.4. Ex officio exchange of information

In the regional analysis of the seasonal employment system, particular attention has been paid to the way in which ex officio exchange of electronic information is regulated. What makes this piece of research very important? Namely, Article 9 of the Law on General Administrative Procedure had an important role in streamlining seasonal employment in Serbia. Amongst other things it provides that the government authority is obliged ex officio to inspect data on facts necessary for deciding the official procedure, to collect and process them, and that the government authority may require the party to provide only identifiable information and documents confirming facts which are not confirmed by official records. Further, the Law on Electronic Government provides the basics of electronic commerce of the state administration, which stipulates that the government bodies that maintain official records in electronic form exchange data through the service bus of state bodies. These regulations provided the basis for the introduction of such a simple electronic system in Serbia, which requires users to enter

⁷¹ The case of a worker who works for 10 days in a month and earns gross salary of RSD 10.000.

⁷² Regulation on the Organization and Method of Public Administration ("Official Gazette of Montenegro", No. 087/18, 002/19)

only two data elements - the employee's unique identifier and the date when the employee will be hired. All other information required by the competent institutions (the Tax Administration, CROSO (Central Registry of Compulsory Social Insurance), the National Employment Service) is obtained by automatic download, via the service bus, from the original registers.

How is the official exchange of electronic information regulated in Montenegro? The exchange of data electronically in Montenegro is governed by several laws: the Law on Electronic Administration, the Law on Personal Data Protection, the Law on Data Confidentiality, the Law on Administrative Procedure, as well as the Regulation on the Content and Method of Keeping Data in a Single Information System for Electronic Data Exchange and Rulebook on records of electronic registers and information systems of state bodies and state administration bodies.

Although official electronic data exchange is regulated, state administration bodies are not obliged to exchange all data from electronic registers and information systems, but do so when needed. In practice, the most common problem is the incompatibility of software solutions, insufficiently structured databases that would allow easy data exchange, as well as problematic maintenance and unsustainability of individual systems. According to the respondents, the solution to these problems is expected through the introduction of the Government Service Bus system that will work at the level of the entire state administration.

When it comes to registering workers with the compulsory social security systems, information is forwarded electronically and automatically from the Tax Administration to all compulsory insurance funds.

II SEASONAL WORK IN NUMBERS

According to the Labor Force Survey in Montenegro, in 2018, there were a total of 237,400 workers, of which 73% were in the service sectors, 18.9% in non-agricultural activities (industry and construction), while about 8% were employed in the agricultural sector, forestry and fishing.

According to data from official registers, a total of 190,132 workers were hired in 2018, most of them in the trade and accommodation and food services sectors, as well as in government, health or education.

However, during the regional analysis, it was concluded that in the analyzed economies, in the Republic of Montenegro likewise, there is no reliable data on the number of seasonal workers employed in recent years. The number of seasonal workers can be estimated indirectly based on data from the Employment Service.

Namely, according to the Annual Work Report of the Employment Service of Montenegro for 2018⁷³, in 2018, employers reported 29,366 job vacancies, of which about 22%, or 6,498, were related to seasonal work. As expected, most workers are wanted in the accommodation and catering sector (around 22% of the vacancies advertised).

The Employment Service of Montenegro has actively promoted seasonal employment as a form of employment that has a significant impact on alleviating the unemployment problem, especially during the summer season when a large number of seasonal workers, both domestic and foreign, are employed.

According to the Employment Service data, in 2018 alone, employers reported the need for 2105 seasonal workers, while 9,229 workers were hired from the unemployment register for seasonal work in 2018.

2016-2020 National Human Resources Recruitment and Development Strategy recognized activities where seasonal workers are in short supply, such as tourism, hotel and restaurant management and construction. This is why a large part of seasonal workers are foreign workers - mostly workers from neighboring countries. The Decision on Determining the Annual Number of Temporary Residence and Work Permits for Aliens for 2018 ("Official Gazette of Montenegro", No. 86/2017 and 56/2018), has set the total number of 23,185 work permits for aliens for 2018. According to data from the Ministry of the Interior, the authority in charge of issuing permits for temporary residence and work of foreigners, in 2018, 26,327 permits were issued for work and employment of foreigners (15,132 as per quota and 11,195 off of quota). Out of the total number of issued permits for foreigners, 18.96% were for seasonal employment of foreigners (about 2.869 workers). Most of the foreign seasonal workers have been employed in construction, accommodation and catering, trade and other service activities where a shortage of domestic workers has been identified. Detailed statistics can be found in Table 5.

⁷³ MONSTAT: Labour Force Survey
http://monstat.org/userfiles/file/ars/2018/ARS%20saopstenje_2018_cg.pdf

Table 5: Statistics of Foreign Seasonal Workers Employment⁷⁴

Djelatnost	Ukupna raspoređena kvota na 31.12.2018.				Utroseno na dan 31.12.2018.godine				% utrosenosti kvote			
	Dozvole za zapošljavanje stranaca	Dozvole za sezonsko zapošljavanje stranaca	Pružanje ugovorenih usluga	Ukupno	Dozvole za zapošljavanje stranaca	Dozvole za sezonsko zapošljavanje stranaca	Pružanje ugovorenih usluga	Ukupno	Dozvole za zapošljavanje stranaca	Dozvole za sezonsko zapošljavanje stranaca	Pružanje ugovorenih usluga	Ukupno
A.Poljoprivreda, šumarstvo i ribarstvo	208	478	94	780	168	298	48	514	80.77	62.34	51.06	65.90
B.Rudarstvo	30	0	18	48	29	0	0	29	96.67		0.00	60.42
C.Preradivačka industrija	405	65	25	495	358	23	1	382	88.40	35.38	4.00	77.17
D.Snabdijevanje električnom energijom, gasom, parom i klimatizacijom	149	4	87	240	85	0	19	104	57.05	0.00	21.84	43.33
E.Snabdijevanje vodom; upravljanje otpadnim vodama, kontrolisanje procesa uklanjanja otpada i slične aktivnosti	87	13	4	104	86	0	0	86	98.85	0.00	0.00	82.69
F.Građevinarstvo	5355	221	902	6478	5275	99	365	5739	98.51	44.80	40.47	88.59
G.Trgovina na veliko i trgovina na malo; popravka motornih vozila i motocikala	978	221	41	1240	977	101	4	1082	99.90	45.70	9.76	87.26
H.Saobraćaj i skladištenje	403	113	15	531	362	71	7	440	89.83	62.83	46.67	82.86
I.Usluge smještaja i ishrane	2899	3072	39	6010	1915	1938	4	3857	66.06	63.09	10.26	64.18
J.Informisanje i komunikacije	419	52	50	521	375	31	23	429	89.50	59.62	46.00	82.34
K.Finansijske djelatnosti i djelatnost osiguranja	46	4	0	50	44	0	0	44	95.65	0.00		88.00
L.Poslovanje nekretninama	88	6	1	95	88	1	0	89	100.00	16.67	0.00	93.68
M.Stručne, naučne, inovacione i tehničke djelatnosti	321	27	9	357	274	9	4	287	85.36	33.33	44.44	80.39
N.Administrativne i pomoćne uslužne djelatnosti	135	17	8	160	139	7	0	146	102.96	41.18	0.00	91.25
O.Državna uprava i odbrana; Obavezno socijalno osiguranje	20	0	0	20	0	0	0	0	0.00			0.00
P.Obrazovanje	64	0	9	73	64	0	0	64	100.00		0.00	87.67
Q.Zdravstvena i socijalna zaštita	169	0	0	169	132	0	0	132	78.11			78.11
R.Umjetnost, zabava i rekreacija	255	83	3	341	194	44	1	239	76.08	53.01	33.33	70.09
S.Ostale uslužne djelatnosti	1211	419	23	1653	1207	245	11	1463	99.67	58.47	47.83	88.51
T.Djelatnost domaćinstva kao poslodavac; Djelatnost domaćinstava koja proizvode robu i usluge za sopstvene potrebe	30	4	0	34	3	2	0	5	10.00	50.00		14.71
U.Djelatnost eksteritorijalnih organizacija i tijela	4	0	0	4	1	0	0	1	25.00			25.00
UKUPNO	13276	4799	1328	19403	11776	2869	487	15132	88.70	59.78	36.67	77.99
Neraspoređena kvota				3782	Dozvole van kvote				11195			
Ukupno kvota				23185	Ukupno				26327			

During the research, seven employers from the construction, hotel and agriculture sectors were interviewed to discuss the types of jobs they hire seasonal workers for, their structure and periods of employment. Please note that the research is not representative and the results should be taken with a grain of salt.

According to the employers in the agricultural sector, seasonal workers are mainly employed for the activities of: securing plantations, all activities related to vinegrowing and fruit production (tying, cutting, picking, etc.). On average, workers are employed for 3 to 5 months. Day-to-day employment is mainly practiced by small producers and individual farms, while larger companies generally hire workers for several months. Also, as the respondents stated, on average, the ratio of foreign to domestic seasonal workers is 60:40.

⁷⁴ 2018 Work Report of the Employment. <http://www.zzzcg.me/wp-content/uploads/2019/02/Izvestaj-o-radu-ZZZCG-za-2018.pdf>

In the construction sector, workers are employed on average for 3 months. According to the employers, most of the workers come from neighboring countries. On average, 80% of workers are non-residents.

The tourism sector, especially in the summer season, employs chefs, waiters, bartenders, maids. On average, contracts for seasonal workers last up to 5 months, while about 70% of workers are non-residents.

III PROPOSAL FOR REFORM

3.1. Brief description of the reform of the agricultural sector in Serbia

The shadow economy and informal employment are one of the leading challenges in Serbia, and due to the seasonal nature of jobs, a particular problem of informal employment has arisen in the agricultural sector. In order to reduce the shadow economy in this sector, but also to protect the rights of seasonal workers, NALED, in cooperation with the Ministry of Labor, Employment, Veterans' and Social Affairs, the Ministry of Agriculture, Forestry and Water Management and the Ministry of Finance and with the support of German Development Cooperation implemented by GIZ implemented a reform streamlining the engagement of seasonal workers in agriculture.

In this regard, a special Law on Simplified Work Engagement on Seasonal Jobs in Specific Areas⁷⁵ was adopted. The primary objective of the law is to free employers from unnecessary and extensive administration related to the process of registering and deregistering seasonal workers, which would encourage formal reporting of these workers and increase tax and contribution income on this basis. On the other hand, in addition to earnings, the seasonal workers would also exercise the rights arising from employment - the right to insurance in case of injury at workplace as well as the right to pension insurance. The reform also established a Seasonal Workers Register containing basic information on the workers and their skills, making it easier for the employer to find a quality workforce, given that this is often highlighted as a problem.

The law provided for a fully electronic procedure for the registration and deregistration of seasonal workers. For this purpose, an online platform/application for the registration of seasonal workers in agriculture (www.sezonskiradnici.gov.rscreated) was introduced; it became operational in January 2019. The portal is under the jurisdiction of the Tax Administration, but it is directly linked to the Central Registry of Compulsory Social Insurance, which automatically registers workers for pension, accident and unemployment insurance, and the National Employment Service, and thus the Seasonal Workers Register is automatically created.

A comparative overview of the main characteristics of the previous system and the system implemented after the reform is given in *Table 6*.

Table 6: Comparative review of the basic characteristics of the system

⁷⁵ "Official Gazette of the RS", No. 50/18

	Previous system	Reform
1	Employers can only be legal entities and entrepreneurs, but not private individuals (such as farmers)	Legal entities, entrepreneurs, as well as natural persons or farmers are considered to be employers.
2	Employers and workers sign a contract on seasonal/occasional jobs	Employers and workers conclude an oral agreement that enters into force upon registration through the online portal
3	The registration and deregistration of workers is done electronically through the Central Registry of the Compulsory Social Insurance (CROSSO). On the pay date, the employer submits the tax return through the e-taxes portal for each worker individually.	The registration and deregistration of employees is done electronically in one place through the portal www.sezonskiradnici.gov.rs , and the tax return information is submitted to the employer via the portal.
4	The registration and deregistration procedure of one seasonal worker takes an average of five hours per month.	The registration and deregistration procedure of workers takes less than 10 minutes, regardless of whether the worker is registered for one day or even a month.
5	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 10,200	Monthly expenses of employers for taxes and contributions per seasonal worker are on average RSD 6,000 (RSD 300 per day)
6	Each form of hiring and receiving compensation in exchange of work directly suspends social rights and benefits of the employees who are entered into the Registry of the National Employment Service (NES) as unemployed.	Employing seasonal workers in agriculture does not affect social rights and benefits the workers had acquired before, and they remain registered with the NES Registry.
7	95% of seasonal workers (unregistered seasonal workers) did not have pension and disability insurance, as well as insurance in case of injury at workplace	All workers registered through the portal have the right to pension and disability insurance as well as insurance in case of injury at workplace.
8	The employer can hire one worker for the same jobs for a maximum of 120 days in a calendar year, based on the contract on temporary/occasional employment.	The employer can hire one worker for a maximum of 120 days in a calendar year, including the sum of days of engagement through the portal and contracts on temporary/occasional employment
9	The estimated number of seasonal workers engaged in agriculture ranges from 65,000 to 80,000	
	In 2017, around 3,500 seasonal workers were registered.	In the first nine months of implementation of the system about 25,000 seasonal workers were registered.

3.2. Reform potential of the system in Montenegro

In Montenegro, seven interviews were organized with representatives of the Tax Administration, the Ministry of Finance, the Health Care Fund, the Labor Inspectorate and the Ministry of Tourism, as well as seven interviews with representatives of construction companies, accounting agencies, hotels and plantations.

As stated in the interviews - although in Montenegro there is a continuous streamlining of procedures - they are still a considerable burden for employers, both in terms of administrative steps and requirements, and in terms of tax burden. Due to the lack of understanding for specific and dynamic nature of seasonal work, many employers, and individuals, often choose not to register seasonal workers. Employers who, on the other hand, are conscientious, have the option of using the TI contract or fixed-term contract and suffer a great deal of procedural and financial burden.

According to the respondents, the biggest problems that occur in the Montenegrin system regarding the seasonal workforce are:

- Excessive financial burden given that the taxation system is not adapted to flexible forms of employment
- Complicated administrative procedures, especially procedures for hiring foreigners who are the majority of the seasonal workforce

The problem of hiring seasonal workers within the framework of shadow economy is also recognized by the responsible institutions, and they agree that it is necessary to reform the system. According to our interlocutors, the electronic system implemented in Serbia is very simple and suitable for both employers and workers. They agreed that such a system could be implemented in Montenegro as well. However, they also identified a couple of problems: 1) The first problem is related to limitations in administrative capacity. Although they believe that the reform should be implemented horizontally, in all sectors, given that the problem of hiring a seasonal workforce is not currently a priority, they question whether comprehensive reform will be undertaken at this time. As a solution, they propose introducing reform gradually, first in areas where the greatest impact will be achieved, such as tourism and hospitality, and then gradually extend the reform to other sectors. 2) Another potential problem may arise in case of proposing a reduction in tax rates for this type of work given the country's indebtedness. They also point out the fact that in Montenegro, a large number of seasonal workers are foreigners, who are mostly employed legally, and in case of tax cuts, the budget may suffer a loss in revenue.

3.3. Potential challenges identified in Montenegro

Although the hiring procedures in the Republic of Montenegro are similar by current characteristics to the system that the Republic of Serbia had before reforming the system of registering seasonal workers in agriculture, i.e. to the system currently in place for registering seasonal workers in all other sectors, Montenegro has quite different circumstances of hiring seasonal workers. To begin with, a large portion of seasonal workers in Montenegro are foreign workers. Also, most workers work in tourism, a sector that is highly profitable as opposed to agriculture, but also covers many different "subsectors" from waiters to hotel managers whose wages vary significantly.

The introduction of an electronic portal for registration of seasonal workers is possible in a Montenegrin system, especially considering that the Government of Montenegro has highlighted the simplification and digitization of procedures, i.e. strengthening of eGovernment. First of all, it is necessary to conduct detailed sectoral analyses, and adjust the electronic system to the needs of the Montenegrin labor market.

Potential challenges that reform implementers would face when introducing an electronic system, which concern the procedure and proposals for their solution are shown in Table 7.

Table 7: List of potential reform challenges with suggested solutions

	Potential challenge	Possible solution
1	Although highly represented in the labor market, seasonal work is not defined in the labor law and its specificities are not recognized when designing employment procedures	Seasonal work needs to be defined in the Labor Law. Specific simplified procedures need to be defined to accommodate the needs of seasonal work.
2	Lack of official statistics on the number of seasonal workers. It is difficult to separate seasonal workers from other part-time workers.	Conduct in-depth analyzes and interviews with employers to estimate the number of seasonal workers. First, select pilot sectors where there is more information on the number of seasonal workers.
3	About 10,000 seasonal workers are legally employed annually. According to some reports, Montenegro needs about 20,000 seasonal workers.	Although this is small absolute number of workers, in relative terms it represents 8% of total employment in Montenegro. Multiple sectors need to be covered by reform to justify the costs.
4	Employer concludes with a seasonal worker fixed-term employment contract or TI contract in writing, which is too rigid system for dynamically seasonal activities	Introduce a verbal contract institute for hiring seasonal workers with the obligation to electronically register workers which remain recorded in the system and available to inspectors as an information
5	The employer may register the worker within 8 days for domestic and 24h for foreign workers from the date of entry into employment.	It is necessary to lay down an obligation for a worker to be registered before taking up work to avoid system abuse
6	Large share of the seasonal workforce are foreigners (up to 80%). The procedure for hiring a foreigner takes about a month, which motivates employers to hire workers within the framework of shadow economy.	Particular attention should be paid to the recruitment procedures for non-resident seasonal workers. The Ministry of Interior should also be involved in the reform.
7	In the case of using the employment contract, the minimum basis for calculating the contribution is 331 Euros in case of full-time employment. It can be adjusted in the case of part-time work but only to ¼ full-time. This discourages legal employment in case it lasts for several days.	It is necessary to enable the calculation of taxes and contributions for work on a daily basis, or to introduce a fixed amount of liabilities per day. Consider the possibility of different levels of fixed amounts due to large differences in wages of seasonal workers.
8	The employer reports on a monthly basis the tax that was calculated and paid through the IOPPD form instead of doing this automatically	Provide electronic registration of workers to calculate taxes automatically without putting additional burden on the employer.

CONCLUSION

The “Increasing employment opportunities for seasonal workers” Project jointly implemented by the National Alliance for Local Economic Development (NALED) and the German Development Cooperation implemented by GIZ provided an initial mapping of the current situation in six countries/entities in Southeast Europe, including the Republic of Montenegro.

Montenegro's economy has a seasonal character. According to some estimates, around 20,000 seasonal workers are hired during the summer season in Montenegro. Large share of these workers are foreigners who come from neighboring countries. Nevertheless, the Law on Labor in Montenegro does not define seasonal work and seasonal workers, and therefore does not recognize the specifics that this type of employment entails. Employers are left to use traditional forms of employment for seasonal workers, although they are not flexible enough to keep up with the dynamics of the season.

Certainly, the results of the research have shown that there is potential for implementing the reform and streamline hiring of seasonal workers in Montenegro modeled on the system in Serbia, although the dimensions of the potential effects of introducing the system remain unknown due to the lack of precise data on the current number of seasonal workers. Particular attention should be paid to the specificities of the Montenegrin market in relation to the participation of foreigners - seasonal workers in the labor market, as well as the fact that the tourist season lasts 4-5 months and that seasonal workers are mainly employed for this period, not on daily basis as in the Serbian system.

The research before you is the first step and provides a tentative overview of the current system, possible reforms and potential challenges we might face as we implement the reform. The next step would certainly be a more detailed, preferably sectoral, analysis that would highlight all the particularities that the Montenegrin labor market has regarding the employment of seasonal workers.