

Who is affected by the increase of the minimum wage in 2026?



Executive Summary

On October 31, 2025, the Acting Government of Kosovo issued a decision to increase the minimum wage in 2026, initially from €350 to €425 gross (+21%) in the first half of the year, and subsequently to approximately €500 gross (+43%) in the second half of the year. Based on an approximate calculation using data from March 2025, more than 131 thousand full-time workers will be affected by this increase. In addition, part-time workers will also be affected. The average age of workers affected by the increase in the gross minimum wage is 37 years. The sectors expected to be most affected by this decision include the food and beverage industry, retail trade such as shops and shopping centers, construction, as well as personal services such as beauty salons and similar services. In total, the additional wage cost in 2026 resulting from this decision, which will have to be borne by businesses, is estimated to exceed €85 million. In the overall wage bill of our economy, this represents an increase of approximately 2%.

Introduction

From 2011 to 2023, the gross minimum wage in Kosovo remained unchanged for a 12-year period. During this time, workers under the age of 35 received €130 as the gross minimum wage, while those over 35 received €170. This age-based distinction was completely eliminated in 2023, when the minimum wage was unified at €264 gross for all workers. Since 2023, the minimum wage has recorded a continuous increase. In 2024, it was raised to €350 gross. Furthermore, according to Decision No. 10/273 of the Government of Kosovo (dated 31 October 2025), two phases of minimum wage increases are foreseen for 2026: during the period from January to June, the minimum wage will be €425 gross, while from July onwards it will reach €500 gross.

Figure 1. Minimum wage in Kosovo



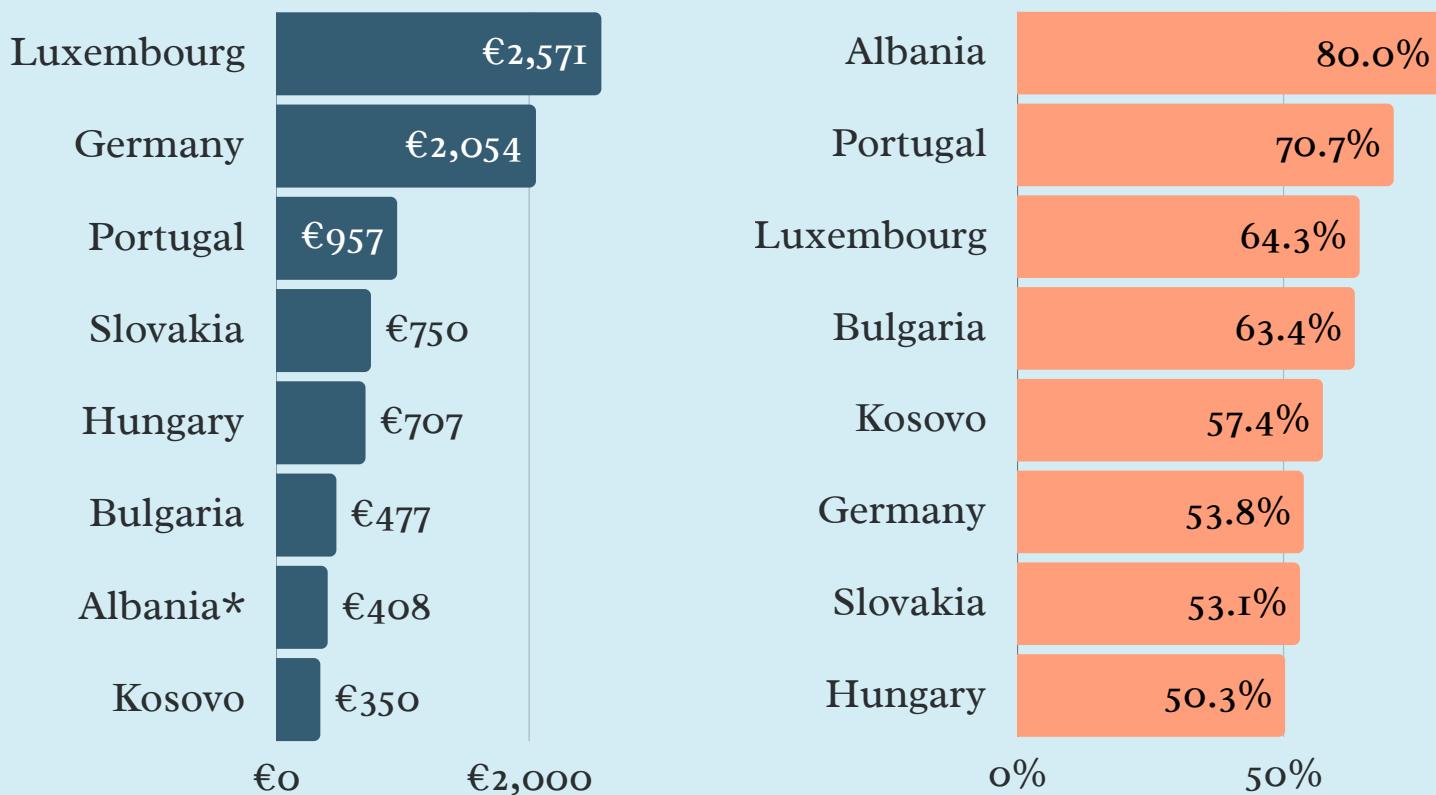
Minimum wages in other countries

Currently, Kosovo has the lowest gross minimum wage in the region, at only €350 per month. Compared to European countries, the difference is even more significant: Luxembourg (€2,571) offers a gross minimum wage more than 7 times higher than Kosovo, Germany (€2,054) nearly 6 times higher, Portugal (€957) almost 3 times higher, Slovakia (€750) more than twice as high, and Hungary (€707) about twice as high.

According to data from the Kosovo Tax Administration (KTA), the average gross wage in the country is €763, while the median wage is €609. The most common wage (mode) is €350, which coincides with the current gross minimum wage in the country.

In Kosovo, the gross minimum wage (€350) represents 57.4% of the median gross wage (€609). This indicates that the minimum wage is significantly lower than the typical wage in the economy. Compared to other countries, this ratio is lower than in Albania (80%), Portugal (70.7%), Luxembourg (64.3%), and Bulgaria (63.4%), but higher than in Germany (53.8%), Slovakia (53.1%), and Hungary (50.3%).

Figure 2. Gross Minimum Wages in Europe and the Ratio of Gross Minimum Wage to Median Wage, 2024



Recently, the Government of Albania announced that, as of 1 January 2026, the gross minimum wage will be increased to €500.

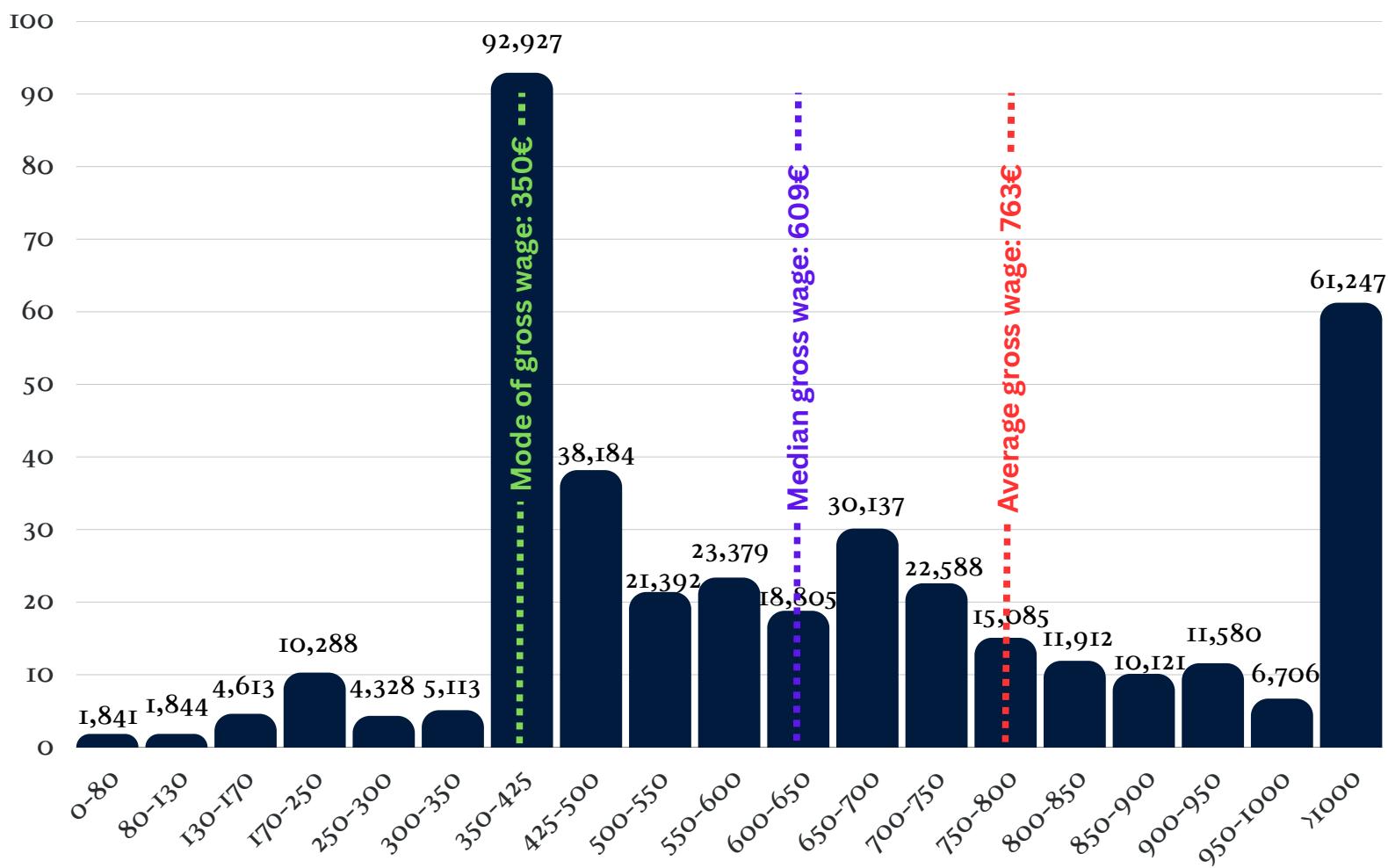
Source: Eurostat

Who is affected by the minimum wage increase?

According to data from KTA for March ¹ 2025, approximately 93 thousand workers will be affected by the Government of Kosovo's decision to increase the minimum wage to €425 gross starting January 2026. This figure represents 25% of all individuals registered by the KTA as full-time employed, or one-quarter of the workforce.

The second phase, which involves raising the minimum wage to €500 gross from July 2026, will impact an even larger number of workers. When including workers who will receive wages between €425 and €500 from January onwards, more than one-third of all full-time employees in Kosovo will directly benefit from this measure, specifically 131 thousand workers, accounting for 36% of the total full-time workforce.

Figure 3. Distribution of gross wages in Kosovo, March 2025



*The calculation of the average and median gross wages is based only on workers earning at least the current minimum monthly wage (€350 gross).

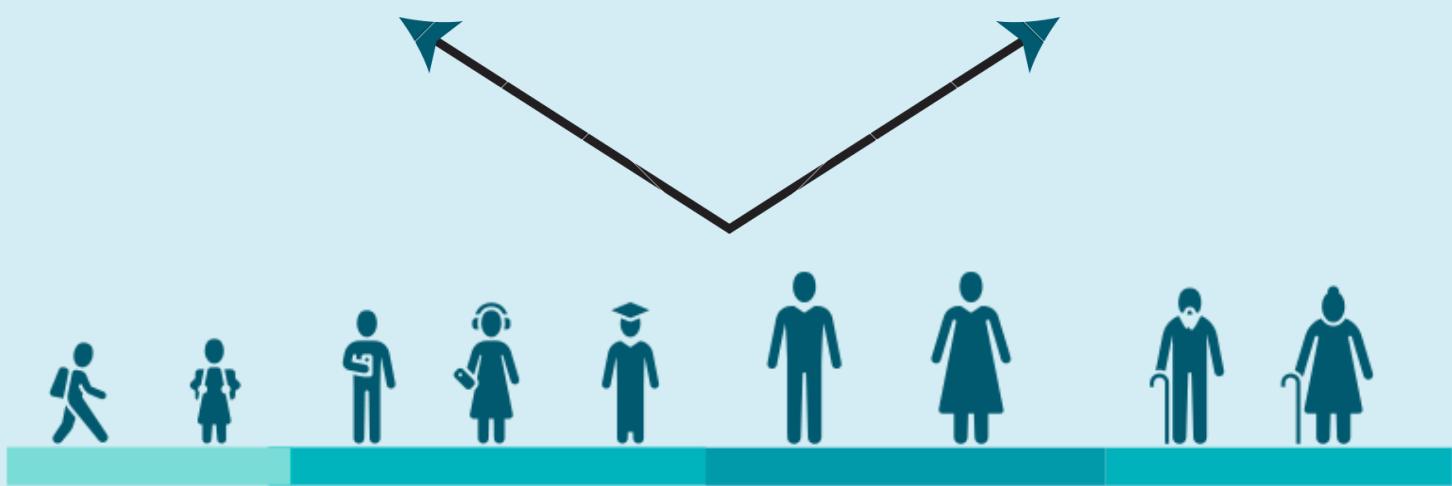
Source: Kosovo Tax Administration (KTA)

¹ March was chosen to calculate employee wages because it is considered a non-seasonal month and provides a more accurate representation of regular income.

The average age of workers affected by the gross minimum wage increase is 37 in both phases. This indicates that the main beneficiaries are middle-aged employees who, despite their experience in the labor market, still earn wages at the minimum level.

Phase I – Increase of Minimum Wage to €425
(January–June 2026) – 37.4 years

Phase II – Increase of Minimum Wage to €500
(from July 2026) – 37.1 years



In terms of gender, the Government's decision to gradually increase the gross minimum wage during 2026 will primarily affect men, as they have a higher labor market participation rate (60% compared to 40% for women). Men account for 59% of beneficiaries in the first phase and 56% in the second phase, while women represent 41% and 44% of the workers who will benefit from this decision.



41% **59%**

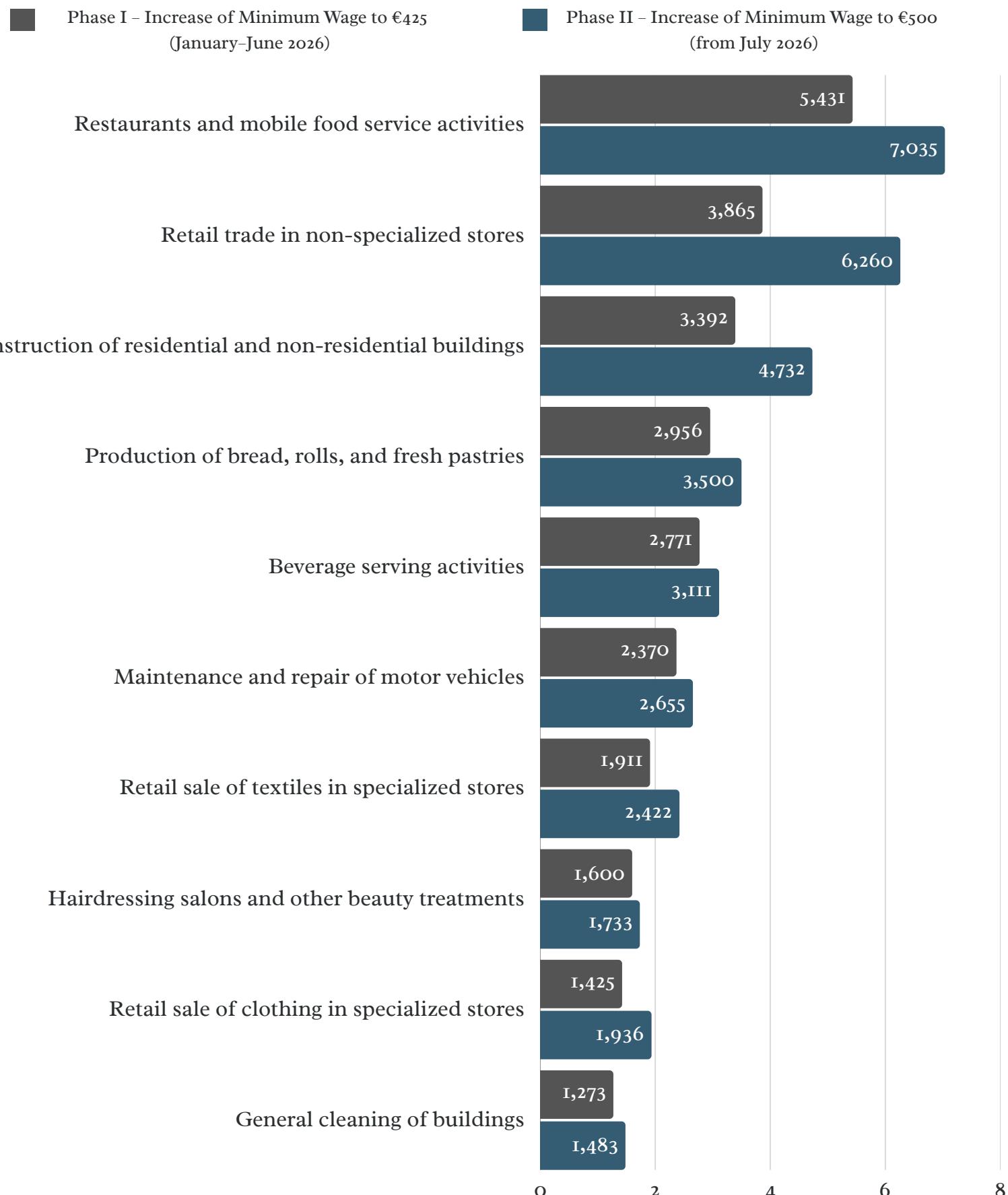
Phase I – Increase of Gross Minimum Wage to €425 (January–June 2026)



Phase II – Increase of Gross Minimum Wage to €500 (from July 2026)



Figure 4. Most affected sectors by the increase in gross minimum wage, by number of full-time employees

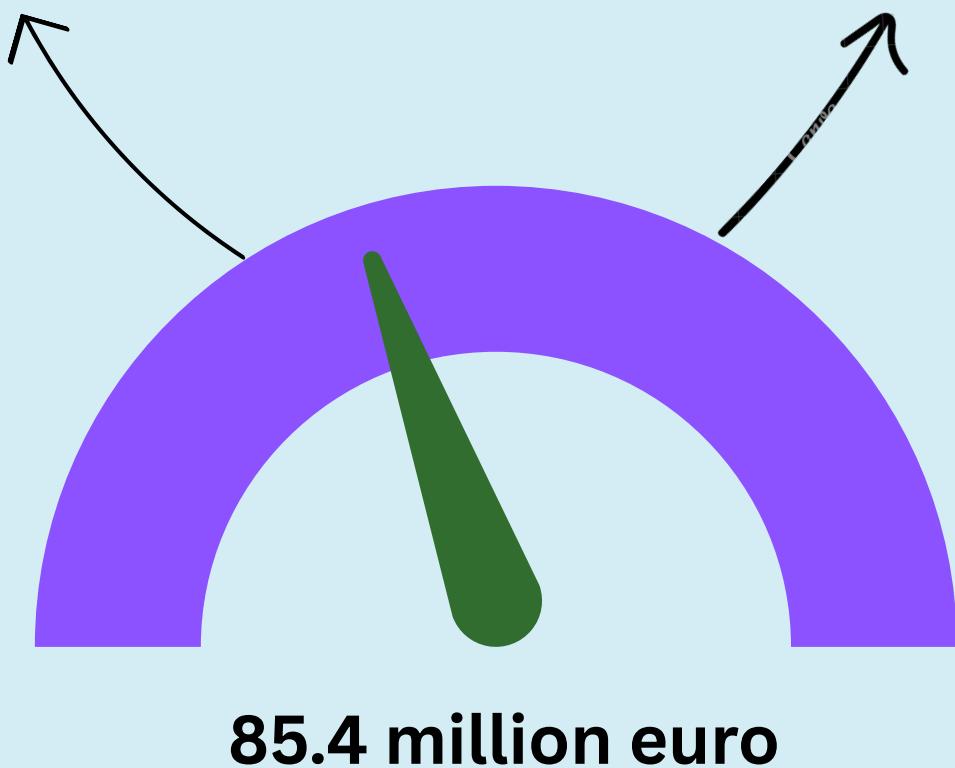


What is the cost of businesses from the new minimum wage?

If we consider only full-time workers who are currently paid with the minimum wage of €350 gross, the automatic increase of their wages in 2026 will cost approximately €85.4 million, assuming the number of employees remains the same. In the first half of the year, when the minimum wage rises to €425, businesses will incur an additional cost of around €34 million. From July onwards, with the minimum wage increasing to €500, the additional cost for businesses will reach approximately €51.4 million. Expressed as a percentage of the total wage bill in the economy, this represents an increase of approximately 2%.

Cost of increasing the gross
minimum wage to €425
during Phase I
(January–June 2026)
34 million euro

Cost of increasing the gross
minimum wage to €500
during Phase II
(from July 2026)
51.4 million euro



Impact of the minimum wage increase on employment

This report also analyzes the effects of the last two minimum wage increases in Kosovo on employment: the increase to €264 in September 2023 and the subsequent increase to €350 in October 2024. In the absence of surveys with updated individual-level measurements, we used monthly administrative data from the KTA by municipality and sector, along with an appropriate empirical model to measure the effect of such policies, the Difference-in-Differences (DiD)² approach. We compared changes in employment and wages in sectors most exposed to the minimum wage with those less exposed, before and after each reform.

The results do not provide statistical evidence of negative employment effects in the treated (most affected) sectors following the increase of the minimum wage to €264. With regard to the increase of the minimum wage to €350, although the model indicates a more pronounced negative effect on both overall employment and youth employment, from a statistical standpoint the results still do not provide sufficient evidence to reject the hypothesis that the wage increase had no effect on reducing youth employment, given that the variable measuring this impact is not statistically significant.

The findings are consistent with the international literature, which suggests that moderate increases in the minimum wage do not necessarily lead to job losses, but may increase barriers for young and low-skilled workers to enter the labor market, as employers become more selective.³ In Kosovo, however, factors such as emigration which has created labor shortages for businesses may neutralize such effects.

² DiD: $y_{kst} = \alpha + \beta (Post_t \times Treated_s) + \gamma_k + \delta_s + \mu_t + \varepsilon_{kst}$

Where y_{kst} represents the dependent variable (employment, ln(employment), average wage, ln(average wage)) in municipality k , sector s , and month t . $Post_t$ is an indicator that takes the value of 1 after the reform comes into effect, while $Treated_s$ identifies the sectors most exposed to the minimum wage. The coefficient β captures the differential effect of the reform on the treated sectors compared to the control sectors. All specifications include fixed effects for municipality, sector, month, and year, controlling for time-invariant heterogeneity and common temporal trends. Standard errors are clustered at the sector level.

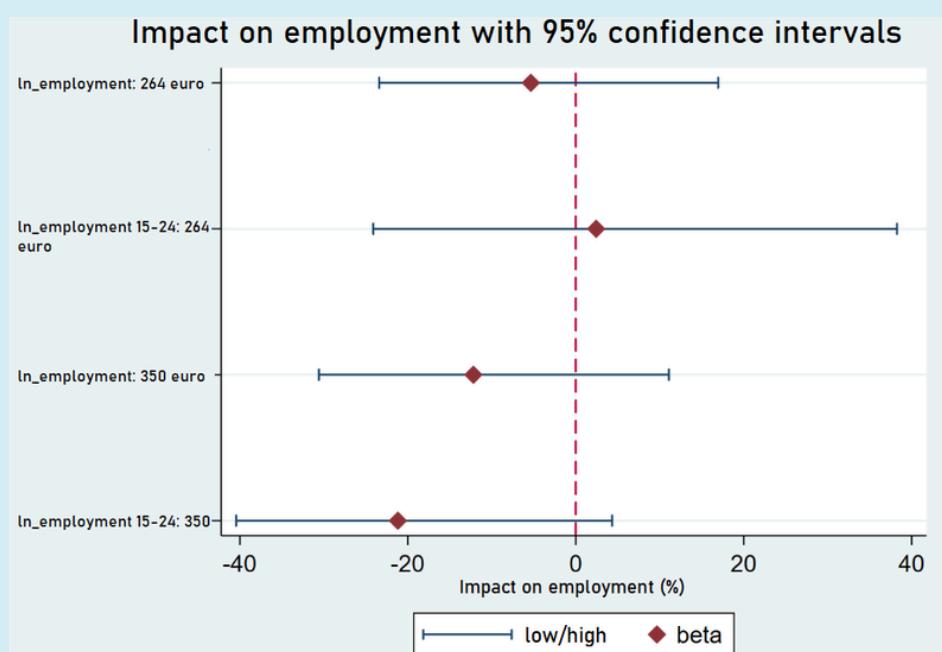
³ See the study by Card and Krueger (1994) on the minimum wage, etc

Table 1. Impact of the minimum wage increase on employment

	Increase of the minimum wage to €264		Increase of the minimum wage to €350	
	Dependent variable in logarithmic form		Dependent variable in logarithmic form	
	ln_employment	ln_employment 15-24	ln_employment	ln_employment 15-24
1.post2023#1.treated	-0.055	0.024	1.post2024#1.treated -0.13	-0.238
Standard deviations	0.108	0.153	0.12	0.143

Significant variables: * p<0.10, ** p<0.05

Thus, as shown in the table and figure, the presented estimates are associated with considerable statistical uncertainty, reflected in wide confidence intervals. However, considering that the impact of the minimum wage increase on the total wage bill in the country is expected to be around 2%, and based on findings from various studies showing that a 1% increase in the minimum wage is, on average, associated with only a 0.13% to 0.15%⁴ decrease in employment (own wage elasticity), we can conclude that the negative impact of the minimum wage increase on employment is likely around 0.3%, or approximately 1,200 individuals, which does not represent a significant figure.



⁴ See the study by [Dupe dhe Zipperer](#) on the minimum wage

Conclusion and recommendations

- The minimum wage, as an instrument of public policy, protects workers in sectors where wages are extremely low or even lower than the level of their productivity, and where employees, for various reasons, lack sufficient bargaining power.
- Similarly, in light of the significant increase in consumer prices in Kosovo in recent years, wages in sectors that remain at the level of the previous minimum wage are no longer able to preserve purchasing power. However, while an increase in the minimum wage aims to improve workers' living conditions, it also brings with it several important challenges that must be taken into consideration.
- The entire financial burden resulting from the increase in the minimum wage will be borne by the private sector, which may negatively affect the economic sustainability of small and medium-sized enterprises.
- The level of informality may increase if the implementation of the new minimum wage is not accompanied by adequate monitoring by relevant institutions, such as the Labour Inspectorate and the Tax Administration of Kosovo.
- A high minimum wage may increase employment barriers for young people and individuals with fewer skills.

Considering these facts, GAP Institute recommends that decisions on further increases to the minimum wage be accompanied by in-depth analyses of their economic impact, based on updated individual-level survey data. This would allow a more accurate assessment of the effects on employment, as well as the identification of potential changes in the quality of working conditions, increases in the number of part-time contracts, and a more precise measurement of the impact of minimum wage increases on prices, among other factors. In addition, broad consultations should be conducted with stakeholders, particularly businesses in sectors that employ a large number of minimum wage workers.

GAP Institute is a Think Tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this Institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

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GAP Institute is supported by:



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