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WORKFORCE DEVELOPMENT

REGIONAL OVERVIEW:
KOSOVO

REGIONAL COMPETITIVENESS INITIATIVE

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EXECUTIVE SUMMARY

One of the definitions of a Workforce Development (WfD) is “activities undertaken by industry, government, and/or donor organizations for the purpose of improving productivity and employability of workers in growth-oriented industries.” USAID’s Regional Competitiveness Initiative (RCI) Project initiated a snap-shot overview of the relationship between Workforce Development and Competitiveness, with a particular focus on Southeast Europe – Kosovo, Macedonia, Serbia, Albania, Montenegro and Bosnia and Herzegovina. It has been noted that the most recent competitiveness initiatives undertaken by missions in the E&E region have, for the first time, incorporated explicit Workforce Development elements into the overall competitiveness project design.

More precisely, this snap-shot overview of the Kosovo Workforce Development aims to:

- Identify the most significant activities currently underway in each country
- Identify key personnel associated with each activity
- Quantify, to the extent possible within the short scope of this assignment, is there a workforce gap as described above, and provide some quantification or estimation of the extent of that gap.
- Identify any planned activities in Workforce Development that are likely to be launched within the next 12 to 18 months, and the associated personnel
- Identify key industry sectors for which Workforce Development might be important, but not now currently being undertaken

After meeting relevant government, business and donor organizations and representatives, we have identified several challenges for the future Workforce Development activities in Kosovo:

1. Lack of state budget and capacity for initiating or continuing activities and Active Labor Market Measures (ALMMs) initiated by USAID;
2. Lack of vocational, educational and private infrastructure and capacity for interventions (with exception to the existing VET Centers)
3. Significant grey economy
4. Lack of practical and soft skills within the existing unemployed and future workers (current students)
5. Weak job absorption capacity (“An estimated 20,000 to 30,000 new entrants – school leavers and other youth turning 18 – had to compete for jobs in an economy that is only adding 2000 – 3,000 new jobs per year”)¹.
6. Modest economic growth is now estimated at between 5 – 6.5 percent, supported in part by foreign assistance and on-going workers’ remittances (estimated at around 12 percent of GDP).

On the other hand, there are several opportunities that can support Workforce Development interventions for Kosovo such as strong political mindset and willingness for changes and

¹ WORKFORCE DEVELOPMENT AND COMPETITIVENESS IN KOSOVO, (A BACKGROUND AND BRIEFING PAPER for USAID Kosovo), Erik Butler, March, 2008

improvements and entrepreneurship spirit and drive among most Kosovars to find ways to generate livelihood and openness.

The results of the Sector Skills Needs Survey in Kosovo conducted by the KOSVET III Project in 2007 show that the business trends and activities in the country are positive, with 63 percent of the companies growing in the last year and 88 percent of them expecting the growth to continue in the next year.

The survey has shown that despite the high unemployment in Kosovo, employers experience difficulties in hiring certain types of occupations, like for example: accountants, export managers, market research experts, qualified salespersons, merchandisers, computer repair technicians, construction engineers, drivers, workers for sowing, etc.

Based on the received data, the most significant growth in new jobs was expected in the manufacturing, wholesale and trade, agriculture, hotel and restaurant services.

Main recommendations are structured in four main areas:

1. Capacity building/ALMMs (addressing strengthening the capacity of the state institutions to plan, design and implement ALMMs and analyses).
2. Formal education (addressing existing and future students and future workers)
3. Non-Formal Education (addressing existing unemployed and future workers)
4. Business growth support (addressing creating new jobs that are result of a business growth)

Key recommendation is that USAID Kosovo should undertake a comprehensive Workforce Development Analyses in order more specifically to identify activities and active labor market measures (ALMMs) that could address the obvious labor market mismatch between the supply (high birth rate) and demand (weak and informal private sectors). Other recommendations include:

Capacity building and ALMMs

1. Strengthen the Skills Needs Analysis
2. Conduct sector specific WfD studies (IT, wood-processing, construction, home repairs, food processing, etc.)
3. Develop long-term workforce forecasting, having in mind the EU Trends
4. Formalize grey economy with stimulations such as grants and loans for registering the business
5. Start a business/self-employment/family businesses with grants and loans
6. Initiate paid internships that could lead to employment
7. Implement wage/benefits subsidies for hiring new staff
8. Initiate Public Works such as conservation, environment protection, energy efficiency, etc.
9. Amend the Education Law to include mandatory student internship and summer work.

Formal education

1. Invite Visiting professors for one semester

2. Initiate Career Centers that will facilitate the communication between the private sector and the education institutions and will help students to prepare for the job search
3. Create University and Vocational School Business Advisory Groups
4. Introduce internships for vocational school teachers
5. Initiate real and virtual businesses in the vocational schools

Non-Formal Education

1. Work with local re-training and re-tooling providers/centers (such as VET Centers and Don Bosco) to design and implement courses based on the demand - Regional Retraining Centers
2. Initiate Regional Soft-skills Academies
3. Improve managerial skills of the young entrepreneurs and the next generation of owners

Business growth support

1. Initiate Equity investments (non-existent in Kosovo)
2. Create Business Incubators
3. Initiate a Business Angel Network
4. Initiate Demand Driven Quick-fix model
5. Attract regional, EU and global FDI

I. SOCIO-ECONOMIC AND LABOR BACKGROUND

During the 1990s, Kosovo's economy experienced a significant economic decline, firstly due to massive decline of investment and neglect, and secondly due to the disruption and destruction of infrastructure and productive capacity caused by the 1999 conflict. After an initial post-conflict acceleration in 2000, economic growth has weakened in line with declining donor resources. In the past two decades Kosovo has been facing many of the same structural issues as other poor, rural, transition economies in an environment of poor economic policies, weak access to external trade and finance and declining donor funding, causing the population to fall quite far behind the rest of former Yugoslavia in every measure of economic and social development.

Since the end of the conflict in June 1999, Kosovo's reconstruction has progressed, due to local efforts as well as generous donor support of around €2 billion (\$2.8 billion).

Still, the country is facing major challenges still particularly in the economic and social spheres.

After an initial post-conflict acceleration in 2000, economic growth has weakened (from 21.2 percent in 2000 to 4.2 percent in 2006) in line with declining donor resources². Economic growth is now estimated at between 5 – 6.5 percent, supported in part by foreign assistance and on-going workers' remittances (estimated at around 12 percent of GDP). Inflation has picked up, on the back of rising international food and fuel prices – reaching around 14 percent year on year in July 2008.

² World Bank, Kosovo Brief 2008

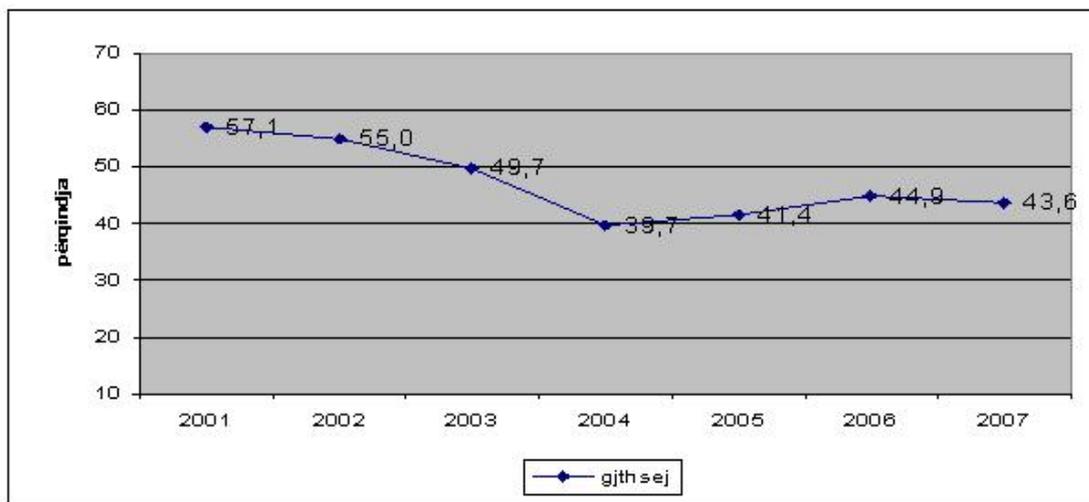
With Gross Domestic Product per capita of € 1,483 and registered GDP growth of 2.9 percent in the period 2003-2006³, Kosovo is well behind the other counties in the region. Estimations for 2007 GDP structure composition by sector shows: 20 percent from agriculture, 20 percent industry and 60 percent services⁴.

Approximately 45 percent of the population in Kosovo lives below the national poverty line. A further 18 percent are vulnerable to poverty. About 15 percent of the population is estimated to be extremely poor⁵. Kosovo is the poorest region in the Balkans and one of the poorest countries in Europe.

Primary school enrolment rates are over 95 percent, and the illiteracy between 2003 and 2006 has been reduced to less than 0.5 percent among children and youth⁶. In non-income dimensions of poverty, education outcomes are low, but there are signs of improvement. However, the quality of education still remains a concern. The lack of sufficient space and classrooms means that children do not receive a full-day's education. Instead, schools operate on three to four shifts per day.

The main labor market indicators show weak performance of the labor market in Kosovo as compared to those in the EU. According to the State Statistical Office of Kosovo⁷, the unemployment rate in 2007 was 43.6 percent which is well above the EU average (7.2 percent for EU-27⁸), while the employment in 2007 was 26.5 percent, facing decrease of 2.5 percent compared to 2006.

FIGURE I. UNEMPLOYMENT RATE, 2001-2007



Source: State Statistical Office of Kosovo - Rate of unemployment, for 2001- 2007

³ IMF and Statistical Office of Kosovo

⁴ <https://www.cia.gov/library/publications/the-world-factbook>

⁵ World Bank, Kosovo Poverty Assessment Report, 2007

⁶ World Bank, Kosovo Brief 2008

⁷ <http://www.ks-gov.net>

⁸ <http://epp.eurostat.ec.europa.eu/>

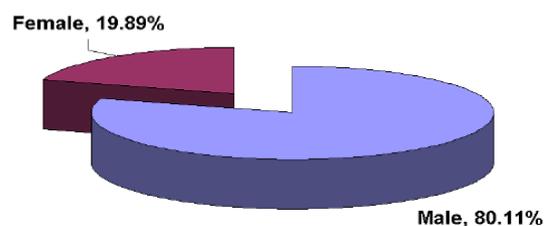
According to the Ministry of Labour and Social Welfare-Department of Labour and Employment⁹, the number of registered unemployed persons in Kosovo in 2008 was 335,942, which represent 0.4 percent decrease compared to the number of registered unemployed persons in 2007.

TABLE 1. REGISTRATION OF UNEMPLOYMENT

Entry	30,395	29,661	30,327	23,279	21,979
Out goings	11,428	12,585	22,691	14,710	20,632
Increase (percent)	6.7 percent	5.7 percent	2.4 percent	2.6 percent	0.4 percent

The total number of realized registered employments during 2008 was 5,845, out of which, 37 percent were in the public sector and the rest 63 percent in the private sector.

FIGURE 2. UNEMPLOYMENT BY GENDER



The data from the same source show that total number of 3,157 registered jobseekers were attending the training courses in the Vocation Training Center during 2008, which represents increase of 3.6 percent compared to 2007.

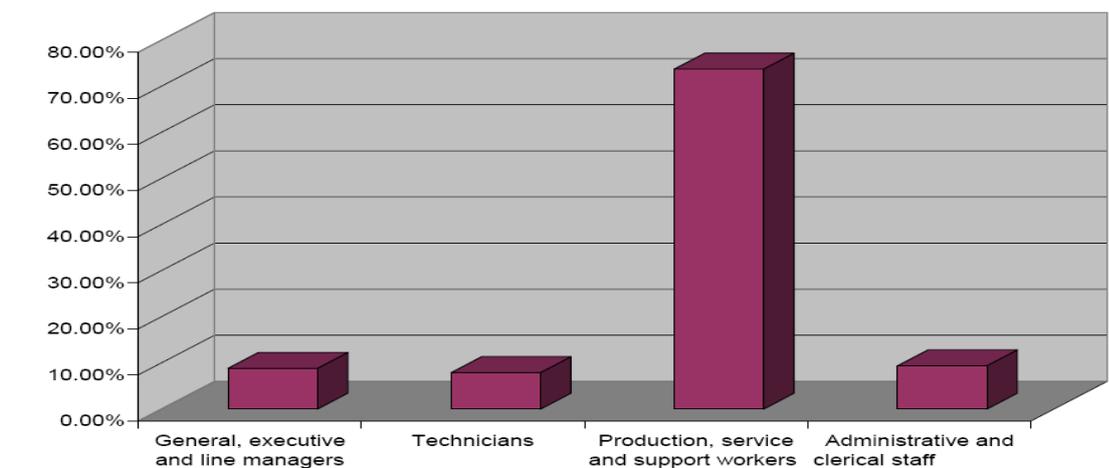
FIGURE 3. NUMBER OF JOBSEEKERS ATTENDING VOCATIONAL TRAINING, 2002-2008



Source- Ministry of Labour and Welfare – Department of Labour and Employment

⁹ <http://www.mpms-ks.org/data>

FIGURE 4. REPARTITION OF JOBSEEKERS BY TYPE OF POSITIONS



II. RELEVANT NATIONAL DOCUMENTS

The politics, actions, strategies and investments in the area of workforce development in Kosovo are determined by several documents:

The Strategy for Development of Pre-University Education in Kosovo (2007 – 2017) that was passed in 2007 sets forth plans for a long-term national focus on general education, including infrastructure, curriculum and teacher development, quality assurance and standards.

The Strategy for Development of Higher Education in Kosovo (2005-2015) together with the Strategy for Development of Pre-University Education sets the ground for an integrate and comprehensive approach to education in Kosovo. The main objectives set by this strategy are: (i) Elaborating and implementing a contemporary and all-inclusive education policy and finalizing the higher education legislation, (ii) Advancing of management and coordination in higher education, (iii) Developing of the management system of the higher education quality, (iv) Advancing of the capacity for research and scientific work (v) Establishing mechanisms for the provision and efficient managing of financial resources for the higher education development, and (vi) Development of a complete and functional infrastructure of the higher education.

The National Strategy for Entrepreneurship Education and Training (2007-10) that was prepared through sponsorship of EAR in collaboration with several ministries, including Trade and Industry, Labor and Social Welfare, and Education, Science and Technology, proposes that an emphasis on the skills and attitudes needed for the development of enterprises should be included into education at all levels, from primary through tertiary education, specifically including the vocational education centers (VECs) and universities. Important part of the Strategy that was started to be prepared under KOSVET III project was development of

standards, curriculum at all five “levels” of education and training, teaching and learning guides, and business simulation models drawn from European experiences. It is in the design and developmental stages, and implementation has not yet begun.

The Agriculture and Rural Development Plan (2007-2013) describes strengths and weakness of this sector which is the largest sector in terms of employment in Kosovo. The plan envisages several activities directed to development, including employment creation and trainings in new technologies of agriculture production and management. It is contemplated that these training measures will be carried out by the Kosovo Rural Advisory Service, and designed in light of international standards.

III. GOVERNMENT AND INSTITUTIONAL ACTIVITIES

The Ministry of Labor and Social Welfare of Kosovo as an integral part of the Government of the Republic of Kosovo is responsible for employment policy making and design and implementation of strategies for further development of the labor market in the country.

The employment policies determined by Ministry of Labor and Social Welfare (MLSW) are implemented by the Department of Labor and Employment and its Employment Division. The Employment Division is responsible for supervision, monitoring and management of the Regional Centers for Employment, municipal offices of employment and municipal sub offices of employment through out Kosovo. The activities of this Division include regular monitoring of the movements of job seekers on the labor market, their registration and registration of vacancy job positions.

The Strategy for vocational training of MLSW is designed by the Division for Vocational Training. This Division is responsible for process and promotion of entry in the programs of active employment policy (such as development of training and retraining of adults, small businesses etc.), as well as overall coordination of activities of the officials of counseling and officials of vocational training of employment service network.

Seven Regional Employment Centers and eight Vocational Training Centers are operating under the Ministry of Labor and Welfare in the principal municipalities of Kosovo. The Regional Employment Center counselors support the registered jobseekers – especially young people, who want to receive vocational training and upgrade their skills to be competitive on the labor market. Around 3,500 jobseekers study each year in the Vocational Training Centers (VTC's), which provide free training delivered according to the competency-based modular approach in duration from one to six months.

IV. PROJECTS AND DONOR SUPPORT ACTIVITIES

The European Union through the European Agency for Reconstruction (EAR) has been supporting modernization of Kosovo's vocational education and training (VET) system since 2002. The Ministry of Education, Science and Technology (MEST) and the Ministry of Labor and Social Welfare (MLSW) have been the beneficiaries so far of three phases of EU support, all implemented by PEM GmbH in lead with the organizations FÁS from Ireland (phase I) and ATC from Denmark (phases II and III).

KOSVET I project (2002 -2004, budget: 3 million euros) included support to policy making, the development and piloting of modular curricula in business, IT and electronics, training for over 1,000 vocational teachers and trainers, and development of a plan for developing career guidance services, together with refurbishment and equipping of 8 vocational schools and 4 training centers.

KOSVET II project (2004 – 2006, budget: 2 million euros) supported the development of legal and institutional frameworks for VET, provided capacity building support to VET institutions, continuing support to curriculum development and improvement of the quality of VET delivery and development of a 10-year career education and guidance strategy and an occupational classification system. The project has also funded a new vocational training centre for the Ministry of Labor and Social Welfare in Pristina.

KOSVET III project (2006 – March 2009, budget: 2 million euros) was focused on continuing policy support through assistance to establishment of a Council for VET, development and implementation of a National Qualifications Framework, support to the enhancement of labor market information and research capacity, and development and implementation of a Strategy for entrepreneurship education and training.

The main stakeholder in the ongoing **KOSVET IV project** (September 2007 – September 2009, budget: 1.5 million euros) implemented by Pohl Consulting and Associates, is the Kosovo Chamber of Commerce (OEK). The project activities are focused towards:

- Supporting establishment of a modern vocational education and training system in Kosovo for both youths and adults, in line with the needs of the labor market, economic development priorities and with due reference to key EU policies, ensuring inclusion of marginalized groups and minorities,
- Demand-driven education and practical training directly delivered employers tailored to match their needs,
- Sustainability through close cooperation with the main partners on implementation of the Training Needs Analysis (TNA), training of trainers and service providers and establishment of a network of local and international training providers and TNA services
- Feasibility assessment of a VET scholarship and internship program with selected EU member states.

Vocational Education Support (VES) Phase II is a project financed by the Government of Switzerland and implemented by the Swisscontact, Swiss Foundation for Technical Cooperation. The VES project is focused on the delivery process, mainly to foster the quality delivery in selected fields and geographic areas covering almost all the important regions in Kosovo.

The VES project in its first phase (2004 – 2006) was oriented towards quality development of VET delivery as regards the practical training components of regular programs. A learning project approach for the workshop based training components was adopted and it introduced a practice firm approach for economic schools. The project established direct cooperation with selected vocational schools and supported seven technical schools (in four occupational profiles: auto-mechanic, electrical installation, heating and plumbing) and one economic school to deliver relevant practical training in an appropriate quality. The project developed the practical training components into learning projects, equipped the necessary workshops, trained the involved teachers and coached the implementation within the 3 years cycle of the curricula. In the economic school VES introduced the practice firm approach. In addition, the project has developed a comprehensive manual on students' assessment and it has conducted pilot assessments in plumbing, heating and electrical installation.

The time frame of the VES Project Phase II is three years, from January 1st, 2007 to December 31st, 2009.

In selected areas, the second phase of the project consolidates the initiated activities in the first phase and promotes additional innovations. There is an expansion to other two economic schools outside Pristina. The practice firm learning in these three economic schools involves about 2,500 students each year.

The project developed new course program at post-secondary level for young adults "Greenhouse as a Business" which is implemented at the agricultural school Abdyl Frasherri in Pristina.

In cooperation with Ministry of Education, Science and Technology, a private partner (E-learning provider) and GTZ, the project provides E-learning (blended learning) through the learning platform www.mesimi.net for 40,000 students free of charge in:

- EU Computer Driving License ECDL
- EU Business Competence License EBCL
- English language learning
- Entrepreneurship learning

During Phase I general procedures for assessment and skills testing were developed and summarized in an assessment handbook; pilot assessment exercises were realized, draft professional standards elaborated and the products and results were fed back to MEST and MLSW for discussion.

A draft NQF has been elaborated, but what is still missing is a homogenous setup of assessment principles, competence oriented assessment procedures, agreed professional standards and the related certification.

In its second phase the project will complete assessment exercises for all 3 levels of the trades on which it works, support the national discussion process, and assist the capacity building of a national system for examination and certification which may lead to a National Qualification Authority.

There are other bilateral or international donor organizations that are active in the human resources and labor development in the country by supporting the Ministry of Labor and Social Welfare and the Ministry of Education and Science.

Strengthening Vocational Training in Kosovo is a project financed by the Grand Duchy of Luxemburg and implemented by the Luxemburg Agency for Development Cooperation - Lux – Development. The aim of the project is contributing to the long-term reduction of poverty by providing fair and impartial access to quality training, immediately useful in the employment market. While the main beneficiaries of the project are the students (unemployed aged 16-25) in Kosovo, the Ministry of Labor and Social Welfare and the Don Bosco Centre in Pristina are the two pillars for the implementation of the activities.

The two main objectives of the project are: (1) to boost the capacities of training providers from public and private sectors and to promote active labor market measures in urban and rural areas, and (2) to support the training centers with infrastructure and equipment.

The Social-Educative Center DON BOSKO is a center for professional development established in 2003 as a result of a cooperation of several local and international organizations and the Salesian Congregate. The costs for building and equipping this modern training center were over 1.5 million euros. DON BOSKO is part of a worldwide network of vocational high schools and centers. The center offers technical and vocational training courses for the following occupational profiles: IT, Business Administration, Accounting and Financial Management, Electrical Installations- Civil and Industrial, Household Equipment repair and maintenance, Electronic and Computer equipment repair and maintenance, Welding, Hydraulic and Thermo-hydraulics, Fruit and Vegetables processing, English and Italian language.

The USAID Kosovo Private Enterprise Program (KPEP) is a four-year initiative launched in October 2008, aims to stimulate the private sector competitiveness of Kosovo's economy. This \$17.8 million program has four primary components:

- Private sector development in targeted sectors and value chains with growth potential
- Business enabling environment to foster Kosovo's competitiveness
- Workforce development and training to advance modernization, entrepreneurship, and innovation
- Support for business services to strengthen competitiveness

KPEP will target key sectors including agriculture, construction and construction materials, forestry and wood products, and information and communications technology (ICT). The goals are to promote improved quality and efficiency of locally produced goods and services, expand employment for all of Kosovo's citizens including youth and minorities, reduce Kosovo's trade imbalance, and further Kosovo's integration into the Balkans and beyond.

The activities of the UNDP, the ILO, and the World Bank in Kosovo were focused towards youth development or youth vocational training.

In an effort to tackle youth unemployment UNDP has devised a scheme that encourages companies to employ young people who have never had a job before. The Employment Generation Project pays companies to employ first time workers for six months with an agreement that they will continue to employ them for at least another six months. This way, in the period from 2005 to 2007, UNDP has helped 3,500 registered jobseekers to benefit long term employment¹⁰. The UNDP's Active Labor Market Program that is supported by the Norwegian Government and is implemented in close cooperation with the Ministry of Labor and Social Welfare presents four types of active schemes:

- On-the-Job Training – primary education
- Pre-employment Training – secondary education
- Employment Subsidy – vocational training
- Internship Scheme – university graduates

The activities of the **International Labour Organization (ILO)** have been focused towards strengthening the capacity of labor market institutions and the social partners to develop and implement employment policy. ILO has been delivering Italian bilateral assistance to the Ministry of Labor and Social Welfare, including support to vocational training centers and development of vocational guidance systems and of a youth employment action plans.

The objective of the **World Bank's Education Participation Improvement Project** (May 2003-December 2006, budget: 4.6 million USD) was to improve educational attainment at primary and secondary education levels and to enhance access of vulnerable groups to education. EPIP has addressed two major priorities in Kosovo education: improving school infrastructure and improve the quality of teaching in both primary and secondary schools.

¹⁰ <http://www.kosovo.undp.org/>

V. WORKFORCE SUPPLY/DEMAND GAP

In order to better identify labor market trends connected with the transition trend of Kosovo economy, in 2007 the EAR supported conducting a Sector Skills Needs Survey in Kosovo¹¹ through Component 3 of the KOSVET III project.

The sample of companies to be surveyed was selected on the basis of four criteria: Geographical area, Economic sector, Size and Internet access. The total size of the sample was 534 companies. The number of completed questionnaires for processing was 179.

Some of the key findings of the survey were:

- The largest category of companies is the micro (1-9 employees) category. The large companies (100 and more) employed 52 percent of employees, and with medium sized account for 85 percent employment
- 63 percent of companies said they had expanded in the past twelve months and 88 percent expect to expand in the future,
- Micro and small companies showed slightly lower expansion than medium and large companies in the last year. This trend is reflected in expectations about the future as well, with the medium and larger companies showing a greater anticipation of expanding,
- A high percentage of companies in all categories have accomplished and planned changes in technology and organization. This indicates a need of continuing vocational education in companies, as well as management and leadership skills for getting companies through these changes,
- Each sector shows the same positive trends from the past to present and inform the present to the 12 months forecast. The most significant growth in new jobs is expected in the manufacturing, wholesale and trade, hotel and restaurant services. Construction sector shows stagnation despite the visible presence of developers and investors in Pristina. The situation in construction might reflect the stagnation in other Kosovo regions or the big deal of the shadow labor market in this field,
- Increased demand for labor is expected in agriculture, manufacturing, construction and trade sectors. All size categories also plan to recruit new staff, within the highest percentages in small and medium sized enterprises,

¹¹ <http://www.ks-gov.net/kos-estia/files/>

TABLE 2. HIRING PROSPECTS BY SECTORS (ENTERPRISES SURVEY)

SECTOR	Yes		No	
	Count	Percentage	Count	Percentage
Agriculture, hunting, fishing and forestry	4	100%	0	0%
Mining and quarrying	0	0%	1	100%
Manufacturing	60	80%	15	20%
Electricity, gas, steam and hot water supply	3	43%	4	57%
Construction	13	81%	3	19%
Wholesale and retail trade	36	84%	7	16%
Hotels and restaurants	3	75%	1	25%
Transport, storage and communications	2	29%	5	71%
Financial intermediation	2	100%	0	0%
Real estate, renting and business activities	11	55%	9	45%
TOTAL	134	74.9%	45	25.1%

- There is a strong dependence between enterprise size and the strategic planning in companies. Almost half of micro and one fifth of medium sized companies have no business plan. This could affect their competitiveness.

TABLE 3. COMPANY SIZE AND STRATEGIC PLANNING

COMPANY SIZE	Development strategy/ Business plan		HRD strategy / training plan		Training planned in next 12 months	
	Yes	No	Yes	No	Yes	No
Micro	56%	44%	44%	56%	50%	50%
Small	82%	18%	43%	57%	59%	41%
Medium	82%	18%	64%	36%	62%	38%
Large	95%	5%	79%	21%	68%	32%
TOTAL	74.7%	25.3%	53.1%	46.9%	57.9%	42.1%

- The majority of the companies trust references from families or personal contacts. Advertising in media/newspapers is used in almost half of enterprises. One quarter uses the Public Employment Service. The relations with VET schools and universities are low. The internet is used for recruitment purpose in only 9 percent of companies,

FIGURE 5. RECRUITMENT METHODS FAVORED BY ENTERPRISES

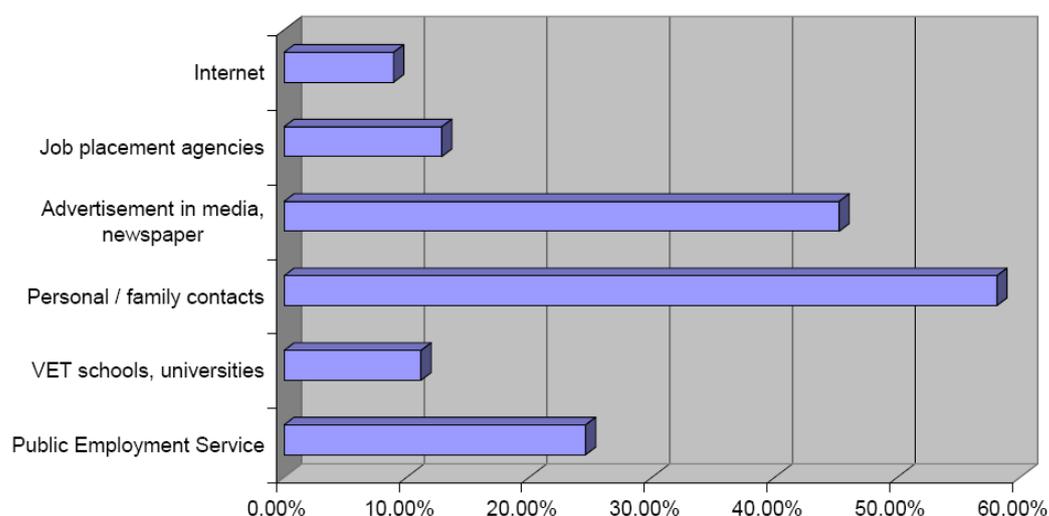


TABLE 4. CORE SKILLS

CORE SKILLS	Yes	Percent
Change management	80	44,69%
Work Process Management	77	43,02%
Team work	66	36,87%
Communication	50	27,93%
Problem solving insufficient	46	25,70%
Motivation	43	24,02%
Work safety	38	21,23%
Environmental protection	35	19,55%
Leadership	26	14,53%
Adaptability	22	12,29%
TOTAL (marked)	483	
TOTAL	179	

TABLE 5. TRANSFERABLE SKILLS

TRANSFERABLE SKILLS	Yes	Percent
Foreign language knowledge	94	52,51%
Entrepreneurship	66	36,87%
Computer skills knowledge	60	33,52%
Calculating numbers knowledge	12	6,70%
Reading and writing knowledge	6	3,35%
TOTAL (marked)	238	
TOTAL	179	

The Labour and Employment 2007/2008 Performance Report¹² of the Department of Labour and Employment shows:

- Long-term joblessness is most dominant - about 90 percent of registered as unemployed persons are long term unemployed,
- the “unskilled” unemployed represent the highest share - 59,7 percent of the registered unemployed in employment offices refer to the educational level “unskilled”,
- The highest increase rate of 3.9 percent in registration refers to unemployed with university degree. Unemployed registered in this skill level realize the highest level of inflow and outflow, representing the highest dynamics of supply and demand of labor,
- The youngest unemployed (15-24) compared to other age groups represent the highest inflow rate and with an under-proportional outflow rate,
- 68 percent of all cumulated vacancies in the last 12 months refer to private sector and 32 percent to the public sector. About 70.6 percent of all vacancies refer to tertiary sector (services). Secondary sector (production) has faced an increase of its share in all offered vacancies with share of 24.9 percent and the primary sector (agriculture) with only 4.5 percent.

VI. RECOMMENDATIONS

Based on our snap-shot findings we have organized the recommendations in the following four areas:

1. Capacity building/ALMMs (addressing strengthening the capacity of the state institutions to plan, design and implement ALMMs and analyses).
2. Formal education (addressing existing and future students and future workers)
3. Non-Formal Education (addressing existing unemployed and future workers)
4. Business growth support (addressing creating new jobs that are result of a business growth)

One of the main recommendations is that USAID Kosovo should undertake **a comprehensive Workforce Development Analyses** in order more specifically to identify activities and active labor market measures (ALMMs) that could address the obvious labor market distortion between the supply (high birth rate) and demand (weak and informal private sectors). Other recommendations include:

Capacity building and ALMMs

I. Strengthen the Skills Needs Analyses

The existing Analyses from 2007 done by the EU KOSVET Project should be further developed by increasing the sample (only 179 companies), solidifying the methodology, improving the questionnaire and improving the data collection. This should be done in very close partnership with the Ministry of Labor and Welfare, the Department for Labor and Employment and the Kosovo Chamber of Commerce. This analysis should be conducted on yearly bases in order to achieve consistency and trend analyses.

¹² <http://www.mpms-ks.org/data>

2. Conduct sector specific WfD studies (IT, wood-processing, construction, home repairs, food processing, etc.)

More in-depth analysis should be conducted in 5-7 sectors to more precisely identify professions and what skills exactly they need to have. Outcomes should include specific job requirement and qualifications per each identified position in need. Such sectors could be: IT, financial intermediation, construction, food-processing, hospitality, etc. This activity needs to be conducted in partnership with Ministry of Labor and Welfare, the Department for Labor and Employment and the Kosovo Chamber of Commerce. Local or regional companies could be engaged to conduct the forecasting model and analyses.

3. Develop long-term workforce forecasting, taking into account the EU trends

In order to have the education system adapt to the needs of the economy a long-term workforce forecasting is needed. This forecasting will include movements in specific industries in the region and EU and will address some of the newly rising professions that should be taken into account in the next 5-10 years. This activity needs to be conducted in partnership with Ministry of Labor and Welfare, the Department for Labor and Employment and the Kosovo Chamber of Commerce. Local or regional companies could be engaged to conduct the forecasting model and analyses.

4. Formalize grey economy with stimulations such as grants and loans for registering the business

Based on the experiences in Macedonia and other countries in the region, ALMM for formalizing grey economy could be designed to include stimulations such as grants and loans with subsidized interest rates for the entities that will formalize their business activity. With this measure there are multiple benefits such as legalizing employment, higher chances for financing and subsequently growth, increasing the tax base, etc.

5. Start a business/self-employment/family businesses with grants and loans

Self-employment or start-up programs offer assistance to unemployed workers to start their own companies and family businesses. A combination of training (how to start a business, generating a business idea, drafting a business plan, etc.), financing (grants or loans with subsidized interest rates) and business support (management training, technical advice, etc) should be considered.

6. Initiate paid internships that could lead to employment

Since both unemployed and graduates lack practical skills, it is recommendable to design and implement an ALMM that will motivate employers to take interns and consider employing them after the internship period. This should be done in partnership or in close cooperation with UNDP Kosovo that is already implementing such a measure, in order to expand the measure to different target groups or different regions.

7. Implement wage/benefits subsidies for hiring new staff

Another job creation activity that could stimulate new hiring and formalize existing workers in the grey economy could be wage or benefits subsidies. Companies will be offered to hire

new people whose part of the salary or benefits will be subsidized. This ALMM should be focused on long-term unemployed and those with lower probability of employment (unemployed with age 45 and above). Staff from the Ministry of Labor and Welfare, the Department for Labor and Employment should be engaged as partners from the begging so that once this ALMM is piloted, implemented and evaluated it is transferred to the Ministry (maybe not for full funding but for coordination and partial implementation).

8. Initiate Public Works such as conservation, environment protection, energy efficiency, etc.

Public works may not lead to employment but can improve experience and skills of the long-term unemployed. If they are combined with appropriate community improvement activities (such as conservation, paving pathways and streets, river cleaning, park rebuilding, etc) they can have a win-win impact. This activity should be implemented with the local communities through a partnership and cost-sharing.

9. Amend the Education Law to include mandatory student internship and summer work.

Based on the recent experience in Macedonia, where the Educational Laws were amended to include mandatory internship in all vocational schools and Universities, Kosovo's Government should be assisted to consider the same educational change.

Formal education

1. Invite Visiting Professors for one semester

Expand current USAID activities from introducing seasoned and well experienced visiting professors at the University level to include more in-coming professors and to expand to vocational schools where the in-coming visiting professors could teach the teachers in latest trends in the technology and in the teaching techniques.

2. Initiate Career Centers that will facilitate the communication between the private sector and the education institutions and will help students to prepare for the job search

Work with the vocational schools and build Career corners that will include both equipment and personnel that will serve the students. A combination of trained teachers, psychologists and full/part time local advisors (trained by the USAID that will commit to pro-bono advising students on part-time bases) should be used. The Career center will include a Business Advisory group (explained below), will prepare the students for job search, writing CVs, cover letters, life-long learning concept, internships, etc.

3. Create University and Vocational School Business Advisory Groups

Initiate School Business Advisory Groups comprised of local business people that take the role of volunteer-educators and will open their businesses for the students for internships, practical work, seasonal (summer) work, will be guest speakers at the specific classes, will invite their employees to be guest speakers, etc. These local business people should be stimulated by the fact that the students can do some project related work that could benefit

the business (market surveys, promotion, etc.) and by some other incentives for the first 30 local businesses that will join and actually DO something with the teachers and students.

4. Introduce Internships for vocational school teachers

School teachers need to stay abreast with the latest technologies and private sector practices. This activity will stimulate companies and teachers to match for business-teacher internships by providing incentives for both sides (the business could get a training fee and the teacher could receive a life-long learning award or similar). This activity will create links and bonds between teachers and businesses and will be the bases for the changes that the teachers will introduce into their practical aspects of teaching.

5. Initiate real and virtual businesses in the vocational schools

Based on the experience and lessons learned of the USAID SEA project in Macedonia, this activity could stimulate students and teachers to design and initiate virtual companies as extra-curricular activity supported by several technical subjects that relate to the “virtual business industry”. In some specific cases, the activity could help specific schools to start a real business by buying some of the equipment or materials necessary to start the business. Both activities will improve the entrepreneurial skills of the students through practical work.

Non-Formal Education

1. Work with local re-training and re-tooling providers/centers (such as VET Centers and Don Bosco) to design and implement courses based on the demand - Regional Retraining Centers

Based on the Sectors Skills Needs Survey in Kosovo and in partnership or coordination with the existing donor community (Lux-Development, Swiss Contact, etc.), targeted short or long-term courses should be developed, designed and implemented in order to match the existing identified demand. For example, specific programs delivered by local, regional and international experts could focus on merchandisers, marketing experts, welding, specialized chiefs, network technicians, electrical engineers, etc.

2. Initiate Regional Soft-skills Academies

Based on the Sectors Skills Needs Survey in Kosovo it is obvious that specific soft-skills are needed both for the unemployed and existing employees. In order to sustainably address these needs, Regional Soft-skills Academies should be initiated. They may be collocated with the VET Centers, with other local training providers or be stand-alone depending on the region and the target group. These Academies will design, test, pilot and implement modern soft-skills curricula and will use regional and international trainers to train local trainers. Internationally recognized (certified) programs will be introduced and the academies will have a license for Kosovo.

3. Improve managerial skills of the young entrepreneurs and the next generation of owners

Having in mind the level of openness for training of the seasoned Kosovo businessmen, it might be worth to develop a program that will improve the managerial skills of young entrepreneurs and sons and daughters of current owners. The owners might themselves be resistant to change to modern methods, but favor opportunities for their children – the future owners and operators of enterprises which show promise for growth and future job creation. Improving business skills will help improve internal business processes, could lead to higher openness for learning for all employees and will help the company to grow and eventually employ new people.

Business growth support

1. Initiate Equity investments (non-existent in Kosovo)

Private equity funds invest capital in operating companies poised to grow and take share in the ownership structure of the company. They act as co-owners and support the growth of the company. After certain time period they exit the company and return the capital to its institutional investors. Since this type of alternative financing does not exist in Kosovo, USAID Kosovo should consider supporting entry of such funds on the Kosovo market. Many of the interviewed people stated that in Kosovo jobs can be created only if several industries and sectors start to grow or if new industries arise. Equity capital can be directed towards industries that can prosper and grow in order to fasten the growth pace.

2. Create Business Incubators

Business Angels are investing in a wide range of commercial ventures, are seasoned or retired successful business people that invest their business skills as well as their capital into new and developing enterprises. Having in mind that there are very few or not enough incubators in Kosovo (one we learned about is supported by the Dutch SPARK non-profit organization), supporting incubators to start operating or expand to new areas/parts in Kosovo is recommended. There are several donor supported incubators that are already working in the region and have accumulated knowledge and experience that takes time to build.

3. Initiate a Business Angel Network

Business Angels are investing in a wide range of commercial ventures, are seasoned or retired successful business people that invest their business skills as well as their capital into new and developing enterprises. Business Angels support can leverage funds from the private sector by leveraging funds on par with the private sector successful business people that are willing to become business angels. US Angel Capital Association can serve as a basic pool for expertise since they have already been in the region assisting several newly established networks in Bulgaria and Slovenia.

4. Initiate Demand Driven Quick-fix model

One of the local private employment agencies in Macedonia (Vrabortuvanje.com) based on their placement and recruitment experience has developed and piloted a project for a Demand Driven Employment Revolving Model (ERM) that could serve as bases for a sustainable quick fix solution. This is a sustainable model that based on specific workforce

needs by one or several companies: recruits potential job candidates, designs specific curricula that matches the job requirements, executes the training with the candidates as trainees, tests and selects the best trainees (together with employers) for employment and collects back the invested funds from the newly employed trainees (on 6 or 12 installments). This model can be the quick-fix solution for the mismatch problem between the supply and demand.

5. Attract regional, EU and global FDI

If Kosovo wants to increase employment it should invest in creating and expanding businesses and attracting foreign investors that will come and open production and sales facilities in Kosovo. This activity should facilitate the entry of regional, EU and global investors on the Kosovo market by providing basic information and support for starting operations in Kosovo.

VII. LIST OF IDENTIFIED SIGNIFICANT PARTICIPANTS IN WORKFORCE DEVELOPMENT ACTIVITIES IN KOSOVO

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