RIINVEST
INSTITUTI PËR HULUMTIME ZHVILLIMORE
INSTITUTE FOR DEVELOPMENT RESEARCH

Employment and Labour Market Analysis

KOSOVO

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by:
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

PREFACE

This is a comprehensive analysis of the country-specific state of the employment situation and the labour market in order to identify constraints on employment creation as well as of opportunities for policy interventions.

The following report is a case analysis on the situation of the labour market and employment in Kosovo, based on extensive primary and secondary data. In drafting this report, the views of the private sector, youth, subject matter experts, and government officials have been solicited.

The authors would like to thank GIZ very much for supporting this research and related activities and for their continued cooperation during the realization of this project. We would like also to thank respondents for their cooperation during the implementation of our research while we assume the sole responsibility for the findings and conclusions of the report.

TABLE OF CONTENTS

Preface ... **3**
Abbreviations ... **6**
List of Figures ... **7**
List of Table ... **9**
Summary and policy implications ... **11**
Chapter 1. Economic, demographic and political framework conditions for employment generation ... **17**
1.1 Geographic characteristics ... 17
1.2 Demographic characteristics ... 19
1.3. Economic trends ... 22
1.3.1 National level ... 22
1.3.2 Economic trends - regional level ... 25
1.3.3 Migration ... 26
1.3.4 Labour market trends ... 28
Chapter 2: The demand side ... **30**
2.1. General factors influencing the business environment ... 30
2.1.1 Barriers preventing businesses to create new jobs (regional level) ... 30
2.1.2 Barriers by region ... 35
2.1.3 Financial market conditions and policies (investment; interest rates; long-term financing; outstanding loans; non-performing loans) (national level) ... 38
2.2 Identifying important sectors for employment generation ... 39
2.2.1 Exports by sector to identify growth/potential trends/patterns (national level) ... 39
2.2.2 Analysis of the demand for labour in terms of occupations (national and to the extent possible regional level) ... 42
2.3 Sector-specific analysis of labour demand conditions ... 45
2.3.1 Labour demand and difficulties filling positions ... 45
2.3.2 HR dimensions of the demand side (expectations and experiences of the firms; retention challenges; willingness to provide training) (regional level) ... 57
2.3.3 Working conditions ... 73
2.3.4 Cooperation with labour inspectorate ... 81
Chapter 3. Qualification of the labour force ... **83**
3.1. Employment in Kosovo ... 83
3.2 Structure and qualification of the labour force and structure of unemployment ... 83
3.2.1 Pristina region ... 83
3.2.2 Prizren region ... 85
3.2.3 Peja/Peć region ... 87
3.2.4 Mitrovica region ... 88
3.2.5 Gjilan/Gnjilane region ... 89
3.2.6 Ferizaj/Uroševac region ... 89
3.2.7 Gjakova/Đakovica region ... 90

3.3 Structure of unemployment 91
3.3.1 Wage expectation and sector preferences 93
3.4 The country's education system 98
3.4.1 Educational attainment/enrolment (national level) 98
3.4.2 Availability of career orientation 102
3.5 Employment-related features 103
3.5.1 Employment 103
3.5.2 Attitudes towards work 104
3.5.3 Qualification structure of employees (regional level) 107
3.5.4 Wages and cost of living 111
3.5.5 Working conditions 113
3.5.6 Job and work satisfaction 115
3.5.7 General overview of internships 118
3.6 Labour migration 119
3.6.1 Level of local migration 119
3.6.2 Commuting barriers 119
3.6.3 International migration 120
3.7 General overview of survey results 122
3.7.1 Demographics 122
3.7.2 General family information 123
Chapter 4. Matching demand and supply of labour 126
4.1 Wages, labour law and regulations, collective bargaining system 126
4.2 Active labour market policies 128
4.3 Passive labour market policies 133
Chapter 5. Research methodology 136

ABBREVIATIONS

ALMM	→	Active Labour Market Measures
ALMP	→	Active Labour Market Policies
AVETAE	→	Agency of Vocational Education and Training and Adults' Education
CBK	→	Central Bank of Kosovo
CC	→	Centres of Competences
CEFTA	→	Central European Free Trade Agreement
CPI	→	Corruption Perception Index
EARK	→	Employment Agency of the Republic of Kosovo
EO	→	Employment Offices
EU	→	European Union
GCBA	→	General Collective Bargaining Agreement
GDP	→	Gross Domestic Product
HDG	→	Human Development Group
HR	→	Human Resource
IMF	→	International Monetary Fund
KAS	→	Kosovo Agency of Statistics
KBRA	→	Kosovo Business Registration Agency
KCC	→	Kosovo Chamber of Commerce
KCGF	→	Kosovo Credit Guarantee Fund
KEEN	→	Kosovo Education Employment Network
LMIS	→	Labour Market Information System
MCC	→	Millennium Challenge Corporation
MCI	→	Municipal Competitive Index
MEST	→	Ministry of Education, Science and Technology
MFK	→	Millennium Foundation Kosovo
MLSW	→	Ministry of Labour and Social Welfare
NEET	→	Not in Employment, Education, or Training
NLP	→	Non-Performing Loans
OECD	→	Organization for Economic Co-operation and Development
Riinvest	→	Institute for Development Research
SAA	→	Stabilization and Association Agreement
TAX	→	Tax Administration of Kosovo
UITUK	→	The Union of Independent Trade Unions of Kosovo
UNDP	→	United Nation Development Program
VET	→	Vocational Education and Training
VTC	→	Vocational Training Centres
WB	→	World Bank

LIST OF FIGURES

Figure 1: Population distribution based on age group, gender, and residence ... 19
Figure 2: Kosovo GDP growth rates 2001-2018 ... 22
Figure 3: International trade in goods, Kosovo 2005-2019 ... 23
Figure 4: International trade in services, Kosovo 2005-2019 ... 23
Figure 5: Employment rates and growth rates (2005-2019) ... 24
Figure 6: Poverty levels in Kosovo ... 24
Figure 7: Tax income in Kosovo regions (2015 -2017) ... 26
Figure 8: Net transfers from diaspora (2005-2016) ... 27
Figure 9: Business expansion plans (by region) ... 32
Figure 10: Turnover change compared to three years ago ... 33
Figure 11: Turnover change compared to three years ago (by region) ... 33
Figure 12: Turnover change expected in 2019 compared to 2017 ... 34
Figure 13: Barriers businesses face in developing their business ... 35
Figure 14: Barriers by region ... 37
Figure 15: Exports (2010-2017) ... 40
Figure 16: Methods used to recruit new employees during the last three years ... 43
Figure 17: Methods used to recruit new employees during the last three years by region ... 44
Figure 18: Percentage of employees declared for tax purposes (by region) ... 45
Figure 19: Expectations for job growth over the next 3 years (share of total new jobs) ... 49
Figure 20: Most important skills (by region) ... 56
Figure 21: Skills that new employees lack (by region) ... 57
Figure 22: Company attractiveness ... 58
Figure 23: Sector attractiveness ... 58
Figure 24: Sector attractiveness ... 59
Figure 25: Standardized recruitment process (by region) ... 60
Figure 26: Designated HR office/officer (by region) ... 61
Figure 27: Forecasting personnel requirements (by region) ... 61
Figure 28: Offering feedback (by region) ... 62
Figure 29: Evaluating employee performance (by region) ... 63
Figure 30: Training of employees (by region) ... 64
Figure 31: Training venue (by region) ... 64
Figure 32: Types of trainings offered (by region) ... 65
Figure 33: HR practices used by companies in the last three years ... 66
Figure 34: Bonus pay based on performance (by region) ... 67
Figure 35: Thirteenth salary (by region) ... 67
Figure 36: Percentage of income or sales (by region) ... 68
Figure 37 Salary raise based on performance (by region) ... 68
Figure 38: Promotion based on performance (by region) ... 69
Figure 39: Salary raise across the board (by region) ... 69
Figure 40: Support for transportation ... 70
Figure 41: Support for meals (by region) ... 70
Figure 42: Support for day-care or other types of child care (by region) ... 71
Figure 43: Team building events (by region) ... 71

Figure 44: Level of agreement regarding employee salary levels (by region) 72
Figure 45: Level of agreement regarding employee salary levels compared to competitors 73
Figure 46: Working conditions 74
Figure 47: Employees working night shifts (by region) 74
Figure 48: Employees have regular/fixed working hours every day (by region) 75
Figure 49: Employees work on Saturdays (by region) 75
Figure 50: Employees work on Sundays (by region) 76
Figure 51: Employees work during some national holidays (by region) 77
Figure 52: Employees are paid a higher rate when working on holidays, night/evening shift (by region) 77
Figure 53: Exposure to safety risk (by region) 78
Figure 54: Labour unions or employee representatives by region (by region) 78
Figure 55: HR practices used by companies in the last three years 79
Figure 56: Occasions when companies were not able to pay employees at all (by region) 80
Figure 57: Occasions when companies were not able to pay employees on time (by region) 80
Figure 58: Occasions when companies were not able to pay a full salary (by region) 81
Figure 59: Visits by labour inspectorate (by region) 82
Figure 60: Occupations with lack of positions in Pristina region (VET requirement) 84
Figure 61: Occupations with unfilled positions in Pristina region (VET requirement) 85
Figure 62: Occupations with lack of positions in Prizren region (VET requirement) 86
Figure 63: Occupations with unfilled positions in the Prizren region (VET requirement) 86
Figure 64: Occupations with lack of positions in Peja/Peć region (VET requirement) 87
Figure 65: Occupations with lack of positions in Mitrovica region (VET requirement) 88
Figure 66: Occupations with lack of positions in Gjilan/Gnjilane region (VET requirement) 89
Figure 67: Occupations with lack of positions in Ferizaj/Uroševac region (VET requirement) 90
Figure 68: Occupations with lack of positions in Gjakova/Đakovica region (VET requirement) 91
Figure 69: Unemployed youth by status and region 92
Figure 70: Most attractive jobs by region 93
Figure 71: Wage expectations by profession 94
Figure 72: Wage expectations by region 95
Figure 73: Sector preferences for employment 96
Figure 74: Sector preferences for employment by region 97
Figure 75: The highest level of educational attainment 99
Figure 76: Majors in vocational schools 100
Figure 77: Majors in university education 101
Figure 78: How did you pick your major? 102
Figure 79: How did you choose your career? 103
Figure 80: Employment Status 104
Figure 81: What do you value in a job? 105
Figure 82: Gender differences in valuing of different job aspects 106
Figure 83: Employment by sector 108
Figure 84: Employment by sector and by region 109
Figure 85: Jobs by description 110
Figure 86: Most common jobs by region 110
Figure 87: Monthly average wage by region 111
Figure 88: Is your income sufficient for your personal needs? 112
Figure 89: Is your income sufficient to provide for your family? 113
Figure 90: Types of contracts by region 114
Figure 91: Satisfaction with the following aspects (scale 1-4, where 1 is least, 4 is most) 115

Figure 92: Job security – on a scale from 1-4, how worried are you that you may lose your job in the next 12 months? ... 116
Figure 93: In the past 12 months, have you undergone any of the following forms of training? ... 117
Figure 94: Employee reward practices ... 118
Figure 95: Intent to emigrate ... 120
Figure 96: Reasons for migration ... 121
Figure 97: Main destination of migration ... 122
Figure 98: Family size ... 123
Figure 99: Working members of the family ... 124
Figure 100: Sources of income ... 124

LIST OF TABLE

Table 1: Kilometres of road in Kosovo regions ... 18
Table 2: Kosovo regional demographic data ... 20
Table 3: Employment sector as a share of regional economic activity ... 21
Table 4: Active businesses and registered employment by region, 2017 ... 25
Table 5: International Migration by country ... 26
Table 6: Key labour market indicators (% of working-age population) ... 28
Table 7: Working age population ... 29
Table 8: Main occupational groups: Prevalence, expected increase and typical wages ... 46
Table 9: Main occupational groups: Prevalence, expected increase and typical wages ... 51
Table 10: Typical levels of education by occupational group ... 54
Table 11: Difficulties while hiring and the main reasons ... 55
Table 12: Commuting ... 119
Table 13: Age of population by region ... 123
Table 14: Average salary 2012-2018 ... 127
Table 15: Types of ALMPs in Kosovo as per the Regulation 01/2018 on ALMPs ... 129
Table 16: Vocational training centres and profiles in Kosovo ... 130
Table 17: Beneficiaries and structure of ALMP measures ... 132
Table 18: Social schemes in Kosovo ... 134
Table 19: Population on a regional level ... 136
Table 20: Distribution of businesses by region ... 137
Table 21: Population on a regional level ... 138
Table 22: Distribution of population 15-29 by region ... 139

SUMMARY AND POLICY IMPLICATIONS

General trends

With around 1.8 million inhabitants and an area of approximately 11 thousand square kilometres, **Kosovo has the highest population density in the region**. It also has **the youngest population in Europe** with an average age of 30.2 years, with a similar share of women and men in the overall population.

Kosovo's economy is characterized by **high unemployment, low GDP growth rates, and a high trade deficit**. The growth rate over the last five years **averaged at around 4 percent**. National output is largely dependent on the service industry. **Services make up to 70 percent** of products and services produced, and **80 percent of overall employment**. The manufacturing sector is small resulting in a high **trade deficit which stands at over 40 percent of GDP**.

Economic development in all sectors **has not resulted in significant employment generation**. Despite positive growth rates in Kosovo, the **employment rate has remained low**. According to the Kosovo Agency of Statistics, the labour force participation in Kosovo is one of the lowest in the region, with an **average of 39 percent participation rate over the last five years**. It is particularly low for **women which averages below 20 percent over the same period**. The unemployment rate is high with almost **one-third of those in the labour market reported to be unemployed**. The level of **unemployment among the young population (15-24) is almost 50 percent**. The share of **employment remains low, with an average of 28 percent of population reported being employed over the last five years**. The employment rate of women during this period is only at around 12 percent. The employment in Kosovo is concentrated in the capital. Pristina employs more than half of the officially employed labour force (51 percent), of which almost one-third work in the public sector. It is followed by Prizren (with 13.5 percent of the employed), Mitrovica and Gjilan/Gnjilane (with around 8 percent each, Ferizaj (7.5 percent), Peja/Peć (7 percent) and Gjakova/Đakovica (5 percent). Over the last three years (2015-2017), tax income from Pristina region has represented around 64 percent of the overall income collected from taxpayers. The second biggest economic region is that of Prizren, which presents around an average of 10 percent of the overall tax income in Kosovo (2015-2017). Whereas the smallest economic output occurs in Gjakova/Đakovica and Mitrovica regions, where the contributions to national tax income reach 3 percent and 4 percent, respectively.

Kosovo has kept **high poverty levels**. Based on data from KAS household budget survey, an average of **19 percent of Kosovo citizens have lived in poverty** over the 2012-2015 period and an average of **6.5 percent in extreme poverty.** Based on census data, **over one-fifth of the Kosovo population lives abroad**. Migration continues to be a common phenomenon and the main destination countries for Kosovars migrating are Germany and Switzerland, followed by Italy and Austria. A pursuit for a better life is quoted as one of the main reasons for migration, especially among young people. Recent data suggest that **over 50 percent of this young group has declared that they are likely to consider migrating over the next three years**. The role of migrants has been crucial in financing economic activity in Kosovo. Remittances present a core secondary income for the Kosovar balance of payments. **The size of remittances over the last decade has averaged at around 12 percent of GDP**.

Demand-side

In general, businesses are optimistic about their mid-term prospects. Over two-thirds of them are planning to expand their businesses, in terms of employment, investment and/or introducing new **products or services to the market.** Pristina region has the highest percentage of companies that plan to expand.

Unfair competition due to corruption and informality top the list of barriers hindering business growth. Labour supply barriers appear to be problematic as well; difficulties in finding new employees that have the required skills have been identified as one of the most common challenges by businesses. This largely confirms the studies conducted in the past, cited in the report.[1]

Among companies that hired employees over the last three years, **around a third report they faced difficulties in the recruitment of appropriate candidates**. Companies particularly likely to report difficulties in hiring **craft and related trade workers, plant and machine operators,** and **assemblers (which includes drivers), services and sales workers,** and **professionals. Lack of experience is the top reason** cited for difficulties in hiring across occupational groups. **This is closely followed by a lack of skills in most occupations**, with the occupational group of professionals being a notable exception. **The other highly ranked barrier in the group of labour supply barriers is the emigration of the workforce**. This can be explained by the fact that since 2013 there were two waves migration of Kosovo citizens to western countries in pursuit of a better life.

The expected increase in the number of workers over the next three years across the sample is **25%**. The highest increases in expected workers are reported in the **craft and related trade workers**. Expected increases in demand **for professionals, elementary workers, and managers are below average**. In terms of the share of **new jobs created over the next 3 years**, as reported by the firms, **sales workers, waiters and bartenders, building and related trades workers, and labourers in mining, construction, manufacturing, and transport account for almost half of the new jobs**.

The emigration of the workforce is another important barrier preventing businesses to grow. One-third of those that left the job, did so due to emigration. The percentage of employees that emigrated in the last three years stands at around 10 percent, among companies that have had staff members leaving the company during this period.

During the last three years, companies have reported that on average around 20 percent of employees have quit their job. Companies cite **emigration, the low salary, and change in occupation** as the main reasons for their employees leaving.

Even among the surveyed businesses (which are relatively larger, employing at least 5 employees), recommendations (from friends and business partners) and family connections are the most commonly used channels of recruitment (used by 73 percent and 63 percent of respondents, respectively). Public announcements (mainly through social media, announcements at company premises, and announcements at job portals) are also used by 51 percent of companies, whereas only 14 percent have used employment offices (these mainly in the**in construction, trade and gastronomy sectors)**.

1 There are some differences in the intensity of barriers across regions. In Ferizaj/Uroševac, Gjilan/Gnjilane, Mitrovica and Peja/Peć regions, the highest ranked barrier is unfair competition due to corruption and informality. In Gjakove/**Đakovica** region, the highest ranked barriers were a mix of labour supply related barriers: migration of employees to other regions within Kosovo and difficulty in finding new skilled employees. In Pristina region, 'strong competition' is ranked as the highest barrier while in Prizren region, the highest ranked barrier is employee emigration.

Supply-side

Among youth, 25 percent have completed tertiary education (over two thirds in social sciences; of which over a third in business-related fields), over 45 percent have completed secondary education (around 30 percent general high schools and around 15 percent vocational schools).

Riinvest data show the **share of youth who are inactive (i.e. not employed and not looking for a job) is highest in Gjilan/Gnjilane and Pristina regions** (with 35 and 31 percent of unemployed youth, respectively, are not looking for jobs). **Of the unemployed youth who are looking for jobs there is a higher concentration in Prizren**, with 43 percent, followed by Peja/Peć with 35 percent and Mitrovica with 32 percent.

Youth have a clear preference for the public sector over the private sector; from those who are not currently working, around 25 percent prefer employment in the public sector as opposed to only 6 percent in the private sector. Those who prefer the public sector over the private sector cite **working conditions, job security, and level of compensation as the main reasons**.

Similar to what businesses mainly use as the main hiring channels, **around half of the youth claim they use public announcements (mainly online job portals and social media) to look for jobs, followed by recommendations from family and friends, and family connections**. Only five percent each use employment offices and the networks of their educational system.

Around 75 percent have received career guidance and advice from family and friends. From the latter group more than two-thirds have received guidance from a teacher/professor at school, compared to 18 percent who have received guidance from a professional career counsellor at school.

The most valued job-related aspects for all youth are **regular salary payments as per the job agreement, followed by salary level, and formal employment (as measured by payment of pension contributions)**. These aspects also fall within the realm of having a contract for the job, which is important to ensure job security and good working conditions. On the other hand, **opportunities for career advancement in a job** are valued the least. **Gender differences are small, except for access to paid maternity/parental leave** which women tend to value more than men.

The share of **young people employed in the private sector ranges from a high of 85 percent in Gjilan/Gnjilane and 83 percent in Prizren, to a low 63 percent in Mitrovica**. The highest number of **self-employed youths are in Pristina and Mitrovica, with 15 percent each**, followed by Prizren with 14 percent. The sectors with the majority of **youth employed in the private sectors are sales, catering, construction, and production**.

The average starting wage in their **first job was €271. In their current job, youth report an average wage of** €298 and an increase of **almost 30 percent since then.** The highest reported average monthly wage is in the Pristina region, while the lowest reported average monthly wage is in the Prizren region.

Employees **working without a contract comprise 56 percent of those who are employed in Prizren**. **The lowest number of workers without a contract is recorded in the Pristina region**, at 17 percent, or almost 1 in every 5 workers.

The average hours worked in their main job across Kosovo is 8 hours, whereas the **average number of days worked in a week is around 6**. **More than 2 in 3 of the employed youth work on weekends. Moreover, 23 percent claim they do work outside of regular hours without compensation**[2].

In terms of training and up-skilling of the employed, overall, **around 38 percent have completed training when they**

2 Note, however, that 'regular hours' are 48 hours for the employed youth, on average.

started working, around 23 percent undergo training that is continuously provided by their employees, whereas about 18 percent have completed training for which they have paid themselves.

The most common forms of employee rewarding are **providing support for food**, **bonus payments based on performance,** and **wage increases based on performance**.

While only 17 percent of youth claim they have moved, the regional statistics range from a low 9 percent who have relocated from Ferizaj/Uroševac to a high of 27 percent from Gjakova/Đakovica. **Of these relocations, 76 percent have been towards Pristina**, as a major destination. This is especially prominent from the Gjakova/Đakovica region, where 87 percent of those who have relocated, have moved to Pristina.

Around 49 percent of youth have claimed intent to emigrate in the next two years. Of those, 63 percent claim they plan to migrate alone, 18 percent plan to do so with their families, whereas 19 percent plan to migrate alone and have their families join them in the future. **The main reason remains to find a job or a better job**, **better quality of life** overall or for their family, and **pursuing further studies**. **Germany is the main destination** of those who plan to migrate, **followed by Switzerland**.

Matching

The current minimum wage does not reflect the actual economic conditions in Kosovo – the average salary has increased systematically and so have the living standards. ALMM schemes in Kosovo tend to **be small and many rely on donor funding.** Moreover, their effectiveness and efficiency are somewhat questionable.

Most of the schemes are **focused on vocational trainings,** accounting for more than 60% of the total number of beneficiaries during the last three years. The systematic increase of wages in the public sector, which do not reflect the productivity level, **have also altered to some extent wage expectations** of unemployed people in Kosovo.

Social protection schemes in Kosovo accounted for almost **20 percent of the state budget in 2019** or equivalent to 7 percent of Kosovo's GDP. **Permanent benefits may have potential implications in the labour market.** Most of the social schemes' beneficiaries are not allowed to work and claim benefits at the same time.

Policy implications

→ Given that the lowest levels of labour force participation of youth are concentrated in rural areas (where more than two-thirds of inactive youth reside, according to our survey of youth aged 18-35), the focus of the policymakers should be focused on activating youth in those regions.

→ The government should take action towards lowering the level of informality and corruption, which in turn are increasing unfair competition and hindering the growth of businesses, according to our survey of 740 businesses with 5+ registered employees.

→ Businesses quote the lack of experience and skills (rather than education) as the main barrier to hiring new staff. The focus of the policymakers should be on:

- Increasing the outreach and effectiveness of internship schemes. Each internship should have clear goals and proper supervision at the company, as well as quality monitoring during the placement.

- Increasing the quality of education at all levels. This would ensure that students get a proper set of skills when graduating.

- Improving the matching of profiles demanded and those supplied. The application of strict quotas for profiles with low job prospects should be considered.

➔ Businesses mostly use informal channels for recruitment:

- EARK should have a more proactive approach towards businesses and increase the efficiency and quality of their service delivery.

- A campaign to increase the awareness of businesses that access to a greater pool of candidates would increase the quality of their recruits.

➔ On HR Practices:

- Ensure implementation of existing laws related to working conditions and workers benefits (overtime work and annual/maternity leave; work over weekends and national holidays; exposure to safety risks; working without contracts, among others).

- In order to increase the attractiveness of the private sector, an awareness-raising campaign towards businesses should be carried out. The campaign would inform businesses that the most important things that youth value are not necessarily related (only) to wages; rather the efforts of businesses should focus more towards improving labour conditions and other job-related factors (e.g. work safety; working environment, including heating, noise, proper lightning; flexible schedule; clear career advancement paths; health insurance; paid annual/maternity leave; relationship with colleagues and management, among others).

- Introduce a monthly award that can be implemented by the Ministry (and supported by donors) for the employer of the month, as nominated by the employees (using a rotation of different HR practices as criteria each month of the year; e.g. employers that pay overtime work; employers that pay health insurance; employers that offer flexible schedules, among others).

➔ On wages:

- Revision of public sector wages to better reflect productivity and better correspond with wages in the private sector to avoid distortions in the labour market.

- The minimum wage should be revised and increased based on the current trends in the labour market. It should be adjusted to inflation and, more importantly, be decoupled from social schemes in order to limit increases of public spending for social schemes.

- Social schemes, particularly the Social Assistance Scheme (Category 2) and the Veteran pensions scheme should be revised in order to avoid dis-incentivizing the supply of labour and formal employment by having unemployment as an eligibility criterion.

➔ Other issues:

- The outreach of the career guidance should be increased in schools and employment offices that provide the necessary information and guidance to young people making informed choices regarding their careers. Currently, only 18 percent of youth have received career guidance from a professional career counsellor at school, while over two-thirds receive guidance from family and friends.

- An awareness-raising campaign to inform employers and workers about the tax-deductibility of education and training expenses, so as to promote workforce skills development.

- The emigration of the workforce is another important barrier preventing businesses to grow. Almost half of the youth respondents have claimed that they intend to migrate in the next two years. Moreover, one-third of those that left the job, did so due to emigration. The policymakers should focus on minimising push factors in order to lower the propensity to emigrate. Importantly, unemployment seems to be only one of the significant push factors. The main single reason for emigration remains 'better quality of life overall or for their family' (27 percent), followed by 'finding a job or a better job' (26 percent), 'pursuing further studies' (14 percent) or 'combined factors' (32 percent). This would require improvements, among others, of the overall education system, health system, and working conditions in general.

CHAPTER 1. ECONOMIC, DEMOGRAPHIC AND POLITICAL FRAMEWORK CONDITIONS FOR EMPLOYMENT GENERATION

1.1 Geographic characteristics

Kosovo covers an area of approximately 10,900 km². Its relief changes range from the lowest altitude of 800 m above sea level to the highest mountain peak of 2,656m high. The mountains divide the country into two geographical pains: the Kosovo plain and the Dukagjini plain.

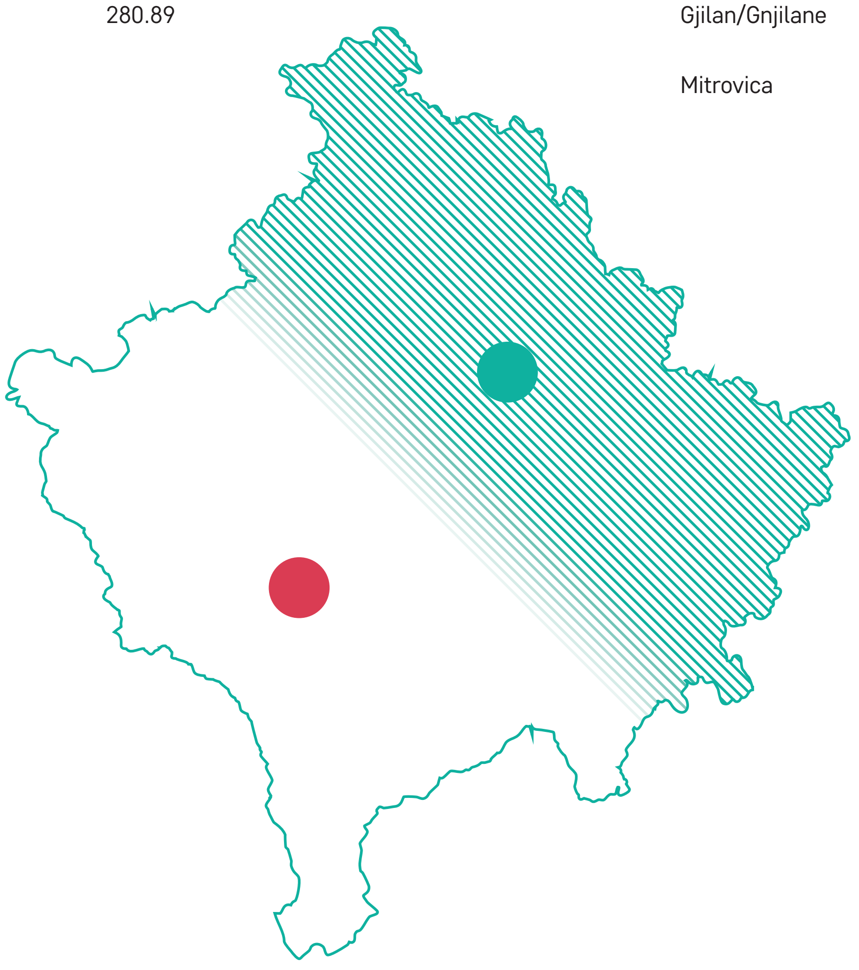
Kosovo plain borders Montenegro and North Macedonia and covers the economic regions of Pristina, Mitrovica, and Ferizaj/Uroševac. With Pristina belonging to this area, the transport infrastructure is well established. The available modes of transportation include regional road transport, the railway connecting Pristina and Skopje, as well as two major highways cutting through the region. One highway is connecting Kosovo (Pristina) to Albania (Tirana), and the second highway, which will connect Pristina to North Macedonia (Skopje), is going through final construction stages. A final advantage of the mobility of the more centrally located citizens is access to Pristina Airport, which is also the only commercial airport in the country.

Dukagjini plain covers the regions of Gjakova/Đakovica, Prizren, and Peja/Peć. The infrastructure in this area is based on regional road transport, the railway connecting Pristina and Peja/Peć, and the highway connecting Kosovo (Pristina) and Albania (Tirana) by passing through Prizren. The current administration has also committed to building a new highway connecting Peja/Peć to Pristina. Yet, overall, access to the national modern infrastructure is available to a lesser extent to the regions of Peja/Peć and Gjakova/Đakovic, belonging to the Dukagjini plain. Table 1 shows the length of the regional roads under the responsibility of the Ministry of Infrastructure and Transport.

TABLE 1: Kilometres of road in Kosovo regions

Dukagjini Plain	km
Peja/Peć	292.02
Gjakova/Đakovica	225.52
Prizren	280.89

Kosovo Plain	km
Ferizaj/Uroševac	210.92
Pristina	395.90
Gjilan/Gnjilane	246.71
Mitrovica	280.46



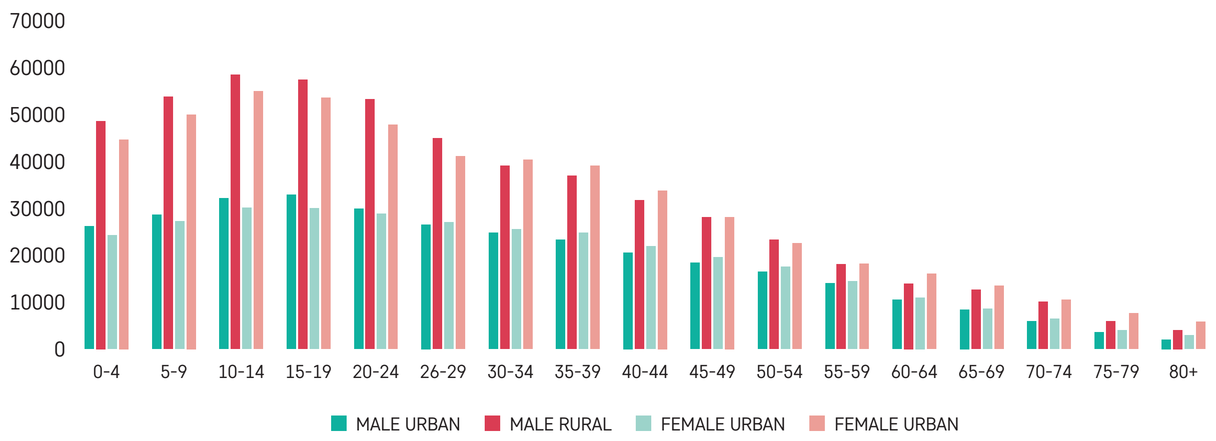
SOURCE: MINISTRY OF TRANSPORT AND INFRASTRUCTURE (2019)

1.2 Demographic characteristics

The 2011 national Census has recorded a population of 1.78 million citizens in Kosovo and the latest projections from the Kosovo Agency of Statistics (KAS) estimate the current population to have grown to approximately 1.8 million. The share of men in the overall population is 49.5 percent and that of women is 50.5 percent (KAS, 2020).

The Kosovar population is among the youngest in Europe with an average age of 30.2 years. Figure 1 below presents the distribution of the population based on age and urban/rural settlements. Overall, a larger share of the Kosovar population lives in rural areas (61 percent) as opposed to the urban ones, while more than 30 percent of the population belong to the 10-24 group age. The rural population is more involved in agricultural activities compared to more professional and service-based activities characterizing urban areas. Consequently, income is typically lower in rural settlements.

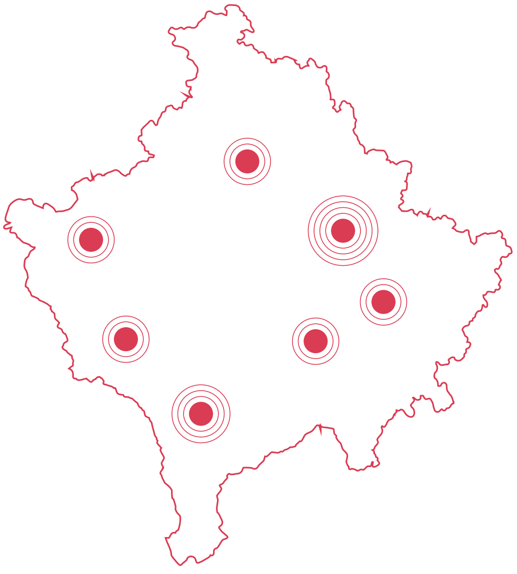
FIGURE 1: Population distribution based on age group, gender, and residence



SOURCE: KAS, POPULATION CENSUS DATA (2011)

There are 38 municipalities in Kosovo divided between 7 administrative regions. The region of Pristina makes up the largest one, covering more than 27 percent of the total population. The second biggest region is Prizren with 19 percent of the overall population. These two regions are also home to the largest share of the employed labour. Only Pristina employs more than half of the national officially employed labour force (51 percent), and Prizren employs another 14 percent (Table 2).

TABLE 2: Kosovo regional demographic data



Region	Population	Percent of the total population	Percent of total employment
Ferizaj/ Uroševac	185,695	10.67%	7.48%
Gjakova/ Đakovica	155,253	8.92%	5.15%
Gjilan/ Gnjilane	188,188	10.82%	8.05%
Mitrovica	192,637	11.07%	8.13%
Peja/Peć	214,254	12.31%	6.79%
Pristina	470,583	27.05%	50.86%
Prizren	333,215	19.15%	13.54%

SOURCE: KAS, POPULATION CENSUS DATA (2011)

The picture drawn from this table shows that employment in Kosovo is concentrated in the capital. Pristina is now the hub of the majority of Kosovar economic activity and host of national government institutions. Table 3 disaggregates regional economic activity based on employment sectors and shows that more than 12% of employment in Pristina belongs to the public administration, 11% are employed in education, and around 7% in health services. As the vast majority of these sectors are public (also electricity and telecommunication), it can then be assumed that more than a quarter of the employment in Pristina comes from the public sector.

TABLE 3: Employment sector as a share of regional economic activity

	Ferizaj/ Uroševac	Gjakova/ Đakovica	Gjilan/ Gnjilane	Peja/Peć	Mitrovica	Pristina	Prizren
Agriculture, forestry	1.98%	5.40%	8.03%	6.73%	3.45%	1.29%	7.70%
Production	13.61%	9.81%	10.15%	10.18%	9.82%	7.13%	18.35%
Electricity, gas, water	1.47%	2.53%	1.43%	1.86%	4.33%	6.28%	1.39%
Construction	10.07%	9.84%	9.31%	7.37%	7.75%	5.89%	13.00%
Trade	20.33%	20.09%	17.80%	18.76%	18.41%	18.43%	17.68%
Hotels	5.37%	5.58%	4.91%	5.66%	5.35%	5.37%	5.72%
Transport, warehousing, Communication	5.29%	4.12%	4.71%	4.57%	5.50%	6.42%	3.75%
Real estate	2.72%	2.87%	2.99%	3.04%	4.27%	5.52%	2.49%
Public administration; social security	10.22%	9.58%	11.93%	13.59%	11.73%	12.42%	7.10%
Education	11.45%	14.60%	13.57%	12.60%	11.62%	10.90%	10.42%
Health and social activities	4.79%	7.23%	6.17%	6.10%	6.14%	6.82%	4.21%

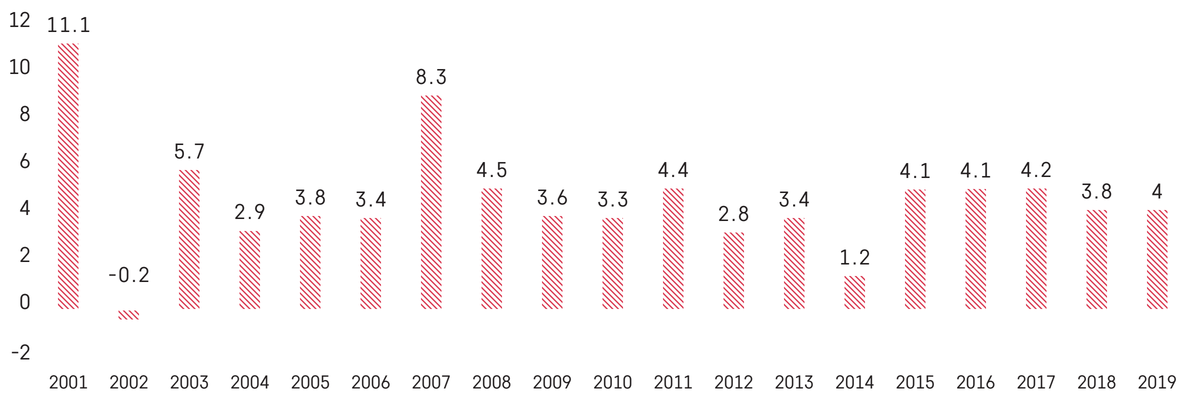
SOURCE: KAS, POPULATION CENSUS DATA (2011)

1.3. Economic trends

1.3.1 National level

Kosovo's economic development in the 2000-2018 period could be explained in three stages. Initially, economic growth in the years after 1999 marked the beginning of the transition from a centrally planned economy to a new form of institutionalization, open market, and privatization of public enterprises. The period between 2000 and 2004 was characterised by economic rebuilding, financed largely by foreign aid and highly focused on construction and trade sectors. The growth rate in this period reached an average of just above 4%, with significant fluctuations from year to year (Figure 2).

FIGURE 2: Kosovo GDP growth rates 2001-2018

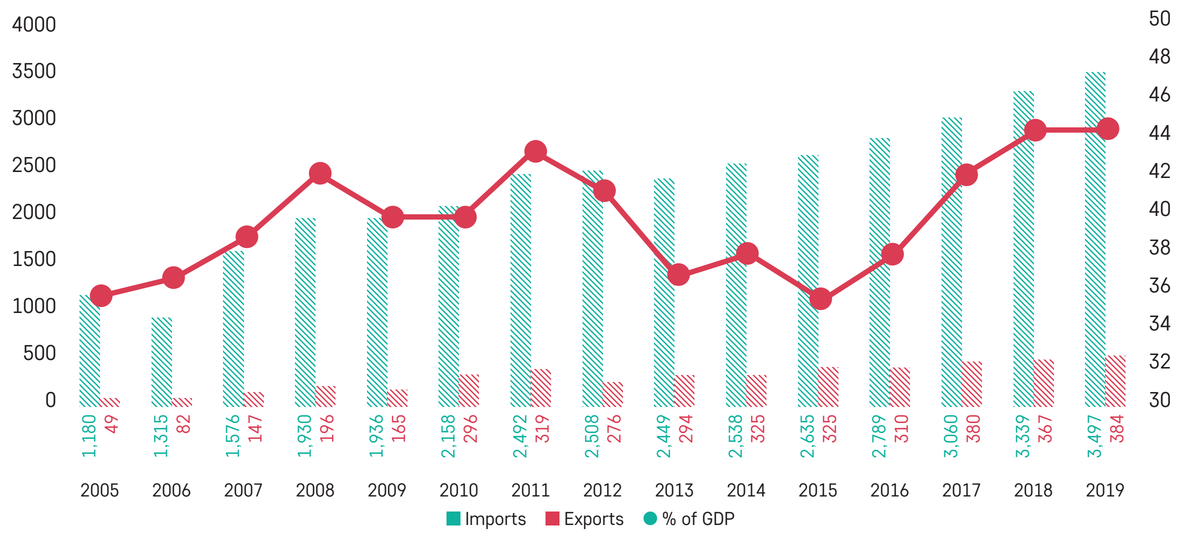


SOURCE: IMF WORLD ECONOMIC OUTLOOK DATABASE (2018)

Between 2004 and 2008, income transfers took the form of remittances (15% of GDP), accompanying a pattern of trade liberalization and a high negative current account balance-to-GDP ratio, resulting mainly from the deteriorated trade balance. Figure 3 illustrates the deficit of trade in goods in Kosovo, that share above 30% of GDP.

The third period, from 2008 to the present, although with very similar macroeconomic limitations of high unemployment, unsustainable GDP growth rates, and high trade deficit, is marked as the period after the declaration of independence. This has particularly influenced the approach of Kosovo institutions towards participation in regional trade agreements, such as CEFTA, and joining the EU economic agenda and legislation. In 2015, Kosovo signed a Stabilization and Association Agreement (SAA) with the EU, which aimed to follow an economic reform agenda towards a free trade area with the EU and application of EU standards. So far, the alignment with European standards in Kosovo is at an early stage. While legislative alignment has made progress in many areas, implementation is weak.

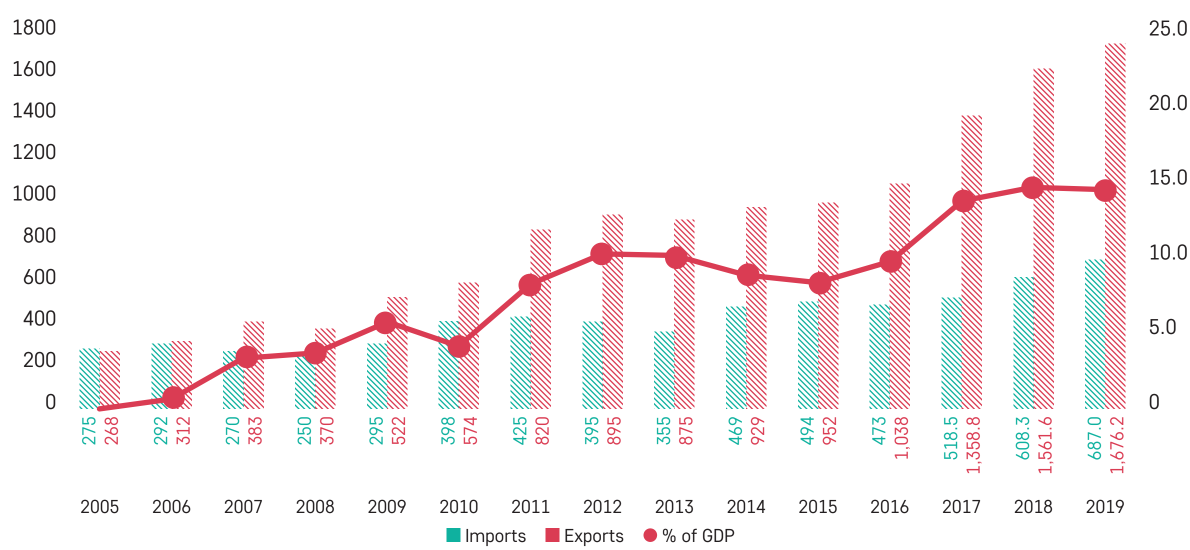
FIGURE 3: International trade in goods, Kosovo 2005-2019



SOURCE: EUROSTAT (2020)

National output is largely dependent on the service industry. Services make up to 70% of products and services produced, and 80% of overall employment (KAS, 2020). From 2008 – 2019, the largest service sectors in Kosovo are trade, real estate, and construction. In fact, in most of the service sectors, the balance of trade is positive (Figure 4.). Dependence from the service sector, nevertheless, poses a threat to the economy since productivity in the service sector does not increase at the same pace as that in the manufacturing sector, resulting in a slower growth and employment generation.

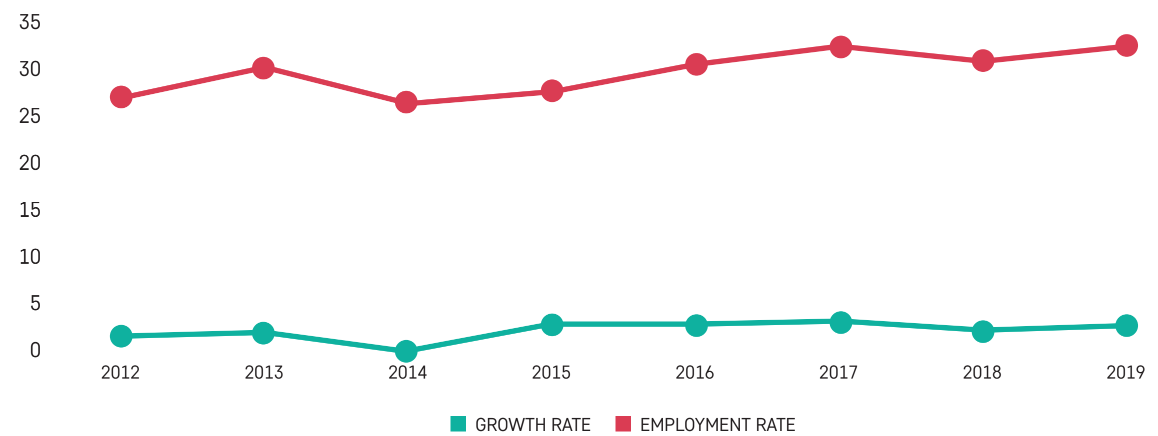
FIGURE 4: International trade in services, Kosovo 2005-2019



SOURCE: EUROSTAT (2020)

Economic development in all sectors has not resulted in significant employment generation, which is typically the goal of any development strategy. On the contrary, despite positive growth rates in Kosovo, the employment rate (as a share of the population aged 15-64) has remained low – fluctuating between 25 and 30% between 2012 and 2019 (Figure 5).

FIGURE 5: Employment rates and growth rates (2005-2019)



SOURCE: IMF (2020) AND KAS (2020)

Parallel to high unemployment rates, Kosovo has kept high poverty levels. Based on data from KAS household budget survey, an average of 19% of Kosovo citizens have lived under poverty over the 2012-2015 period, and an average of 6.5% under extreme poverty (below 1.82 EUR per day). Analysed on the rural/urban point of disaggregation, there is a difference of almost three percentage points between the average levels of poverty and extreme poverty in the rural areas (18% and 6%, respectively) and urban ones (21% and 7%, respectively) (KAS, 2017).

FIGURE 6: Poverty levels in Kosovo

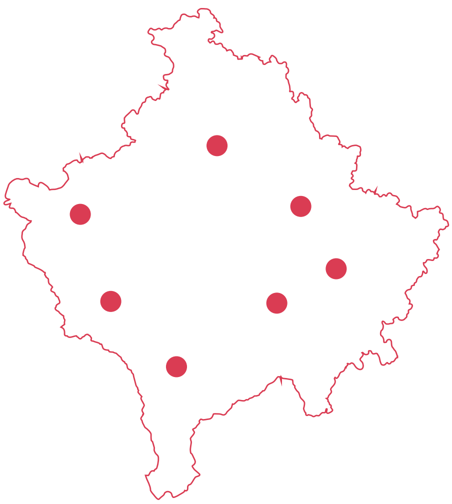
SOURCE: KAS (2017)

1.3.2 Economic trends - regional level

In the absence of economic performance disaggregate data, regional development trends are viewed by looking at tax income activity as a proxy. The outlook of economic development at the regional level confirms an economic activity that is occurring to a large extent in the capital area of the Pristina region.

Table 4 presents data on active businesses in Kosovo regions and the number of employees in the region. These data show how business activity is focused in the region of Pristina, where 38.6% of active businesses are located, as well as the largest share of employees actively paying taxes.

TABLE 4: Active businesses and registered employment by region, 2017



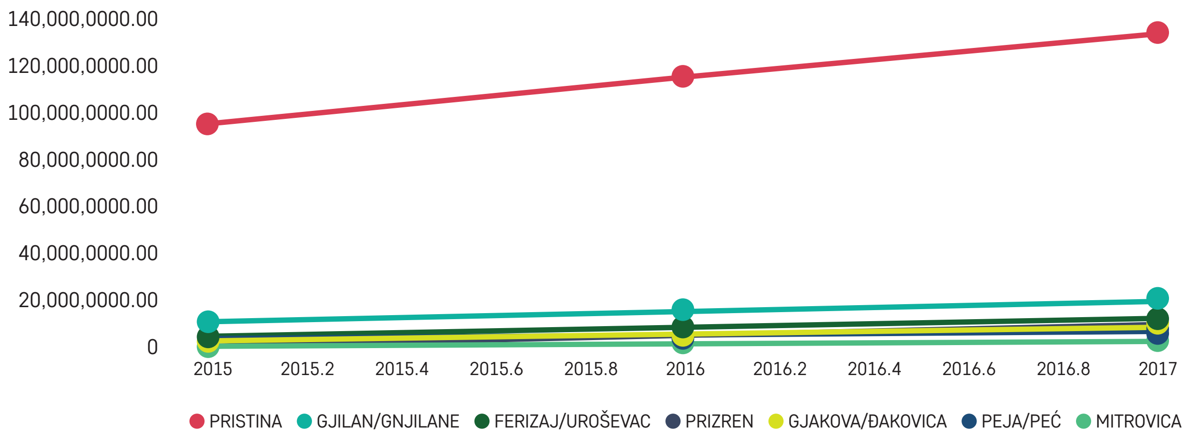
Region	Number of business	% age of total	Number of employees	Share of tax collected
Ferizaj/ Uroševac	3094	11%	12184	7%
Gjakova/ Đakovica	1582	5.60%	6012	3.1%
Gjilan/ Gnjilane	2644	9.40%	11377	5.8%
Mitrovica	2158	7.70%	8700	4.8%
Peja/Peć	2658	9.50%	11471	6%
Prizren	4772	17%	18804	10.4%
Pristina	10832	38.60%	141024	62.9%
Total	28032	100%	269475	100%

SOURCE: TAX ADMINISTRATION OF KOSOVO (2017)

Between 2015 and 2017, tax income from the region of Pristina has presented around 63% of the overall income collected from taxpayers. The second biggest economic region is that of Prizren, which presents around an average of 10% of the overall tax income in Kosovo (2015-2017). Whereas the smallest economic output occurs in Gjakova/Đakovica and Mitrovica regions, where the contributions to national tax income reach 3% and 5%, respectively.

Overall, although the tax collection in nominal terms has increased in total and in all regions (excluding Gjakova/Đakovica), the share of each region's contribution towards the national tax income remains the same. So, there seem to be no significant changes in the relative size of economic activity in any of the regions over time.

FIGURE 7: Tax Administration of Kosovo, 2017



SOURCE: TAX ADMINISTRATION OF KOSOVO, 2017

1.3.3 Migration

Among the main demographic trends that have characterized the recent decades of the country is migration. Currently, the main drivers of migration, as identified by KAS, include the pursuit of better economic conditions and jobs, pursuit of higher or better education, leaving because of the 1998-1999 war and other political reasons, family reunification, among others.

According to official data collected during the census, the total number of people born in Kosovo who have emigrated from the country is 380,826, which make a share of 21.4% of the Kosovar population living outside Kosovo. The top destination countries for Kosovars migrating are Germany and Switzerland, followed by Italy and Austria. Table 5 shows the top 10 destination countries of people leaving Kosovo.

TABLE 5: International Migration by country

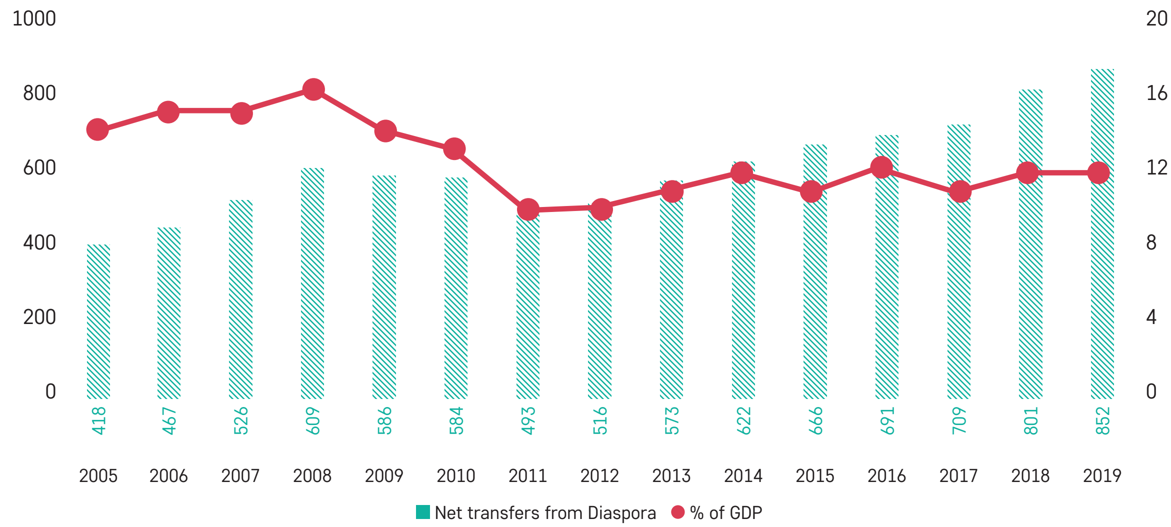
Countries	%
Germany	35.35%
Switzerland	22.94%
Italy	7.26%
Austria	5.61%
Sweden	5.14%
USA	3.53%
France	3.25%
UK	2.79%
Belgium	2.07%
Slovenia	1.78%
Other	10.38%

SOURCE: POPULATION CENSUS 2011

The wish to migrate in pursuit of a better life remains high, especially among young people. The 2018 Public Pulse opinion poll from UNDP, shows that 58% of the youth from the age of 18 to 35 have declared that they are likely to consider migrating in the next three years. Data disaggregated based on ethnicity shows higher tendencies for migration among minorities. Kosovo Egyptian (71%), Kosovo Ashkali (50%), Kosovo Bosnian (50%), and Kosovo Roma (44%) respondents stated they would consider migration. Around 37.8% of Kosovo Albanians and only 1.1% of Kosovo Serb respondents stated they would consider migration (Public Pulse, 2018).

The role of migrants has been crucial in financing economic activity in Kosovo. Remittances present a core secondary income for the Kosovar balance of payments. Figure 8 shows that the size of remittances over the period 2005- 2019 has fluctuated from 10%-16% of GDP.

FIGURE 8: Net transfers from diaspora (2005-2016)



SOURCE: CENTRAL BANK OF KOSOVO (2018)

1.3.4 Labour market trends

The share of the working-age population living in Kosovo is 65% of the overall population, or 1,135,463 citizens. Yet a much smaller share of this population is engaged in the labour market since the labour force participation in Kosovo is one of the lowest in the region, with an average of 39% participation rate over the period 2012-2017 (see Table 6).

TABLE 6: Key labour market indicators (% of working-age population)

	2012	2013	2014	2015	2016	2017	2018	2019
Labour force participation	36.9	40.5	41.6	37.6	38.7	42.8	40.9	40.5
Inactivity	63.1	59.5	58.4	62.4	61.3	57.2	59.1	59.5
Employed/total population	25.5	28.4	26.9	25.2	28.0	29.8	28.8	30.1
Unemployment rate	30.9	30.0	35.3	32.9	27.5	30.5	29.6	25.7
Youth unemployment rate (15-24)	5.3	55.9	61.0	57.7	52.4	52.7	55.4	49.4

SOURCE: LABOUR FORCE SURVEY, KAS (2020)

The high inactive share of the working-age population appears to be out of the labour market for diverse reasons. According to the 2017 survey from Millennium Foundation Kosovo, the most common reasons for inactivity are: reasons related to engagement in professional education or training (26.4%), responsibilities of looking after children (22.2%), and believing that no work is available (18.7%). So, a significant portion of the inactive labour force included discouraged workers (18.7%), citing their reasons for inactivity as believing that there is no work available.

The nature of employment in Kosovo, independent of the administrative region is highly traditional with a fixed workplace, and little availability of working remotely or from home. On average, only 4% of the workers in Kosovo have claimed to be working from home.

TABLE 7: Working age population

Region	% age of total	Share of tax collected	Share of tax collected	Number of business
Ferizaj/Uroševac	88.5%	2.2%	8.3%	28020
Gjakova/Đakovica	87.3%	3.9%	7.3%	19299
Gjilan/Gnjilane	84.7%	4.8%	5.8%	30139
Mitrovica	92%	2.2%	8.9%	25421
Peja/Peć	87.6%	5.1%	4.8%	30528
Pristina	93.4%	1.7%	5%	95225
Prizren	82.9%	6.5%	8.6%	43851

SOURCE: KAS, POPULATION CENSUS (2011)

CHAPTER 2: THE DEMAND SIDE

This chapter will focus on presenting the demand for employment by businesses operating in Kosovo. The main information that will be presented will be regarding: i) general factors that influence the business environment and employment generation; ii) identifying important sectors for employment generation; and iii) presenting sector-specific analysis on labour demand conditions. The objective of the chapter will be to present the most prevalent barriers preventing businesses from creating new jobs, the most important sectors for employment generation in selected regions, the most needed occupations, the expectations of businesses in terms of: i) the number of demanded workers; ii) occupations; iii) working conditions; and iv) wages.

2.1. General factors influencing the business environment

This subsection will present information and analysis on barriers that prevent businesses that operate in Kosovo from creating new jobs and financial market conditions and policies (investment; interest rates; long-term financing; outstanding loans; non-performing loans). Some information will be presented at the national level, meanwhile other information at the regional level.

2.1.1 Barriers preventing businesses to create new jobs (regional level)

Research conducted on the business environment in Kosovo shows that numerous barriers prevent businesses from creating new jobs. A prior study on the business environment conducted by Riinvest Institute (2017) has shown that for the year 2016, 'small local market (low demand)' was the number one barrier that hindered business growth, followed by 'corruption', 'high-interest rates' and 'fiscal evasion and informality'. Meanwhile, in a similar study conducted in the year 2013, the top five identified barriers for that year were 'high cost of finance', 'corruption', 'lack of government subsidies', 'unfair competition' and 'dysfunctional judicial system' (Riinvest Institute, 2013). These barriers were reported by businesses as the main ones that hinder their growth. Businesses also complained about lack of access to finance. Although bank loans are available for small and medium businesses, micro-businesses are significantly underserved (Kosovo Job Diagnostics, 2017). Major banks in Kosovo have not served microbusinesses, making micro-businesses in this way much more likely to be credit constrained than other types of businesses (Kosovo Job Diagnostics, 2017). Access to affordable finance is crucial for business growth and employment growth. Moreover, access to finance is also highly relevant for business start-ups. These barriers prevent everyday operations and business growth as well, hence by implication also job creation. The studies did not directly test whether these barriers have prevented businesses from creating new jobs; however, if they prevent businesses from growing then indirectly, they prevent businesses from creating new jobs as well.

Along the similar lines, a study conducted by Kosovo Chamber of Commerce (KCC) identified 'lack of skilled labour force' as one of the top five barriers to doing business in Kosovo along with 'unfair competition', 'cost and reliability of electricity', 'high-interest rates and other bank transaction costs' and 'cash shortages' due to delays in payments by customers (KCC, 2018). Lack of skilled labour force is especially stressed in the Ferizaj/Uroševac region and the most mentioned sector is wood processing (KCC, 2018). Further, the report states that the construction, manufacturing, and services sector have faced the most difficulties in finding skilled employees (KCC, 2018). A different study conducted by KCC (2017), concluded that businesses in Kosovo would be willing and able to create new jobs in the next three years if they were able to find employees with the required and adequate skills.

Further, data from Municipal Competitive Index, designed to assess ease of doing business and the role of economic governance in ensuring a favourable business environment at the municipal level (Riinvest Institute, 2018), reveal more information. The MCI is a construct of 8 standardized sub-indexes measuring key dimensions of the impact of local governance on the business environment. Data show that the sub-index of 'Transparency' has been ranked as the lowest from 8 sub-factors in all regions of Kosovo. This sub-index measured how easy it is for businesses to access information on the municipal budget, local regulations, local business licenses for business operation and information regarding the upcoming tenders to be announced by the municipality where they operate. All of the regions have ranked relatively low in this sub-index. The index did not directly measure if low transparency prevents businesses from creating new jobs; however, if businesses find it difficult to access information on local tenders then that might impact their growth and as a result their ability to hire new employees. Regarding 'Participation and Predictability' which measured the extent to which businesses in Kosovo participate in local decision making and the extent to which they consider that the government is open to cooperate with them towards achieving mutual goals, results show that all the seven regions rank low in this sub-index as well. This means that in the seven regions of Kosovo there is an environment of local governance where businesses are not engaged, or participate in guiding policymaking. This is also manifested with businesses not being able to predict the potential shifts in regulations or policies, or the degree of their implementation. The report has also identified that at the national level around 40% of businesses interviewed faced problems hiring employees in the last two years due to a lack of skilled job seekers (Riinvest, 2018). The sub-index score at the national level is 4.7, signalling a poor match of labour demand from businesses, and insufficient business support.

According to the World Bank (2017), there is limited job creation and business expansion mainly due to the country's current growth model. The current domestic productivity is too low and despite recent progress, the pace and types of growth have not translated into opportunities for formal employment, particularly in the tradable sector. There are large imports and very few exports, showing that there is limited competitiveness limiting in this way business expansion and opportunities in tradable coupled with inadequate human capital base leads to a lack of job creation. Stable consumer demand is driven by remittances; meanwhile, supply by domestic producers has been limited primarily to services. Although there is potential for exports, goods, and services made in Kosovo are uncompetitive, making exports stagnant.

Despite improvements in the business climate, businesses still face problems that hinder their development (World Bank, 2017). Some of the most cited problems in doing business are resolving insolvency, enforcing contracts, construction permits, trading across borders, and getting electricity. Although not directly linked to job creation, weak contract enforcement has created concerns among investors and companies in Kosovo and it has contributed to high-interest rates at commercial banks.

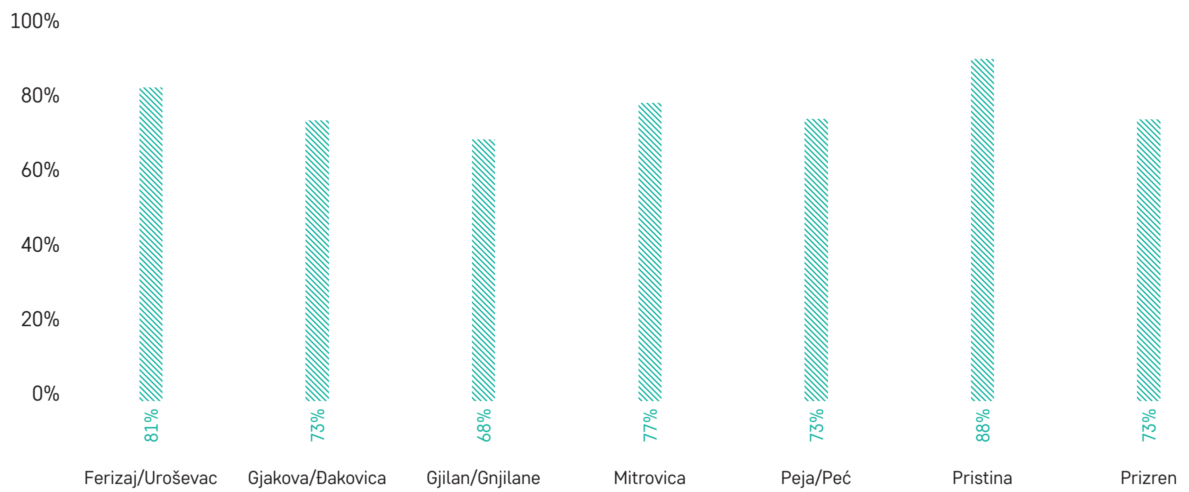
Another problem with job creation is the fact that 90% of Kosovo's firms are micro-firms with one to nine employees, which tends to not grow (Kosovo Job Diagnostics, 2017). Among firms that start as micro only four% grow beyond nine employees within five years. In contrast to other countries where larger businesses provide most jobs, in Kosovo employment creation is accounted for equally by micro-businesses and larger businesses. More specifically, large firms employ 35% of employees but they represent only 0.5% of the firms operating in Kosovo, meanwhile micro businesses account for 36% of employment and comprise 91% of the firms operating in Kosovo.

Further constraints to job creation are the small domestic market and limited integration (Kosovo Job Diagnostics, 2017). Although important markets are close, the transfer of products depends on transit through other countries due to Kosovo being landlocked. Further, limited transport infrastructure increases the cost of accessing international markets, and the cost of intermediate inputs and imports.

Prior research has shown that the quality of business environment impacts employment generation and growth. In order for employment to grow, businesses need to operate in an environment that has good governance and accountability, low levels of corruption, suitable infrastructure, efficient judicial system, fair competition, and access to affordable financing (Human Development Group, 2014). Kosovo institutions need to work harder to create such an environment that enables businesses to grow and develop successfully.

For the purposes of this study, Riinvest Institute conducted a survey with 744 businesses operating in the seven geographical regions of Kosovo and asked them questions that enabled the team to understand barriers that businesses face and their plans for expanding/developing. Results show that around 78% of respondents plan to expand their business in the next three years, i.e. that they plan to hire more employees, invest, and/or add new products or services to the market. When analysed by region (see Figure 9), there are some differences with the highest percentage of companies that plan to expand being based in Pristina region (88%) and lowest in Gjilan/Gnjilane region (68%). Around 28% stated that they plan to start exporting or increase exports in the next three years.

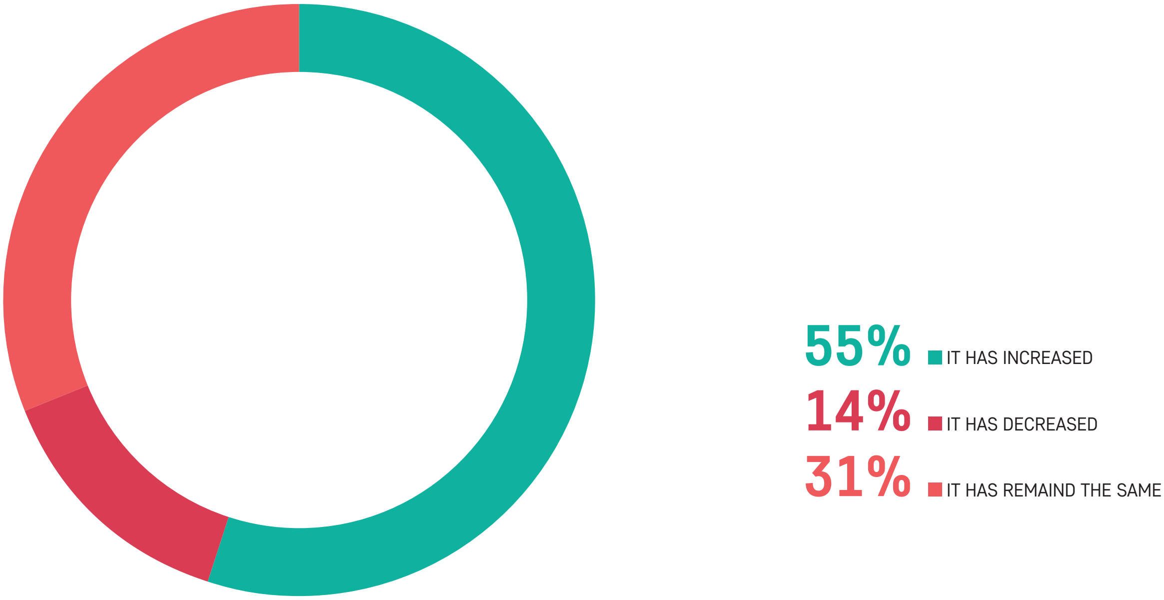
FIGURE 9: Business expansion plans (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding turnover, around 55% of companies stated that their turnover has increased compared to three years ago, 14% declared that is has decreased and 31% stated that it has stayed the same (see Figure 10). The average increase in turnover is 22.7% meanwhile the average decrease is 23.6%. A relatively good percentage of companies reported that the turnover has remained at the same level as it was before and this coincides with the finding that a limited number of companies tend to grow in Kosovo (Kosovo Job Diagnostics, 2017).

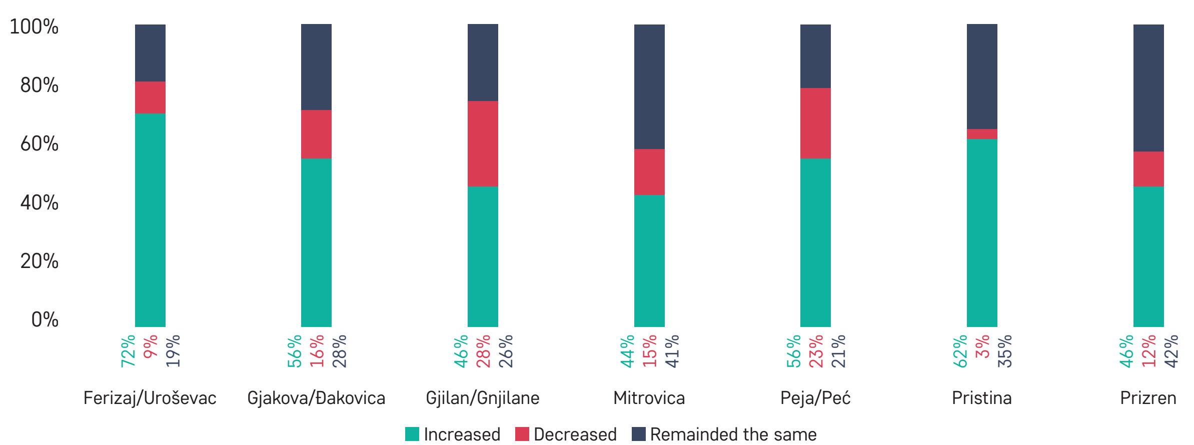
FIGURE 10: Turnover change compared to three years ago



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When analysed regionally, the highest increase in turnover can be realized in Ferizaj/Uroševac (72%), followed by Pristina (62%), Gjakove/Đakovica, and Peja/Peć with 56%, Gjilan/Gnjilane and Prizren with 46%, and Mitrovica with 44%. Meanwhile, the highest number of companies that declared that their turnover has decreased are based in Gjilan/Gnjilane (28%) and Peja/Peć (23%). A relatively high percentage of businesses in Prizren (46%), Mitrovica (41%) and Pristina (35%) have declared that their turnover has remained the same (see Figure11).

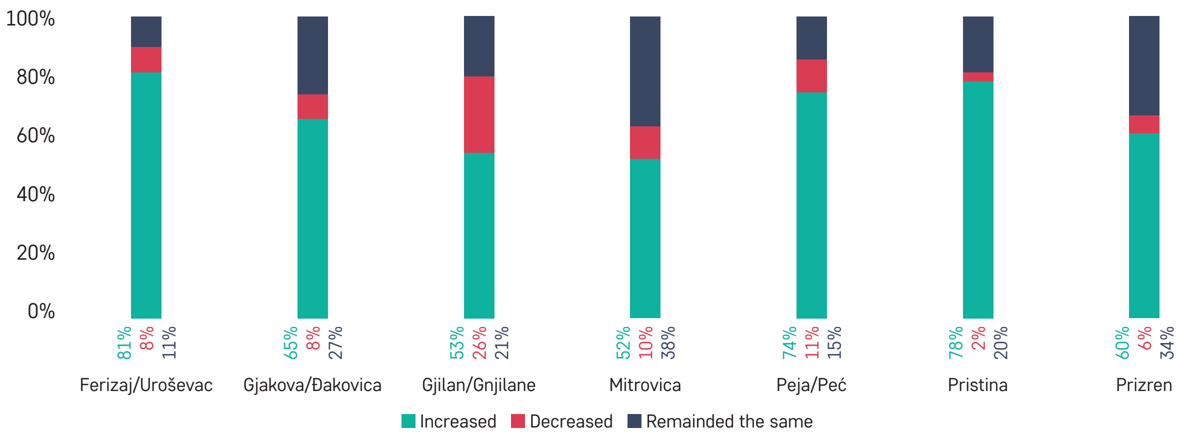
FIGURE 11: Turnover change compared to three years ago (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Roughly 67% of surveyed companies expect their turnover to increase in 2019 compared to 2017 (see Figure 12) and the expected increase is 20% on average. Around 9% expect their turnover to decrease by 16% on average and 24% expect the turnover to remain the same in 2019 as it was in 2017. Comparing across the seven regions it can be noticed that there are some differences. Ferizaj/Uroševac, Pristina, and Peja/Peć region lead with 81%, 78%, and 74% of businesses, respectively, stating they expect their turnover to increase. Followed by Gjakove/Đakovica and Prizren region where 65% and 60% of companies, respectively expect their turnover to increase. Gjilan/Gnjilane and Mitrovica region are close by with 53% and 52%, respectively, of companies expecting their income to increase. Comparing to the previous figure, it can be seen that there are some trends as Gjilan/Gnjilane and Mitrovica marked the lowest percentage of companies that declared an increase in turnover compared to three years ago. The highest decrease is expected in Gjilan/Gnjilane (26%), Peja/Peć (11%), and Mitrovica (10%). This result is also similar to the result in the previous figure. Companies in general foresee a similar trend for 2019 as it was three years ago.

FIGURE 12: Turnover change expected in 2019 compared to 2017



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding the sector in which they operate, 65% expect that their sector will grow in the next three years, 9% expect it to decrease, 16% expect it to remain the same, and 10% are not sure.

In order to understand the barriers that businesses face in expanding, the team asked them to rank in terms of intensity where points for each barrier can vary from a minimum of 20 points to a maximum of 100 points, where a higher intensity shows a higher negative impact on business growth.[3] Results (see Figure 13) show that "unfair competition due to corruption or informality" and "strong competition" top the list of barriers with 70 and 69.4 intensity points, respectively. A business environment that is characterized by high corruption and informality prevents new and existing firms from expanding and creating new jobs. Unfortunately, this barrier continues to persist throughout the years. Businesses in Kosovo continue to be confronted with corrupt public officials and/or inefficient regulations that have made bribery an inevitable act necessary to get things done. Corruption has been confirmed as a problematic phenomenon by Transparency International. In 2018 Kosovo scored a Corruption Perception Index (CPI) of 37 (0 – most corrupt; 100 – least corrupt) and was ranked 98th in the rankings of 180 countries– that is worse than Serbia which is ranked 87th and Bosnia and Herzegovina (89th).

3 For each obstacle, the rank given by each enterprise (from 1-4) is multiplied by a weight equal to the rank (also 1 to 4), i.e., the more serious obstacles get a higher weighting). The weighted average is then divided by 4 (the maximum rank) and multiplied by 100 in order to convert the score into a percentage showing how close to the maximum ranking the average rank is. In other words, the score was calculated as: s=(wixi/n)*100/4, with wi=xi; s is the score for the intensity of each obstacle, w is the weight, x is the ranking given by each respondent and i=1,2,....,n stands for each respondent.

Labour supply barriers appear to be problematic as well. "Difficulties in finding new employees that have the required skills" has reached the highest intensity points (64), in line with other recent studies. The other highly ranked barrier in the group of labour supply barriers is "the emigration of the workforce" with 61.7 intensity points. This barrier can be explained by the fact that in the years 2013, 2014 there were two big waves of people emigrating from Kosovo. Further, in 2017 as well there was another wave of Kosovo citizens immigrating to western countries in pursuit of a better life. The emigration has resulted in many businesses losing their current employees and not being able to find new ones. Meanwhile "skills of current employees" and "internal migration of the workforce" were ranked at the bottom with 48 and 44.6 intensity points, respectively.

Access to finance and the cost of finance were ranked with 54.5 intensity points. Compared to 2016, the figure has slightly decreased from 56.5 intensity points. This has happened due to the fact that banks have increased their offers and also interest rates have decreased (CBK, 2018). Another barrier was "limited contacts with partners outside Kosovo" which was ranked with 54 intensity points. This is a relatively mild barrier; however, it still poses problems to businesses in growing and expanding. Businesses operating in Kosovo usually create contacts with partners outside Kosovo through participating in fairs or business to business meetings which are usually financed by donor organisations operating in Kosovo. There is only a limited number of businesses that can finance themselves their participation in international fairs. As such, there is limited contact between businesses operating in Kosovo and partners outside Kosovo.

FIGURE 13: Barriers businesses face in developing their business

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

2.1.2 Barriers by region

If analysed by region, in Ferizaj/Uroševac the top three highest-ranked barriers are strong competition (68.6 intensity points), unfair competition due to corruption and informality (65.8 intensity points), and limited contacts with partners outside Kosovo (65.6). The first two top barriers are similar to the results for Kosovo in general. Unfair competition continues to remain a very serious barrier that hinders business development. Other problems for businesses operating in Ferizaj/Uroševac region are access and cost of finance (60.7) and employee emigration (59.0).

In Gjakove/Đakovica region, the highest-ranked barriers were a mix of labour supply barriers and other types of barriers. The highest-ranked barrier is employee emigration (75.4), followed by unfair competition (72.3), difficulty in finding new skilled employees (69.4), and strong competition (68.5). Milder barriers were access and cost of finance (53.5), employee skills (51.7), limited contacts with partners outside Kosovo (43.1), and employee migration within Kosovo (42.3).

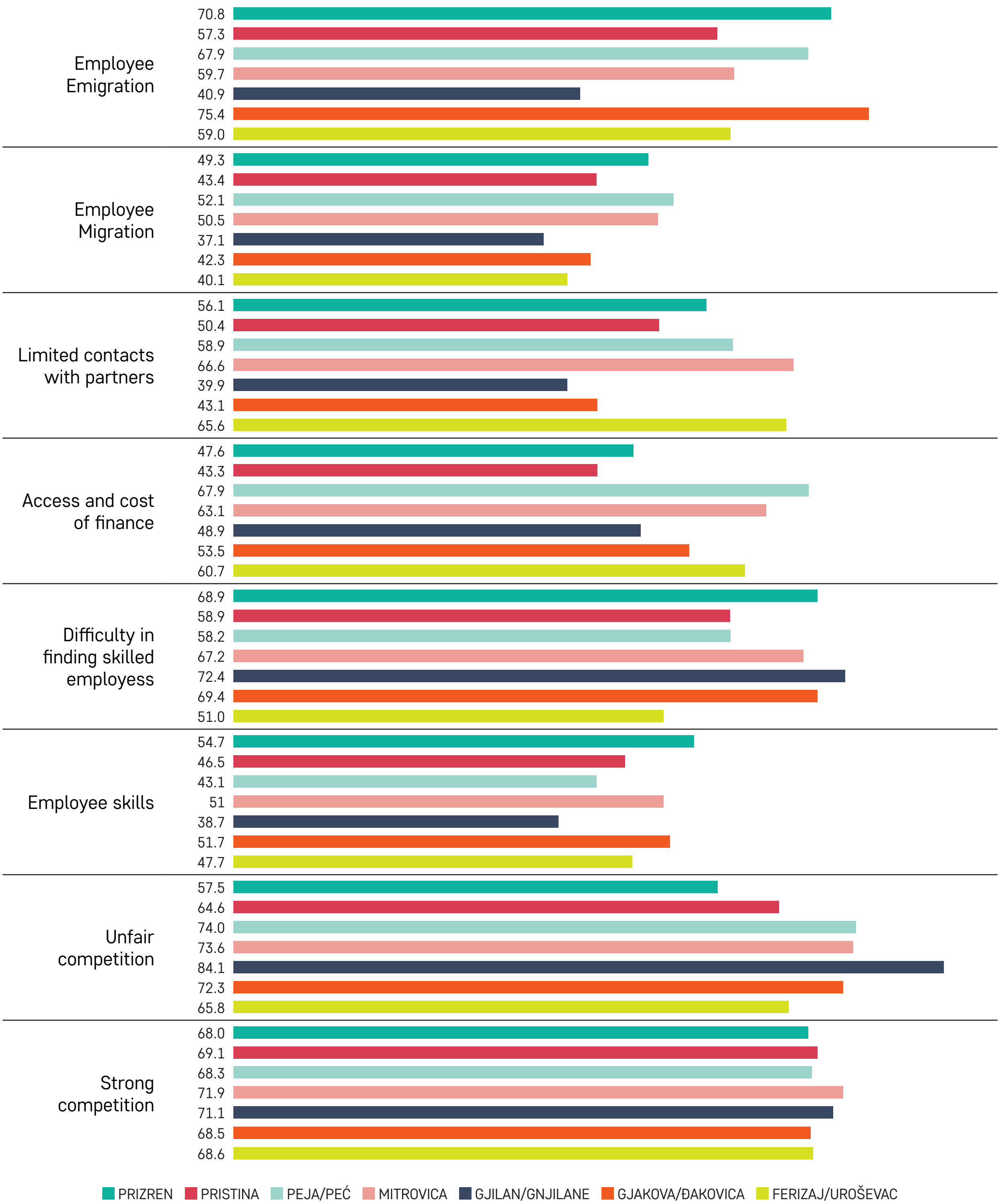
In Gjilan/Gnjilane region, businesses perceive unfair competition to be as the top barrier that hinders their development the most (84.1 intensity points). Further, it should be noted that this is the highest intensity point in all the regions and for all barriers. This indicates that businesses operating in Gjilan/Gnjilane region perceive that they have to operate in an unfairly competitive environment where some businesses are "favoured" by engaging in corruptive behaviour and not declaring their revenues or employees correctly, meanwhile other businesses have to abide to all regulations. One reason for such a highly ranked barrier might be a low number of inspectors and weak punishments. The second-ranked barrier is difficulty in finding qualified employees (72.4). This barrier is ranked higher in intensity points than in other regions of Kosovo. Strong competition is also ranked with 71.1 points. The other barriers are relatively low in this region.

In Mitrovica region, the highest-ranked barrier is unfair competition with 73.6 points. As in other regions of Kosovo, in this region as well, businesses compete in an unfairly competitive environment. The next barrier is strong competition with 71.9 points. Difficulty in finding qualified employees is ranked as the third barrier with 67.2 points. Ranking wise, it is similar to other regions of Kosovo, however, the intensity points differ slightly between regions as in Gjilan/Gnjilane this barrier has the highest intensity point. One reason for this might be that potential employees have emigrated to western countries or migrated to other regions in Kosovo. Further, the same as in Kosovo overall, in Mitrovica as well there is a miss-match in labour market. Other labour supply related barriers such as employee skills, emigration, and migration are ranked as mild barriers with 51.0, 59.7, and 50.5 intensity points, respectively. Access and cost of finance is ranked second highest in this region, after Peje with 63.1 intensity points. One reason for this result might be due to the lower presence of banks in the northern municipalities and as such fewer offers.

Similar to other municipalities in Kosovo, in Peja/Peć region businesses perceive unfair competition to be the highest barrier (74) that prevents their development. This number is slightly higher than the overall number for Kosovo in general which is 70 points, however, it is second highest after Gjilan/Gnjilane with 84.1 points. One reason might be a low number of inspectors and weak punishment or a high number of unresolved cases. Other barriers such as strong competition and access and cost of finance are ranked relatively high with 68.3 and 67.9 intensity points. Different from other regions, Peja/Peć region has put these three barriers as the top three ones. From the labour-supply related barriers, employee emigration has been ranked as the highest with 67.9 points, followed difficulty in finding skilled employees (58.2), employee migration (52.1), and skills of current employees (43.1). Peja/Peć region has the third-highest intensity score for labour emigration after Gjakove/Đakovica and Prizren. These three municipalities seem to have had the highest consequences from the three waves of emigrations. In the Pristina region, strong competition is ranked as the highest barrier with 69.1 points. One reason for this is that majority of Kosovo businesses are concentrated in the Pristina region and as such the problem of strong competition might be higher than in other regions of Kosovo. However, there are no significant differences when it comes to other regions in Kosovo as the points are fairly similar among regions. The only difference is in the ranking. Unfair competition is ranked second with 64.6 points marking a lower number than the result for overall Kosovo and a lower number compared to other regions of Kosovo. One reason might be that in Pristina there is a higher number of labour inspectors and inspections can happen more often. The next two barriers are difficulty in finding skilled employees (58.9) and employee emigration (57.3). Again, the highest concentration of businesses is based in the Pristina region, and as such businesses might end up competing for employees and recruiting the ones with the needed skills. Other barriers are considered as mild or lower-level barriers.

In the Prizren region, the highest-ranked barrier is employee migration with 70.8 intensity points. This is the second-highest intensity point for this barrier after Gjakove/Đakovica. These two regions perceive employee emigration as a relatively big problem that hinders their business growth. The second highest barrier is difficulty in finding skilled employees with 68.9 points. Both barriers are labour supply related. This region seems to face problems with labour supply because of emigration and lack of required skills. Strong competition is the third-highest ranked barrier with 68 points. The intensity of this barrier does not differ from other regions. Other barriers are perceived as mild or lower-level barriers. For detailed information on each barrier see Figure 14.

FIGURE 14: Barriers by region



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

2.1.3 Financial market conditions and policies (investment; interest rates; long-term financing; outstanding loans; non-performing loans) (national level)

Banking sector loans for the third consecutive year were characterized by double-digit growth. In 2018, the loan portfolio expanded by 10.9% while the total value of loans reached 2.76 billion euros. Factors contributing to the increase in lending in 2018 were the increase in demand for loans by both enterprises (most notably SMEs) and households (CBK, 2019).

For more, Loans to enterprises in 2018 marked an annual growth of 10.8%, double-digit growth for the second consecutive year. In 2018, almost all sectors of the economy recorded a lending growth, with the exception of mines, which marked an annual decrease of 54.4%. (CBK, 2019). Sectors that recorded the most significant lending growth during 2018 were the construction with 20.7%, manufacturing 16.3%, and trade sectors 7.6% (CBK, 2019).

While new loans to enterprises in 2018 recorded an annual increase of 4.9%, excluding new loans to other sectors that marked a decrease, all other categories of new loans were characterized by growth. Structure of loans to enterprises by economic activity continues to be dominated by the loans intended for the trade sector, followed by those for production and construction (CBK,2019)

Among the factors that supported lending to small and medium-sized enterprises in 2018 was the Kosovo Credit Guarantee Fund, whose use has marked a steady growth trend. The cumulative number of banks' loans to SMEs, guaranteed by KCGF, amounted to 2,262 at the end of 2018 (785 at the end of 2017). The total amount of guaranteed loans in 2018 marked 87.2 million euros, an increase compared to the guaranteed value of 30 million euros in the previous year (CBK.2019).

The agriculture, forestry, and fisheries sector represented 7.0% of the total guaranteed loan portfolio. Positive prospects of increasing KCGF value and the focus on supporting specific sectors with more difficult access to finance such as the agriculture sector are expected to be reflected in further loan growth for SMEs in general and certain sectors in particular (CBK, 2019).

The value of Non-Performing Loans (NLP) continued to decrease (CBK, 2018). This has happened primarily as a result of an increase in write-offs by banks upon the entry into force of the new regulation which makes write-offs mandatory under certain deadlines. The level of non-performing loans in relation to total loans in 2018 was reduced by 0.6 percentage points, down to 2.2 percent, the lowest level in recent years. Moreover, the level of coverage of non-performing loans with provisions continued to be high, at a level of 226.0% (CBK, 2019).

However, there are still numerous obstacles in the regulatory and institutional framework that hinder business access to finance. Namely, informality, lack of cadastral data, coupled with lack of financial transparency and low quality of financial reporting by businesses (CBK, 2018), limited ability to enforce contracts, to execute collateral, and to repossess property (Human Development Group, 2014). Further, although interest rates have decreased, they are still considered to be high by businesses. The main reasons for the high cost of credit are weak contract enforcement, lack of reliable financial statements by businesses, and uncertainty about property rights (Human Development Group, 2014). Despite the introduction of notary services and alternative dispute resolution mechanisms, difficulties in enforcing contracts and the execution of collateral are marked a significant source of credit risk, reflecting in this way in a higher cost of credit (Human Development Group, 2014).

2.2 Identifying important sectors for employment generation

This section will focus on presenting exports by sector in order to identify growth/potential, trends/patterns and analyse the demand for labour in terms of occupations.

2.2.1 Exports by sector to identify growth/potential trends/patterns (national level)

Prior research has shown that exports that have the potential for employment generation are manufacturing sector such as the production of garments, textiles, food (World Bank, 2017), and construction sector (KEEN, 2017). Another important sector with high growth potential and employment generation and export is wood processing (KEEN, 2017). In services, the ICT industry is already a major source of employment and has the potential to transform Kosovo's economy, given the direct impact on other sectors and human capital formation (World Bank, 2017).

Further, according to data from the Kosovo Agency of Statistics (KAS, 2019), several products that have had a positive trend in exporting. Data for export of herbal products show that from 2010 to 2014 there was an increasing trend (12.2 million to 18.5 million) with a slight decrease in the years 2015 and 2016 (15.5 million and 16.7 million), but picking up significantly in 2018 (23.8 million). Further, readymade food, drinks, alcoholic beverages, and tobacco have shown a steady increase from 2010 where they marked 11.5 million to 39.1 million in 2018. Mineral products as well show a positive trend by increasing from 38.9 million in 2010 to 72.7 million in 2017, with a decrease in the year 2018 in 51.2 million. Plastics, rubber, and products made from both of these materials have also shown a positive trend in exports by increasing from 8.2 million in 2010 to 44.7million in 2018. Base metal and articles made of it have shown the highest share of exports since 2010. However, the trend is fluctuating from 2010 to 2017. The amount starts at 186 million in 2010 and rises up to 193 million in 2011. It drops to 145.8 million in 2012, 145.9 million in 2013, 167.4 million in 2014, 157.7 million in 2015, 111.2 million in 2016, and 135.4 million in 2017, and 125.2 in 2018. Products from fat exported in the amount of 100 million in 2010, dropped in 2011 to 45 million, increasing back to 59 million in 2012, decreasing again 46 million in 2013, 19 million in 2014, 41 million in 2015, 9 million in 2016, 179 million in 2017 and, 343 million in 2018. Paper and products made from paper have also had a positive trend in exports increasing from 959 thousand in 2010 to 5.3 million in 2018. Products made from stone, plaster, ceramic, and glass have also shown a positive trend in exports increasing from 1.4 million in 2010 to 7.8 million in 2018. Leather and products from leather show a positive trend increasing from 9.7 million in 2017 to 11.8 million in 2017, with a decrease of 10.9 million in 2018.

However, these sectors need to function in a favourable business environment that increases productivity and competitiveness in tradable sectors in order to create sustainable jobs (World Bank, 2017). Currently, due to low competitiveness, the tradable sector is small (World Bank, 2017). Challenges are further exacerbated by a deficit in quality infrastructure, and the poor access of businesses to technology and finance, constraining their growth prospects (World Bank, 2017).

FIGURE 15: Exports (2010-2017)

	2017	2016	2015
Artwork	205	174	172
Variuos manufactured arcticles	10309	9812	4636
Arms and ammunition	0	0	0
Optical and medical instruments	593	533	337
Transportation equipment	1753	1506	1752
Machinery, mechanical and electrical equipment	9429	9234	12316
Metals and metal articles	135410	111179	157732
Perls, precious sontes, precious metals etc	4130	6	5215
Articles of stone, plaster, ceramic and glass	6480	3574	2451
Foot wear	2729	3371	3031
Textile and textile products	9941	8784	11957
Paper and paper products	5210	3977	2826
Wood and wood products	4408	3619	2463
Leather and leather products	11827	11192	10769
Plastic, sponges, gums and their products	35630	28872	23470
Products of chemical industry	5882	4703	2870
Mineral products	72698	63885	41615
Prepared food, drinks, alcoholic beverages and tobacco	36881	27649	25437
Fat (products from fat)	179	9	41
Herbal products	23430	16772	15538
Live animals, products of animal origin	846	775	666

SOURCE: KOSOVO AGENCY OF STATISTICS (2018)

2014	2013	2012	2011	2010
58	127	81	132	91
3559	2613	2452	2079	1934
0	0	0	1	0
299	562	298	583	527
941	512	673	1077	1440
13379	12590	16659	15276	10872
167387	143911	145813	193143	186131
10	113	95	22	26
2952	1195	825	1157	1435
1777	651	154	86	51
14691	12751	11433	11697	8328
2494	1751	1612	1392	959
2720	2134	1817	1627	1217
11365	11691	10418	9406	9683
16268	18205	14003	12429	8153
2608	1739	2476	2298	1363
44704	48352	36485	40575	38944
20489	19337	16051	12937	11505
19	46	59	45	100
18541	15408	14359	12766	12217
309	156	339	437	928

2.2.2 Analysis of the demand for labour in terms of occupations (national and to the extent possible regional level)

According to Employment Agency of the Republic of Kosovo (EARK), in the year 2018 the highest% age of vacancies per occupation were for service and sales works 16.5%, followed by vacancies for Operators and installers in factories and cars 16.4%, and Professional technicians and associates 15.5%, (EARK, 2019). A smaller percentage of vacancies was for Workers in agriculture, forestry and fishery (8.0%), Office Workers and Assistants (7.7%), Managers (6.2%). Region-wise, the most registered job vacancies were in the Pristina region, 35.1% (5.204 vacancies), followed by Mitrovica 14.6% (2.170 vacancies), and Gjakova/Đakovica region with 13.6% (2,017vacancies). The lowest number of registered job vacancies was in Ferizaj/Uroševac region with 8.5% (1,268 vacancies). However, data presented should be looked at with caution as not all vacancies in Kosovo are reported to EARK.

Meanwhile, according to the Kosovo Job Diagnostics report (2017), in 2015 businesses operating in Kosovo have hired professionals (26.9%), managers (26.5%), sales workers (25.4%), and service workers (24%). Other occupations demanded were technicians and associate professionals (22.1%), drivers, plant and machine operators, and assemblers (16.9), clerical support workers (14.3%), construction, crafts & related trades workers (13.6%), and elementary occupations (11.1%). The same report shows that larger and more established firms (16 and plus years of operating) hired professionals over the past three years, meanwhile younger firms (established in the last five years) were more active in hiring service workers and sales workers.

Businesses operating in Kosovo report that they need higher-value and higher-level skills such as machine operators, design and graphics experts, and marketing and sales professionals (Kosovo Job Diagnostics, 2017). The IT sector requires well-trained programmers or even graduates with basic IT skills, which prevents companies from pursuing larger outsourcing contracts (Kosovo Job Diagnostics, 2017).

In order to understand in more detail, the types of occupations that are employed and required by businesses, Riinvest has conducted a survey specifically for the purposes of this study. Questions in the survey asked businesses for the number of employees they have, for specific occupations that they have hired in their company and occupations that they will need in the next three years.

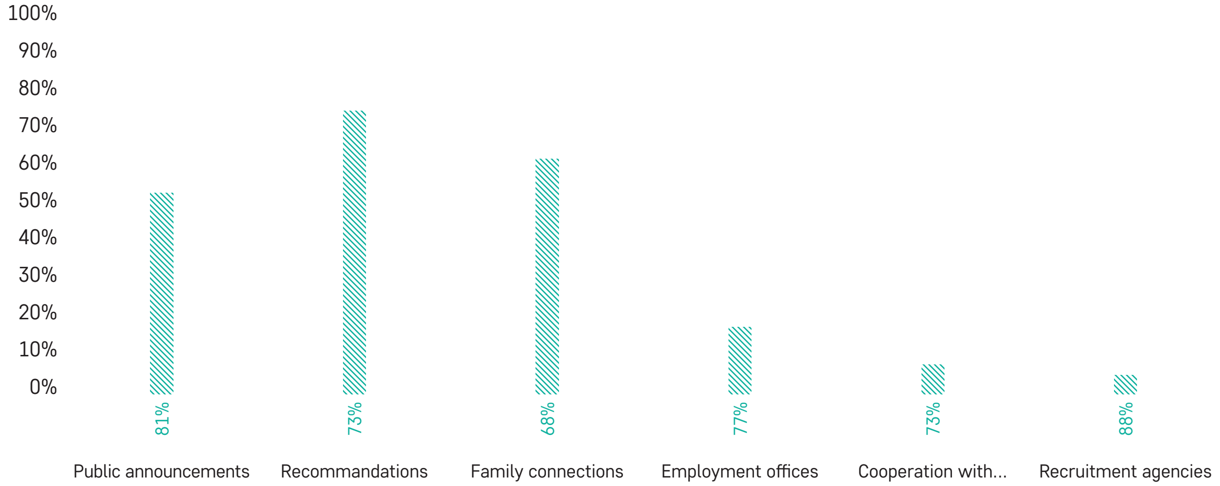
The average number of employees in the surveyed companies is 20.3, reflecting the sampling strategy which sought to survey only companies with at least 4 registered employees (according to Tax Administration of Kosovo data). Of the employees, 79% are men. The average number of full-time employees is 19, part-time 5.8 in companies that have part-time staff, seasonal 7.8 in companies that have seasonal staff, and on a project basis is 7.8 in companies that have staff on a project basis. Regarding age, the average number of employees aged up to 29 is 10.9 employees or 53.5% of employees. Meanwhile, the average number of employees who are 30 or older is 8.8 employees or 46.5% of employees. In addition to regular employees, 15% had interns at the time of the survey, the average number among companies that have interns among these companies being 3.7.

When asked about employee turnover during the last three years, companies have reported that on average 20% of their employees have quit their job. Region-wise, in Ferizaj/Uroševac the average number is 22%, in Gjakove/Đakovica the average is 19%, in Gjilan/Gnjilane 25%, in Mitrovica 14%, in Peja/Peć 20%, in Pristina 23%, and in Prizren 17%. The reason for higher averages in Gjilan/Gnjilane, Pristina, and Ferizaj/Uroševac region might be that the number of businesses operating in these regions is higher than in any other region and employees can change their place of work more frequently as they might have more options. Although around a quarter of companies did not know the reasons for their employees leaving, among those that did emigration was the most widely cited (42%), the rest being personal reasons, finding a new job, the low salary, and change in occupation. This shows that emigration is a relatively big problem for companies as potential talent is getting outside Kosovo and businesses end up losing valuable employees.

Meanwhile, the average number of companies that have fired employees stands at 20%. Region-wise, in Ferizaj/Uroševac the average percentage of fired people stands at 22%, in Gjakove/Đakovica 23%, in Gjilan/Gnjilane 34%, in Mitrovica 32%, in Peja/Peć 18%, in Pristina 15%, and in Prizren 19%.

Regarding channels used to hire employees, 51% of companies reported to have used public announcements, 73% have hired through recommendations from friends, family members or business associates, 63% have hired through family connections, 14% have reported having hired from employment offices, 6% through cooperation with educational institutions, and 3% through recruitment agencies (see Figure 16). Companies that have declared to have hired through employment offices operate in the construction sector, retail and wholesale sector, and gastronomy sector. Companies in Kosovo continue to hire mainly through recommendations and family connections. Similar results have come up in 2017 as well. Public announcements are used to some extent as well.

FIGURE 16: Methods used to recruit new employees during the last three years

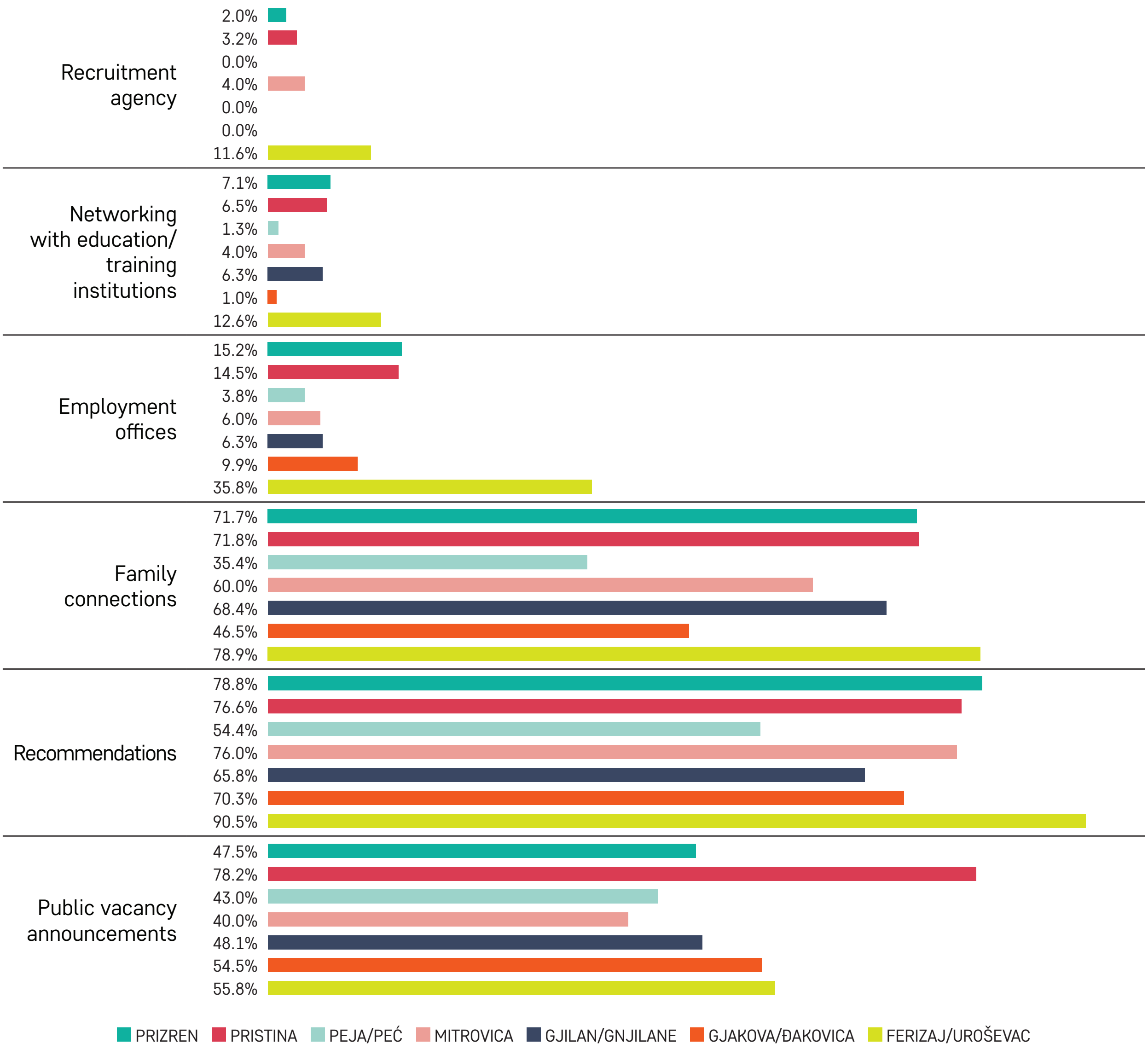


SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The ones who have hired through public announcements have stated that they have published the vacancy announcement on company premises (52%), newspapers (15%), job portals (47%), radio/TV (28%), social media networks (75%), and employment offices (14%). Social media networks continue to be an important tool to be used to announce vacancies. This is a result of the high use of internet among youngsters in Kosovo and the high use of social media networks. As a result, companies use those networks to announce new vacancies as they know that they might receive the desired audience. Job portals are also important as they are published online and job seekers check those websites.

When analysed regionally, it can be seen that there are no significant differences in the overall Kosovo picture (see Figure 17). Recommendations from friends, family members, and partners dominate the methods used to hire new employees. Public vacancy announcements are used to a good extent as well. However, what can be noted is that public announcement, as a category, has the highest percentage in Pristina and the lowest in Mitrovica. Recommendation from family and friends marks the highest percentage in Ferizaj/Uroševac and the lowest in Peja/Peć Family connects and employment offices as well mark the highest percentage in Ferizaj/Uroševac and lowest in Peja/Peć.

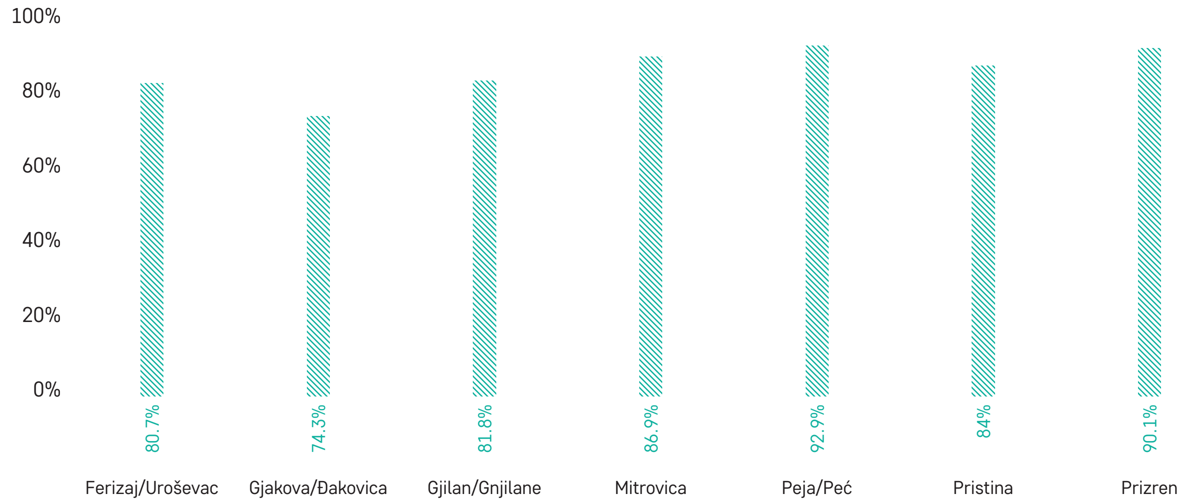
FIGURE 17: Methods used to recruit new employees during the last three years by region



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding employee informality, on average respondents stated that businesses that operate in the industry similar to theirs report 84% of their employees for tax purposes. This means that the employee informality level is around 16%. More specifically, 16% of employees are not reported by employers for tax purposes. Along the same lines, the Business Climate report authored by Riinvest Institute (2017) has shown that employee informality level is around 31%, however, when comparing for firm size, results reveal that the bigger the company is the lower the is informality level. For medium level enterprises informality level is 12% meanwhile for small enterprises the informality level is 27%. As a result, the informality level, in this case, is lower as companies surveyed are bigger ones. When analysed regionally (see Figure 18), it can be seen that the highest informality level is reported in Gjakove/Đakovica region with 25.7%, followed by Ferizaj/Uroševac with 19.3%, Gjilan/Gnjilane with 18.2%, Pristina 16%, Mitrovica 13.1%, Prizren 9.9% and Peja/Peć 7.1%. Further, 24% of companies surveyed stated that there were cases when employees asked them to work informally in order to benefit from social schemes.

FIGURE 18: Percentage of employees declared for tax purposes (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

2.3 Sector-specific analysis of labour demand conditions

This section will focus on analysing and presenting the expectations of firms in terms of the number of demanded workers, occupations, skills, and working conditions and wages.

2.3.1 Labour demand and difficulties filling positions

Service and sales workers (dominated by sales workers and waiters) account for over 30% of the total workforce among the surveyed companies (see Table 8)[4]. Among surveyed companies, 90% employ at least one worker from this occupational group. This group is followed by craft and related trades workers (accounting for 16.5% of the total workforce and employed by almost half of the firms), employed mainly in the construction sector[5] (accounting for almost 8% of the workforce) and food processing, woodworking, garment and related industries[6] (around 6%). Professionals account for around 15% of the workforce and are quite prevalent, being employed in 84% of the surveyed enterprises. Among these, the largest sub-groups are: business and administra-

4 Apart from the major sub-groups listed in the table, this group includes occupations such as hairdressers, beauticians, building and housekeeping supervisors, childcare workers, teachers' aides, travel guides, etc.

5 The occupations most prevalent in this group are bricklayers and concrete workers, followed by plumbers and pipe fitters, insulation workers, painters, carpenters and joiners, plasterers, and floor layers and tile setters.

6 In this group, the most prevalent occupations are: food processing and related trades workers, accounting for 2.5% of the total workforce (dominated by bakers, pastry-cooks and confectionery makers, followed by butchers); wood processing workers, accounting for 1.6% of the workforce (dominated by cabinet-makers and related workers, followed by woodworking-machine tool setters and operators and wood treaters); and garment and related trades workers, also with 1.6% of the workforce (dominated by tailors and dressmakers, followed by garment patternmakers and cutters).

tion professionals[7] accounting for 4.9%, engineering professionals (4.2%)[8]; legal, social and cultural professionals (such as lawyers, economists, sociologists, psychologists), accounting for 0.7%; health professionals (1.4%)[9]; and information and communication professionals (0.3%) and teaching professionals (0.3%, mostly at university and higher education level). The group of technicians and associate professionals accounts for a mere 1.6% of the workforce, with major subgroups belonging to business and administration (0.5%, which include occupations such as accounting associate professionals, administrative and executive secretaries, loan officers), health associates (0.5%, including nurses, medical technicians) 0.5% and ICT technicians (0.3%).

TABLE 8: Main occupational groups: Prevalence, expected increase and typical wages

ISCO-08			Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)			
Code*		**Occupation**				**Median**	**Mean**	**Min**	**Max**
1		Managers	69%	7.0%	19%	500	543	150	2,000
2		Professionals	84%	14.6%	22%	400	409	100	1,500
	21	Science and Engineering Professionals	20%	4.9%	18%	500	516	170	1,500
	22	Health Professionals	7%	1.4%	31%	500	510	200	1,200
	24	Business and Administration Professionals	44%	4.9%	27%	300	338	100	1,000
	26	Legal, Social and Cultural Professionals	10%	2.7%	11%	400	408	200	800
3		Technicians and Associate Professionals	8%	1.6%	31%	300	349	170	1,200
4		Clerical Support Workers	26%	4.4%	27%	250	282	100	800
	41	General and Keyboard Clerks	11%	1.4%	19%	273	291	100	800
	42	Customer Services Clerks	11%	2.7%	31%	250	288	170	600
5		Services and Sales Workers	90%	30.4%	25%	250	281	100	850

7 These include finance professionals (accounting for 2.9%, of which a significant share are accountants), sales, marketing and public relations professionals (1.7%) and administration professionals (0.3%).

8 These include industrial and production engineers (1.8%), followed by civil engineers (0.5%), electro-technology engineers (0.7%, where electronics engineers dominate), chemical engineers (0.5%).

9 This group is dominated by doctors (0.6%), followed by dentists and pharmacists (0.3% each).

ISCO-08			Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)			
Code*		**Occupation**				**Median**	**Mean**	**Min**	**Max**
	512	Cooks	14%	2.6%	28%	300	342	150	850
	513	Waiters and bartenders	25%	9.2%	28%	250	266	150	450
52		Sales workers	33%	14.4%	24%	250	272	150	800
54		Protective Services Workers	9%	2.3%	8%	200	235	100	650
6		Skilled Agricultural, Forestry and Fishery Workers	0.1%	0.0%	NA	NA	NA	NA	NA
7		Craft and Related Trades Workers	46%	16.5%	31%	310	347	150	1,500
71		Building and Related Trades Workers	23%	7.8%	35%	350	365	150	700
72		Metal, Machinery and Related Trades Workers	6%	2.0%	25%	300	351	200	850
75		Food Processing, Woodworking, Garment and Other	13%	5.8%	23%	300	319	150	1,500
8		Plant and Machine Operators and Assemblers	31%	9.7%	27%	300	346	100	900
81		Plant and Machine Operators	3%	1.4%	20%	300	341	170	600
83		Drivers and Mobile Plant Operators	24%	7.3%	28%	300	347	100	900
9		Elementary Occupations	32%	15.8%	24%	250	274	100	800
91		Cleaners and Helpers	13%	1.5%	29%	200	224	100	400
93		Labourers in Mining, Construction, Manufacturing and Transport	8%	11.1%	21%	350	347	170	800
Total			**NA**	**100.0%**	**25%**	**300**	**364**	**100**	**2,000**

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

*Disaggregated data presented only for sub-groups of occupations accounting for more than 1% of employees

The expected increase in the number of workers over the next three years across the sample is 25%[10]. This is the same as that in the largest occupational group of services and sales workers. Among this group the increase is similar across the board in the larger subgroups, apart from protective service workers (Table 9). Smaller sub-groups with particularly high increases in this group are beauticians and related workers, followed by bartenders, however, data disaggregated at this level should be considered only indicative given the sample size[11]. The highest increases in expected workers is reported in the craft and related trade workers, driven mainly by building and related trade workers which are both a large group and expected to increase at a higher than average rate.[12] The relative increase is also higher in the currently small groups of technicians and associate professionals – driven mainly by health associate professionals[13] – and clerical support workers.

Expected increases in demand for professionals, elementary workers, and managers are below average. For professionals, there are marked within-group differences, with relatively higher increases for health professionals (particularly dentists and pharmacists), ICT professionals, civil engineers, and building architects and telecommunications engineers, followed by mechanical and chemical engineers and businesses and administration professionals (mainly finance, sales, advertising, and public relations) with above-average expected increases; and on the other hand modest increases for legal, social and cultural professionals. For elementary workers the increase covers all sub-groups that are present in the sample; here, a small occupation which is expected to increase particularly fast is that of food preparation assistants, i.e. fast food preparers and kitchen helpers.

Irrespective of the relative increases presented above, in terms of the share of new jobs created over the next 3 years, as reported by the firms, largely mirrors the current structure of the economy and workforce (Figure 19) with sales workers, waiters and bartenders, building and related trades workers, and labourers in mining, construction, manufacturing, and transport accounting for almost half of the new jobs.

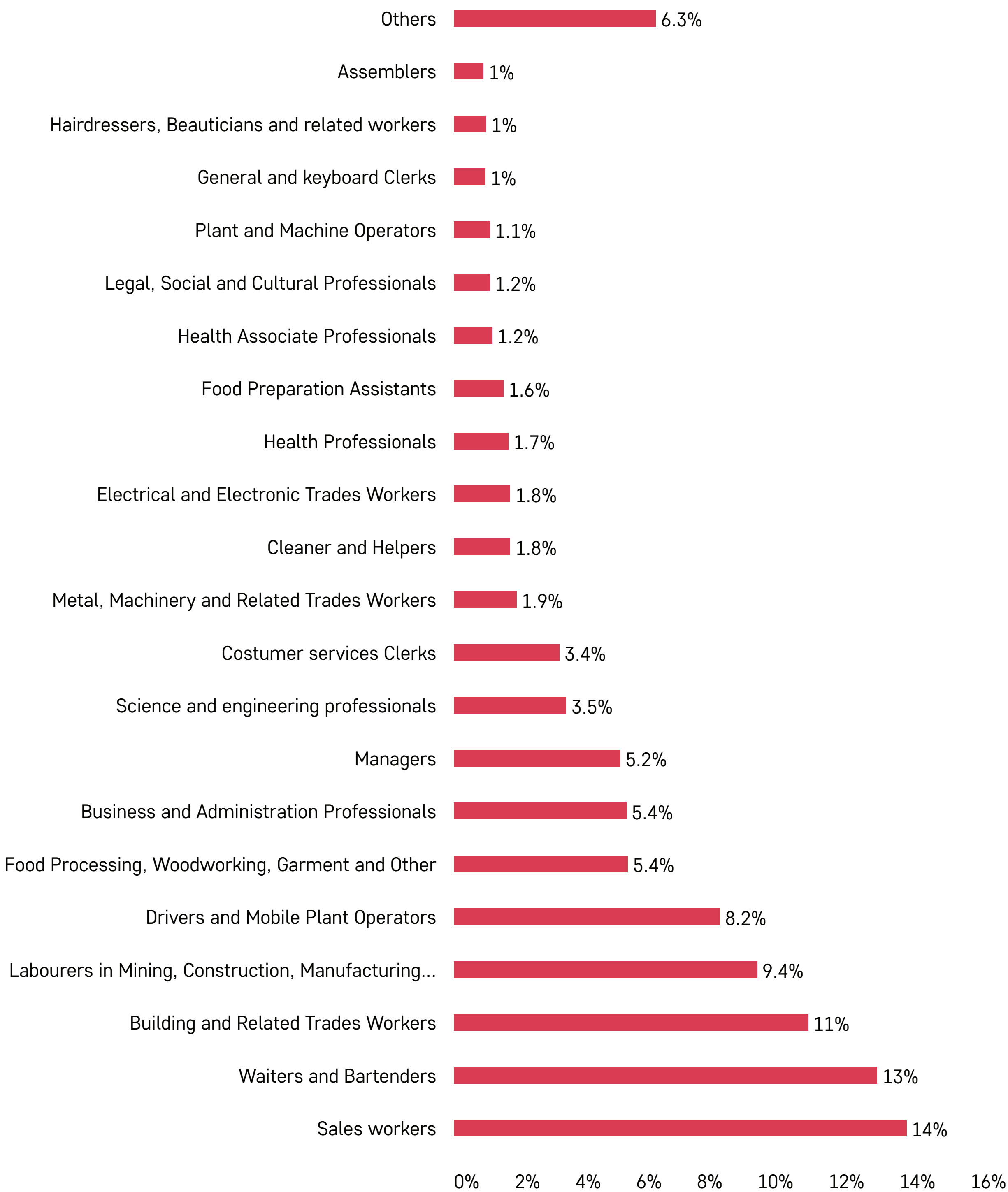
10 This estimate by the companies may be over-optimistic, but the results are still useful to examine relative differences among occupations and occupational groups. Also, note that the results are not necessarily an indication of net job creation in the economy or increasing needs for education and training of the workforce. E.g. an increase in the number of sales workers in the retail trade sector (or doctors in larger clinics) may rather reflect market concentration and be accompanied by destruction of jobs in smaller firms.

11 Other occupations such as hairdressers, driving instructors and cooks are expected to an increase slightly above average.

12 Some currently smaller occupations with significant increases in relative terms include agricultural and industrial machinery mechanics and repairers, motor vehicle mechanics and repairers, metal working machine tool setters and operators, and woodworking-machine tool setters and operators, and tailors and dressmakers. On the other hand, the expected relative increase in welders is relatively small.

13 The expected increase in business and administration, by contrast, is relatively small.

FIGURE 19: Expectations for job growth over the next 3 years (share of total new jobs)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

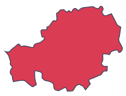
The ‘typical wage’, i.e. the most common wage in the company, for each occupational group was also investigated. The median ‘typical wage’ reported across the sample was EUR 300 (see Table 9 above). The wages are highest among managers, science and engineering professionals, and health professionals (median of EUR 500), followed by legal, social, and cultural professionals (EUR 400). The largest group of services and sales workers has a median wage of EUR 250, similar to elementary workers. It is surprising that in many occupational groups there are wages below the minimum wage of EUR 170 (the minimum identified being EUR 100). A total of 38 companies (5%) in the sample have reported typical wages that are below the minimum wage, covering 0.6% of the employees in the sample.[14] Almost 60% of such companies are in Gjakove/Đakovica, whereas the rest are in Gjilan/Gnjilane, Ferizaj/Uroševac, and Mitrovica (with only one case in Pristina).

When the data on the current structure of employment and demand in the future and wages are disaggregated at the regional level (Table 10), a few differences across regions appear:

- ➔ Most notably, employment in Pristina shows a significant concentration in the services and sales occupational group (accounting for around half of the employees), and a notably small share of craft and related trades workers of just over 5%;
- ➔ Prizren and Ferizaj/Uroševac, followed by Pristina, have the highest share of professionals; and
- ➔ Prizren and Gjakove/Đakovica, followed by Ferizaj/Uroševac have the largest share of craft and related trades workers;
- ➔ Mitrovica appears to have a larger share of plant and machine operators (which includes drivers) and assemblers;
- ➔ Overall, expectations for increasing the workforce are highest in the Mitrovica region, followed by Peja/Peć. On the other hand, in Ferizaj/Uroševac. and Pristina regions which have more vibrant local economies and account for almost 60% share of (registered) employment, as discussed in Section 1.2, employment is expected to grow at a slower rate, likely reflecting a base effect.
- ➔ Some differences in expectations for demand in the future by occupational groups emerge across regions:
    - Demand for professionals is expected to increase particularly in Gjilan/Gnjilane, Prizren, and Mitrovica regions.
    - Demand for services and sales workers are expected to grow at a higher rate than (region) average in Mitrovica, Gjakove/Đakovica, Gjilan/Gnjilane, and Ferizaj/Uroševac.
    - Demand for craft and related trade workers is expected to grow particularly in Mitrovica, Peja/Peć, and Prizren.
    - Demand for plant and machine operators (which includes drivers) and assemblers is expected to increase particularly in Peja/Peć, and Prizren, followed by Mitrovica and Gjilan/Gnjilane.
    - Demand for workers in elementary occupations is expected to increase significantly in all regions apart from Ferizaj/Uroševac.
- ➔ Employees in Pristina, Prizren, and Ferizaj/Uroševac. have a higher median ‘typical’ wage (at EUR 350), compared to Gjakove/Đakovica, Peja/Peć, and Gjilan/Gnjilane (at EUR 300) and Mitrovica (at EUR 280). The average wage is the highest in Pristina (EUR 415).

14 This calculation excludes accountants and accounting associate professionals reported with below minimum wages as these are not typically full time workers in small companies.

TABLE 9: Main occupational groups: Prevalence, expected increase and typical wages



FERIZAJ

ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	Occupation				Median	Mean
1	Managers	19%	4.9%	21%	500	544
2	Professionals	22%	19.0%	13%	500	524
3	Technicians and Associate Professionals	1%	NA	NA	725	725
4	Clerical Support Workers	5%	NA	NA	300	309
5	Services and Sales Workers	26%	27.0%	20%	250	274
7	Craft and Related Trades Workers	11%	21.7%	19%	350	347
8	Plant and Machine Operators and Assemblers	6%	9.8%	14%	300	317
9	Elementary Occupations	9%	15.6%	13%	230	268
Total		**NA**	**100.0%**	**17%**	**350**	**392**

GJAKOVE

ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	Occupation				Median	Mean
1	Managers	13%	4.7%	35%	500	605
2	Professionals	24%	13.0%	22%	300	326
3	Technicians and Associate Professionals	3%	NA	NA	300	322
4	Clerical Support Workers	11%	6.3%	21%	250	265
5	Services and Sales Workers	21%	21.4%	36%	250	239
6	Skilled Agricultural, Forestry and Fishery Workers	0%	NA	NA	220	220
7	Craft and Related Trades Workers	13%	24.8%	24%	300	303
8	Plant and Machine Operators and Assemblers	8%	10.4%	29%	300	317
9	Elementary Occupations	6%	16.4%	34%	250	278
Total		**NA**	**100.0%**	**29%**	**300**	**327**

GJILAN

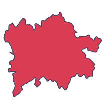
ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	**Occupation**				**Median**	**Mean**
1	Managers	22%	11.8%	10%	400	593
2	Professionals	15%	9.0%	45%	300	320
3	Technicians and Associate Professionals	2%	NA	NA	300	321
4	Clerical Support Workers	5%	NA	NA	300	300
5	Services and Sales Workers	25%	29.3%	32%	250	273
7	Craft and Related Trades Workers	10%	15.3%	32%	350	368
8	Plant and Machine Operators and Assemblers	10%	13.7%	18%	350	371
9	Elementary Occupations	10%	11.5%	31%	250	264
Total		**NA**	**100.0%**	**28%**	**300**	**346**

MITROVICE

ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	**Occupation**				**Median**	**Mean**
1	Managers	11%	4.4%	7%	335	384
2	Professionals	20%	12.3%	30%	350	389
3	Technicians and Associate Professionals	2%	NA	NA	300	300
4	Clerical Support Workers	10%	5.8%	17%	200	206
5	Services and Sales Workers	23%	22.3%	59%	235	264
7	Craft and Related Trades Workers	13%	18.6%	54%	400	376
8	Plant and Machine Operators and Assemblers	10%	19.4%	32%	250	266
9	Elementary Occupations	11%	15.5%	32%	250	265
Total		**NA**	**100.0%**	**40%**	**280**	**313**

PEJE

ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	**Occupation**				**Median**	**Mean**
1	Managers	21%	10.6%	31%	400	451
2	Professionals	23%	12.4%	24%	300	327
3	Technicians and Associate Professionals	3%	NA	NA	250	280
4	Clerical Support Workers	6%	NA	NA	250	284
5	Services and Sales Workers	21%	23.7%	31%	250	255
7	Craft and Related Trades Workers	10%	18.7%	38%	350	376
8	Plant and Machine Operators and Assemblers	7%	8.5%	65%	350	354
9	Elementary Occupations	9%	17.8%	31%	250	294
Total		**NA**	**100.0%**	**34%**	**300**	**334**



PRISTINA

ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	**Occupation**				**Median**	**Mean**
1	Managers	22%	9.3%	17%	500	559
2	Professionals	18%	16.0%	21%	449	469
3	Technicians and Associate Professionals	3%	NA	NA	350	380
4	Clerical Support Workers	6%	4.4%	41%	325	348
5	Services and Sales Workers	27%	48.8%	20%	300	331
7	Craft and Related Trades Workers	7%	5.4%	25%	375	396
8	Plant and Machine Operators and Assemblers	7%	8.4%	23%	400	423
9	Elementary Occupations	9%	6.1%	37%	250	288
Total		**NA**	**100.0%**	**22%**	**350**	**415**

PRIZREN

ISCO-08		Firms employing such occupations	Share of employees	Expected increase	Typical wage (EUR)	
Code*	**Occupation**				**Median**	**Mean**
1	Managers	15%	6.7%	19%	500	554
2	Professionals	30%	19.6%	32%	400	461
3	Technicians and Associate Professionals	0%	NA	NA	480	480
4	Clerical Support Workers	4%	NA	NA	300	308
5	Services and Sales Workers	20%	35.8%	13%	300	307
7	Craft and Related Trades Workers	19%	24.3%	35%	300	319
8	Plant and Machine Operators and Assemblers	6%	6.9%	44%	300	339
9	Elementary Occupations	4%	2.6%	29%	250	235
Total		**NA**	**100.0%**	**25%**	**350**	**397**

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

*In Mitrovica, the Trepça complex (accounting for over a quarter of employment in the sample) was excluded for the purpose of calculations of the current structure and future demand for workers.

Table 12 below presents the most common 'typical' level(s) of education reported by companies for workers of different occupational groups. Secondary education – mostly general secondary education – is the most common level of education across the sample.

TABLE 10: Typical levels of education by occupational group

ISCO-08		Typical level(s) of education
Code*	**Occupation**	
1	Managers	Higher education; secondary education
2	Professionals	Higher education
3	Technicians and Associate Professionals	Higher education; secondary education
4	Clerical Support Workers	Higher education; secondary education
5	Services and Sales Workers	Secondary education; higher education
7	Craft and Related Trades Workers	Secondary education
8	Plant and Machine Operators and Assemblers	Secondary education
9	Elementary Occupations	Secondary education

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Among companies that hired employees in the last three years, around a third report they faced difficulties in the recruitment of appropriate candidates. Companies particularly likely to report difficulties in hiring craft and related trade workers[15], plant and machine operators, and assemblers (which includes drivers)[16], services and sales workers, and professionals[17] (Table13). Lack of experience is the top reason cited for difficulties in hiring across occupational groups (except in the case of technicians and associate professionals, where lack of appropriate skills is the top reason). This is closely followed by a lack of skills in most occupations, with the occupational group of professionals being a notable exception; in this group, it is rather a lack of appropriate education that is cited. In mid- to low-skilled occupational groups it is notably a lack of interested candidates that represents a significant difficulty (particularly for elementary occupations and clerical support workers), whereas 'high wage requirements of candidates with appropriate skills' are also often cited almost across groups.

TABLE 11: Difficulties while hiring and the main reasons

ISCO-08		Firms that reported difficulties while hiring*	Main reasons				
Code*	**Occupation**		**Lack of experience**	**Lack of appropriate educatio**	**Lack of required skills**	**High wage requirements**	**No interested candidates**
1	Managers	19%	33%	13%	23%	21%	2%
2	Professionals	36%	31%	24%	12%	20%	3%
3	Technicians and Associate Professionals	31%	23%	23%	54%	0%	0%
4	Clerical Support Workers	27%	27%	3%	19%	27%	19%
5	Services and Sales Workers	38%	34%	3%	33%	11%	12%
7	Craft and Related Trades Workers	43%	33%	7%	32%	10%	10%
8	Plant and Machine Operators and Assemblers	38%	35%	1%	25%	16%	13%
9	Elementary Occupations	30%	26%	4%	20%	17%	28%
Total		**34%**	**32%**	**9%**	**26%**	**15%**	**11%**

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA
*Among companies that hired employees in the respective occupations in the last 3 years

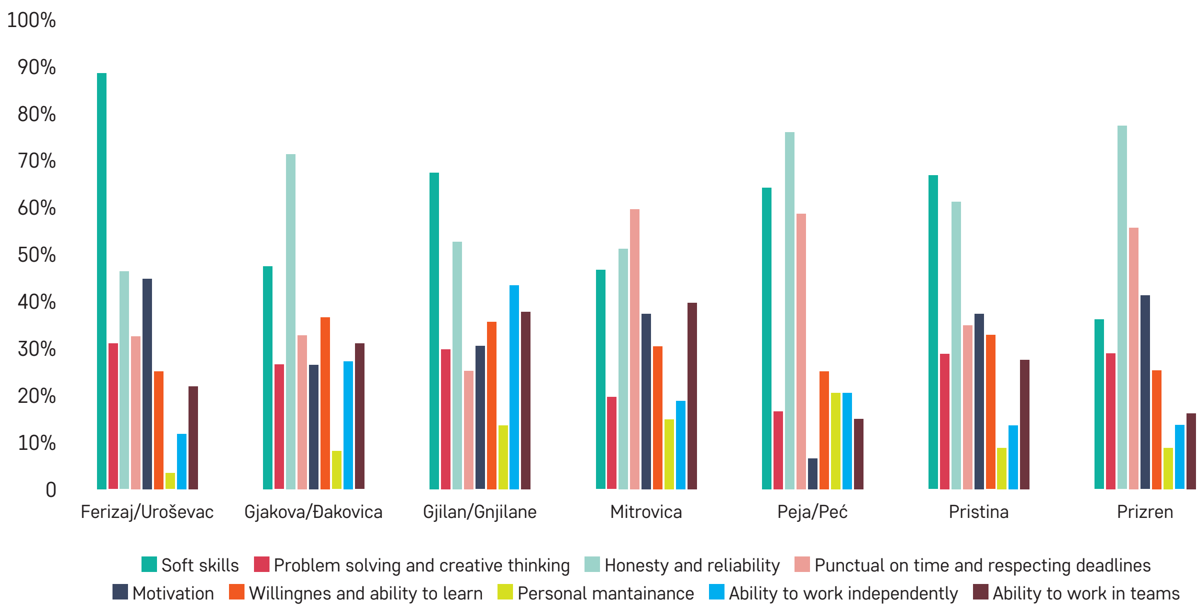
15 With regard to intensity of difficulty in hiring, sub-groups reporting higher average scores include: carpenters and joiners; plumbers and pipe fitters; electrical and electronic trades workers (i.e. electrical equipment, electronics and telecommunications installers and repairers); wood treaters; and cabinet-makers and related workers.

16 Bus drivers are reported to be particularly difficult to hire.

17 Sub-groups reporting higher average difficulties in hiring include: engineering professionals, particularly chemical engineers and industrial and production engineers; architects; dentists and doctors; and teaching professionals.

When asked about the skills required and valued most by new employees, 61% of businesses reported that they mostly value honesty and reliability, 59% reported to value soft skills such as communication, reading, basic math, computer skills, and writing, 41% reported being punctual on time and respecting deadlines. These were the three most valued skills by employers when hiring new employees. When analysed regionally, the top three skills valued by businesses in Ferizaj/Uroševac region are soft skills, being honest and reliable, and being motivated to work. In Gjakove/Đakovica region three most valued skills are being honest and reliable, having soft skills, and willingness and ability to learn. In Gjilan/Gnjilane region, the three most valued skills are soft skills, being honest and reliable, ability to work independently. In Mitrovica, the most important skills are being punctual on time, being honest and reliable, and having soft skills. In Peja/Peć, businesses think that the most important skills are honesty and reliability, soft skills, and being punctual on time and with deadlines. In Pristina, the most relevant skills are soft skills, honesty and reliability, and motivation. In Prizren, the most important skills are reported to be honesty and reliability, being punctual with deadlines, and motivation. Results show there are no major differences between regions as soft skills and honesty and reliability are mentioned as the two most important skills in each region of Kosovo. For more detailed information, see Figure 20 where all the skills have been plotted.

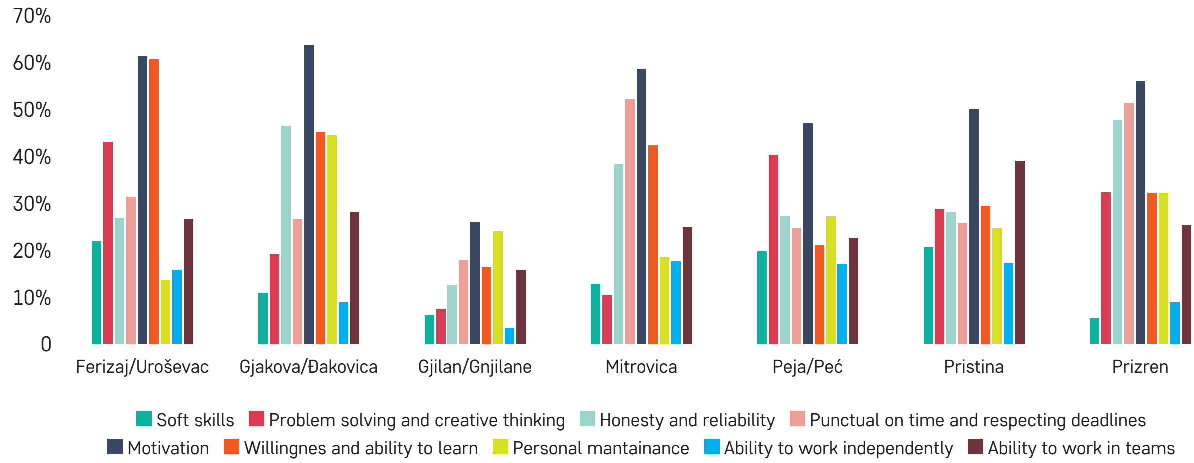
FIGURE 20: Most important skills (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When asked about the three top skills that new employees lack (see Figure 21), businesses have stated that motivation (51%), willingness and ability to learn (35%), honesty and reliability (32%), and punctuality with working schedule and deadlines (32%). Analysing regionally, Ferizaj/Uroševac businesses stated that newly recruited employees lack motivation, willingness, and ability to learn, and problem-solving skills. In Gjakove/Đakovica, newly recruited employees seem to lack the motivation to work, being honesty and reliability, and willingness and ability to learn. In Gjilan/Gnjilane, newly recruited employees lack motivation. In Mitrovica the main skills that newly recruited employees lack are motivation to work, being punctual, and having the willingness and ability to learn. In Peja/Peć, motivation and problem-solving skills seem to be the missing skills for newly recruited employees. Businesses that operate in Pristina region report that new employees lack motivation and willingness and ability to learn. In Prizren, problematic skills are motivation and punctuality. Again, results show that there are no major differences between regions. Employee motivation, willingness, and ability to learn, honesty and reliability, and punctuality with working schedules and deadlines appear to be the main skills that newly recruited employees lack. Given this, companies operating in Kosovo should pay close attention to human recourse practices that help employees get motivated and increase their willingness to learn. The reason why employees might not be motivated to work or have a willingness to work because of a lack of HR practice by companies in which they work.

FIGURE 21: Skills that new employees lack (by region)



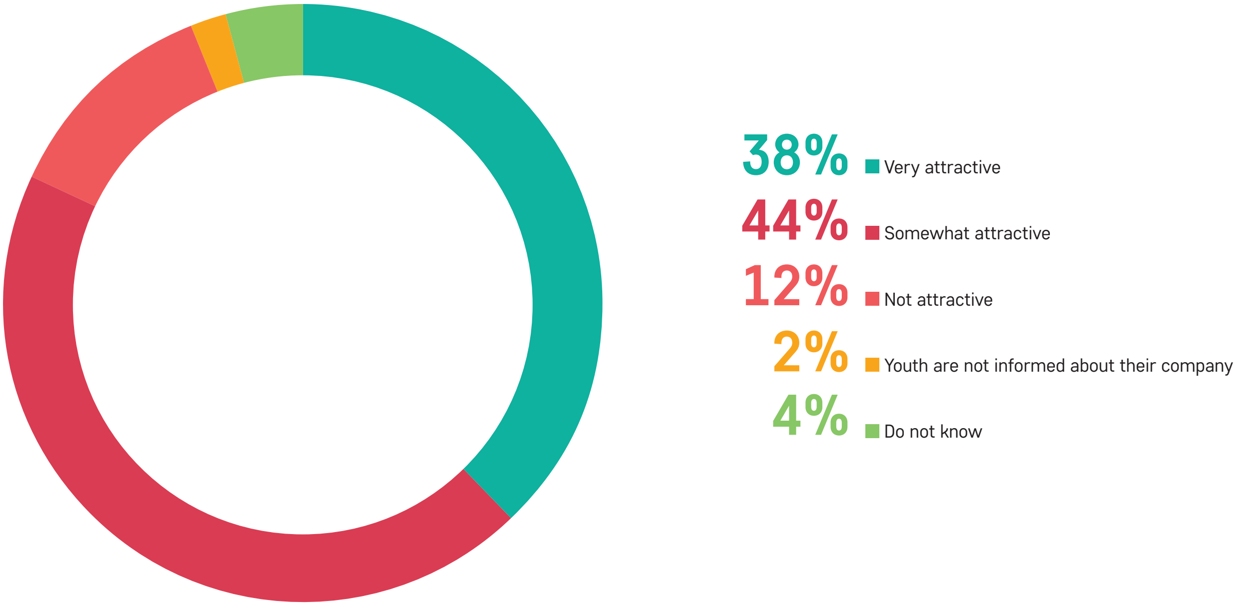
SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

2.3.2 HR dimensions of the demand side (expectations and experiences of the firms; retention challenges; willingness to provide training) (regional level)

This section will focus on human resource dimensions of the demand side. More specifically, the section will analyse and present the expectations and experiences of the firms, retention challenges, and willingness to provide training among other topics.

When asked about how attractive they think their company is, within the sector they operate, as an employer among young people, 38% reported that their company is very attractive, 44% believe that the company is somewhat attractive, 12% believe that is not attractive, 2% believe that youth are not informed about their company, and 4% stated that they do not know (see Figure 22).

FIGURE 22: Company attractiveness



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

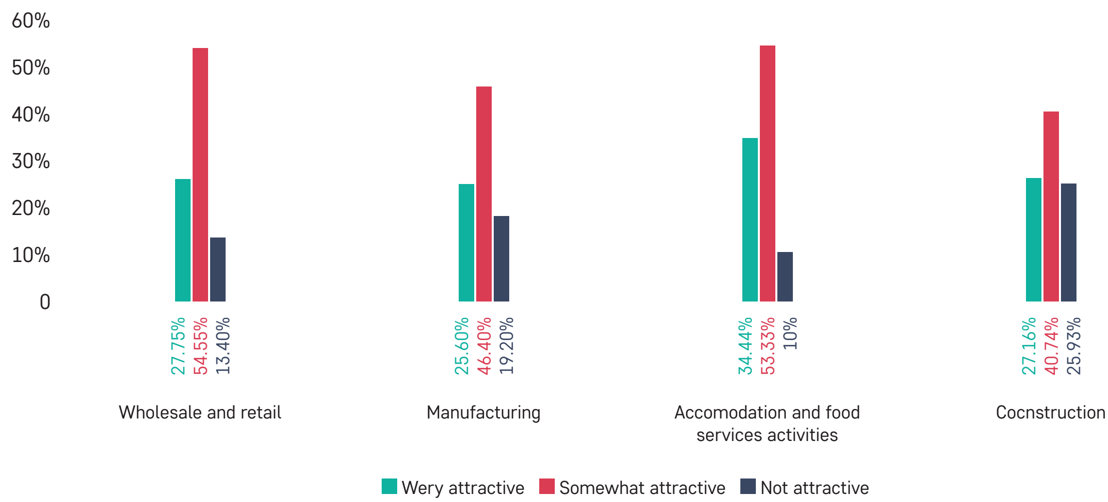
Analysing by the top four sectors, companies that operate in the wholesale and retail sector, in the manufacturing sector, in the construction sector, and in the accommodation and food and services sector seem to think similarly. That is because at least 80% of companies that operate in each sector believe that their company is attractive (see Figure 23). However, it should be noted that around 18% of companies that operate in the construction sector and 17% of companies that operate in the manufacturing sector believe that their company is not an attractive employer among young people. This can be due to unsatisfactory working conditions that prevail in the construction and manufacturing sector in Kosovo making it an unattractive sector for young employees.

FIGURE 23: Sector attractiveness

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When analysing the sector, 32% of companies believe that the sector they operate in is very attractive. Around 49% believe that the sector is somewhat attractive and 13% believe that it is not attractive. Analysing the top four sectors, slight differences can be observed. Of companies that operate in the construction sector, around 68% believe that the sector is attractive and 26% believe that the sector is not attractive (Figure 24). That can be because of working conditions. Construction sector employees work in unfavourable working conditions. They are put at health and safety risks during work and do not have health insurance. Many of them work in irregular working schedule and do not have paid leave. Of companies that operate in the manufacturing sector 72% believe that the sector is attractive and around 19% believe that is not attractive. This can be again related to the type of product that is manufactured and working conditions. The other two sectors are more in sync. Of companies that operate in wholesale and retail and in accommodation and food and services sector 82 and 88%, respectively, believe that the sector is attractive. This can be because employees working in these two sectors have slightly better working conditions such as regular working hours, are not exposed to health and safety risks during work, and might even have paid health insurance and paid annual leave.

FIGURE 24: Sector attractiveness



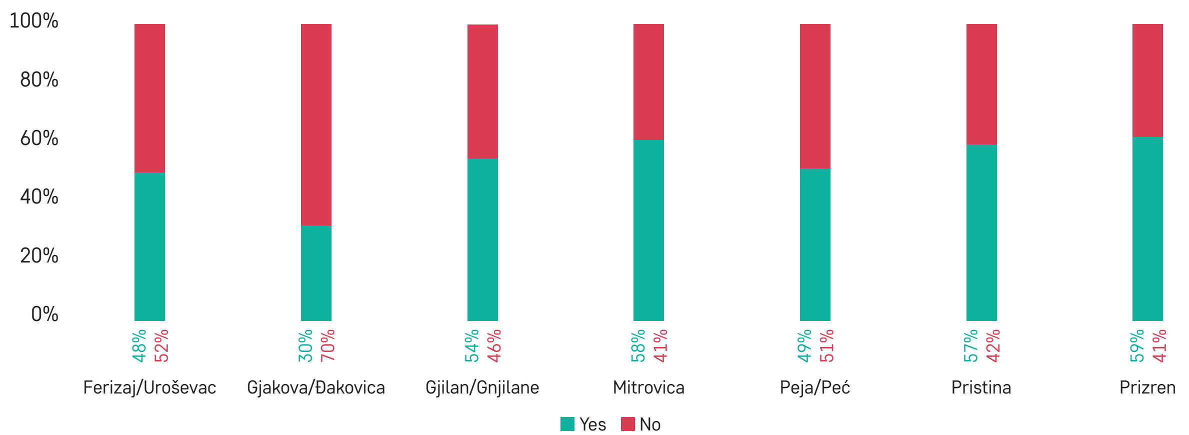
SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

More than half of companies interviewed (54%) stated that for an employee that does not own a car, it is very easy for them to get to work even when considering both the availability and the cost of transport. Around 27% believe that it is relatively easy for someone who does not own a car. Roughly 13% believe that it is relatively difficult, although 65% of companies are located in the city and 35% are based outside the city (in the villages) and 6% believe that it is very difficult although most of the businesses who declared so are based in the city (67%) and 33% are based outside the city (in the villages). From the companies which stated that it relatively difficult or very difficult to get to the workplace, most are based in Ferizaj/Uroševac region (37%), followed by the Pristina region (16%) and Prizren (12%). This may be that companies that have declared that it is difficult for employees to get to the workplace it might be that their employees live outside the city or in villages.

Regarding human resource (HR) practices, around 50% of companies stated that the recruitment process for hiring new staff is standardized, meaning that they have rules and standards on how to hire new employees, meanwhile the other 50% do not have a standardized process. Roughly 72% of companies stated that they do not have a designated person or office in charge of HR management. Indicating that companies in Kosovo do not have a department that would be responsible for the management of human resources. Instead, the owner who is usually the manager ends up with HR management responsibilities. This is not ideal, as the owners can not do everything on their own. A specific HR office or officer is needed in the company to deal with HR-related issues. On the other hand, 83% of companies stated that their firm regularly forecasts personnel requirements. This is a positive sign as it shows that companies are aware of personnel resources that they need in the future and can plan accordingly. Further, 82% of companies stated that supervisors offer frequent feedback to employees on their performance. It is very important for employees to get feedback as they will understand that their supervisor is observing their work and they can improve their performance. Around 50% stated that their company uses a system for evaluating employee performance. This is also a good practice however; companies need to make sure that the system is transparent and that employees feel that they are evaluated equally.

When analysing regionally the upper mentioned practices, for the practice of standardized recruitment process it can be seen that (see Figure 25) there are not many differences between regions except for Gjakove/Đakovica where 70% of companies stated that the recruitment process for hiring new staff is not standardized. This shows that companies in Gjakove/Đakovica region hire employees differently. They do not have a system in place that bases the decision on the recruitment of new employees on a standardized process.

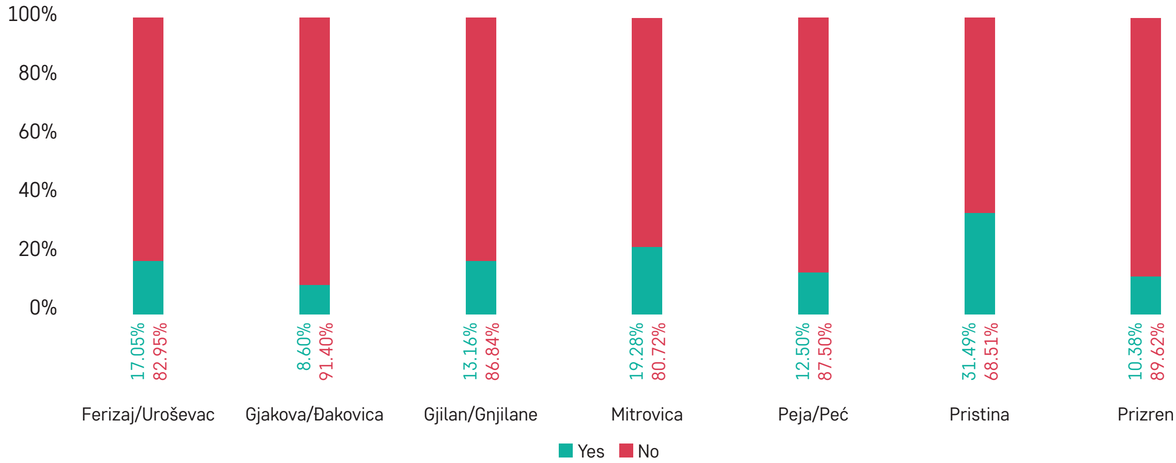
FIGURE 25: Standardized recruitment process (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Similarly, there are no major differences when it comes to having a designated HR office or officer as the majority of companies do not (see Figure 26), except for in Pristina where around 31% of companies stated that they have such an office. The reason might be that businesses operating in the Pristina region are bigger and need an HR office or officer. Another reason might be that businesses in the Pristina region are just simply more aware as companies about the role that HR office/officers play in the company.

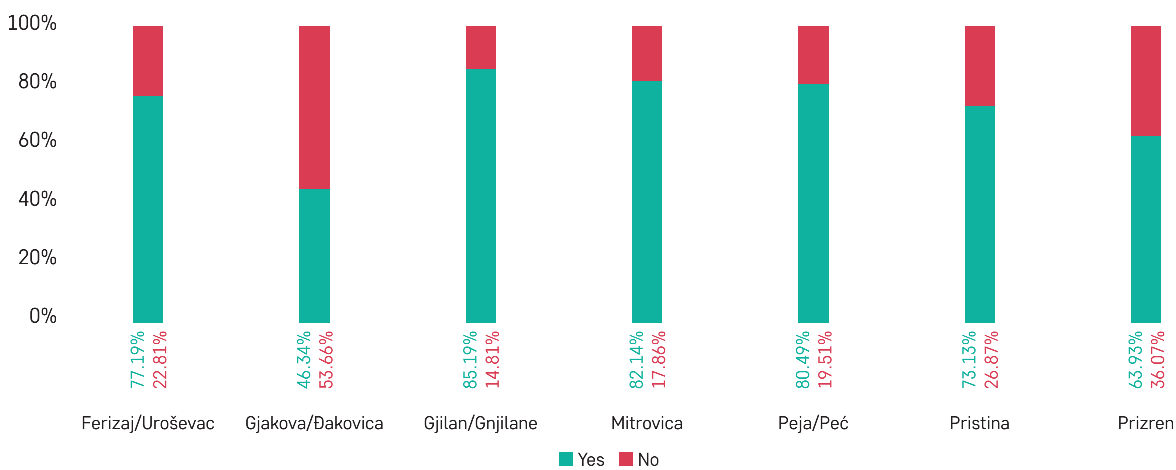
FIGURE 26: Designated HR office/officer (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When it comes to the practice of forecasting personnel requirements, there are some differences among some regions (see Figure 27). Region of Ferizaj/Uroševac, Gjilan/Gnjilane, Mitrovica, and Peja/Peć, are slightly similar with more than 80% of businesses stating that they forecast for personnel requirements. Meanwhile, there are differences among Gjakove/Đakovica, Pristina, and Prizren, where 46% of companies in Gjakove/Đakovica region forecast personnel requirements, in Pristina 73% do so and in Prizren, 64% of companies forecast personnel requirements. Results show that less than half of companies in Gjakove/Đakovica forecast personnel requirements. Not forecasting future personnel requirements hinders the sustainable development of a company as companies will not know their personnel requirements. Companies that forecast ahead for personnel requirements can invest in personnel and make sure that they have the resources needed.

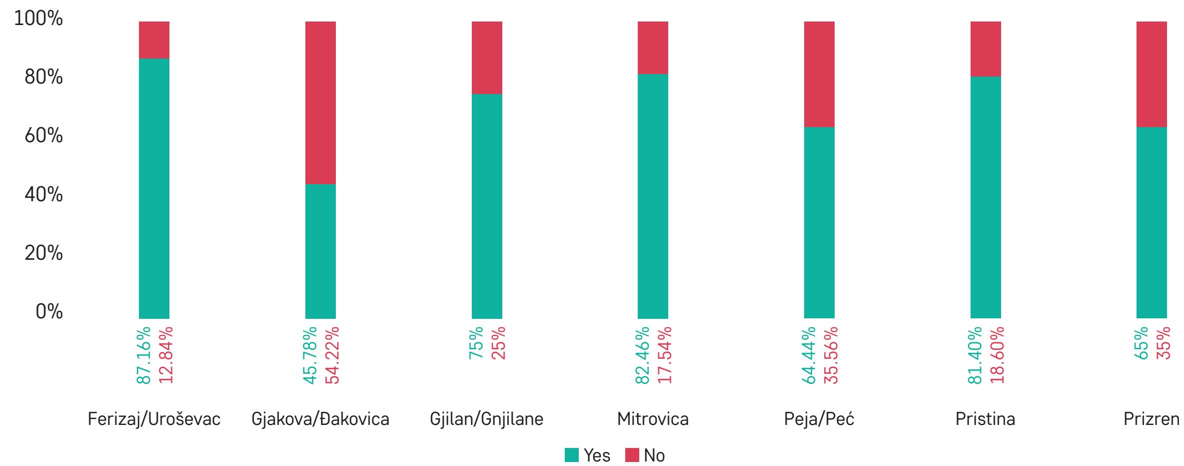
FIGURE 27: Forecasting personnel requirements (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding the practice of supervisors offering frequent feedback to employees on their performance there are some differences between some regions (see Figure 28). There are no major differences between Ferizaj/Uroševac, Mitrovica, and Pristina as around 84% of businesses stated that supervisors offer frequent feedback to employees on their performance. This is similar to the general average for the whole Kosovo. In Gjilan/Gnjilane the average is lower with 75% of business offering feedback. In Prizren and Peja/Peć, around 65% of businesses offer feedback. Meanwhile in Gjakove/Đakovica 46% of businesses practice offering of feedback to employees by supervisors. It is very important for supervisors to provide feedback to employees as that will help them improve their performance. Without proper feedback employees would not know how to improve their performance.

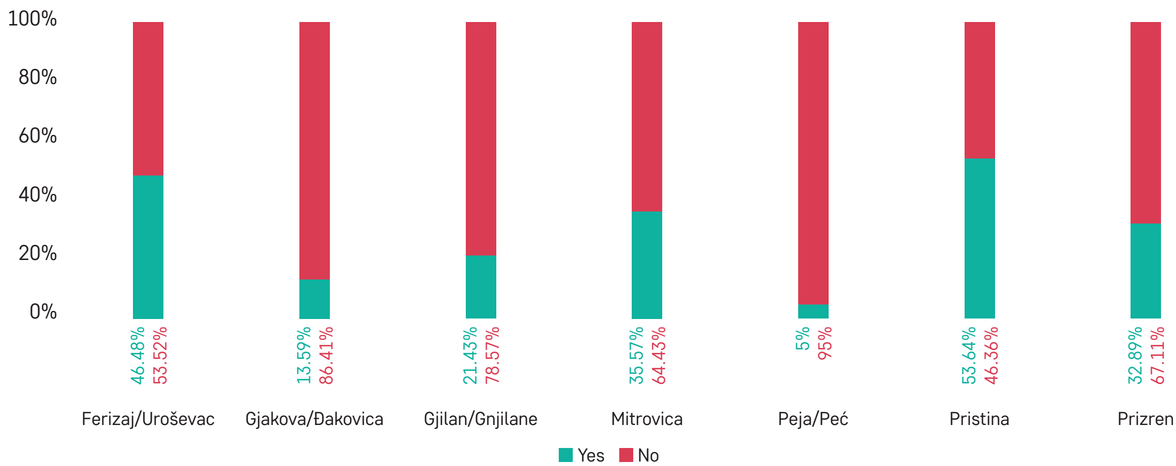
FIGURE 28: Offering feedback (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding evaluating employee performance, there are differences between regions (see Figure 29). The most notable differences can be observed in Gjakove/Đakovica and Gjilan/Gnjilane where only 5%, 14%, and 21%, respectively of businesses have a system in place to evaluate employee performance. This is worrisome as not using a system to evaluate employee performance creates tensions between employees as they are not sure how they are evaluated and the process is not transparent. All this leads to decreased performance and motivation.

FIGURE 29: Evaluating employee performance (by region)

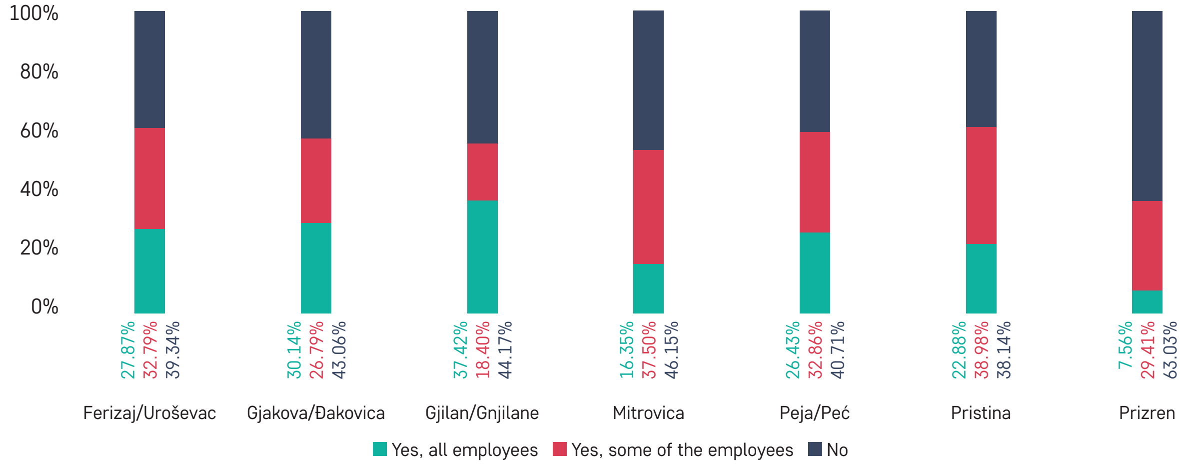


SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Almost 43% of companies stated that they train all of their employees and roughly 29% train some of their employees. Further, the majority of companies, 93% train their employees within their company meanwhile the rest train their employees outside their company. The vast majority of companies (82%) offer training for employees once they start their job and 18% stated that they offer regular trainings. The% age of companies that offer regular training is rather low. This can be due to the fact that Kosovo companies are still not aware of the importance and benefits of training employees regularly. Sector-wise, the majority of companies (67%) that regularly train their employees to operate in manufacturing, construction, and wholesale and retail trade. Turnover wise, 70% that regularly train their employees to have a turnover of 100,000 euros and higher than a million Euros. Such a result shows that companies that do well financially tend to invest more in the training of employees.

Analysing regionally, it can be seen that at least 40% of companies in each region do not train their employees (see Figure 30). Prizren region is even worse as 63% of companies do not train their employees, only 8% train all of their employees, and 29% train some of their employees. Ferizaj/Uroševac, Gjakove/Đakovica, Gjilan/Gnjilane, Mitrovica, Peja/Peć, and Pristina region do not show many differences when it comes to training employees as at least 55% of companies in each region train all or some of their employees.

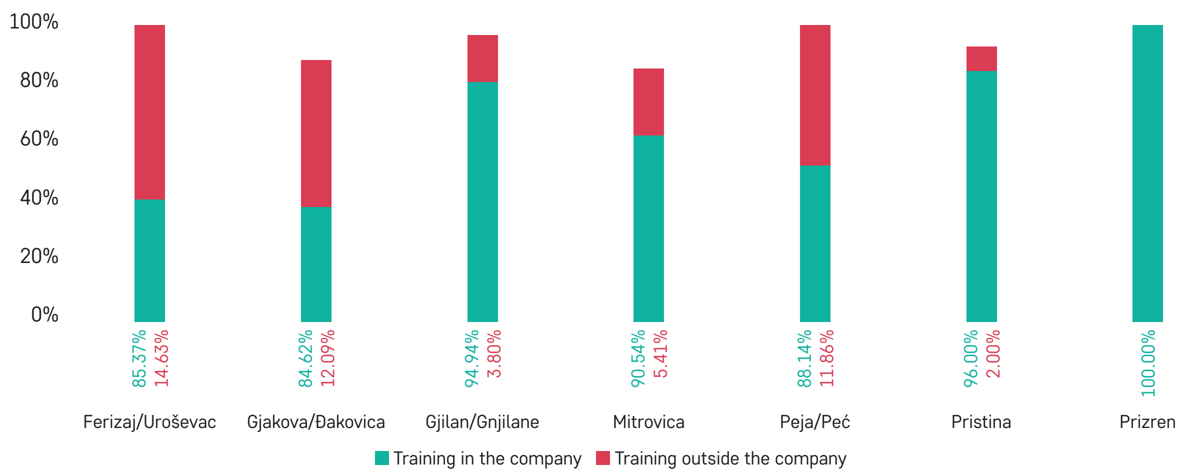
FIGURE 30: Training of employees (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The majority of companies in each region tend to train their employees in their company and not outsource the service or send employees somewhere else to be trained. Except for a limited number of companies in Ferizaj/Uroševac (15%), Gjakove/Đakovica (12%), and Peja/Peć, (12%) which stated that they train their employees outside company premises (see Figure 31).

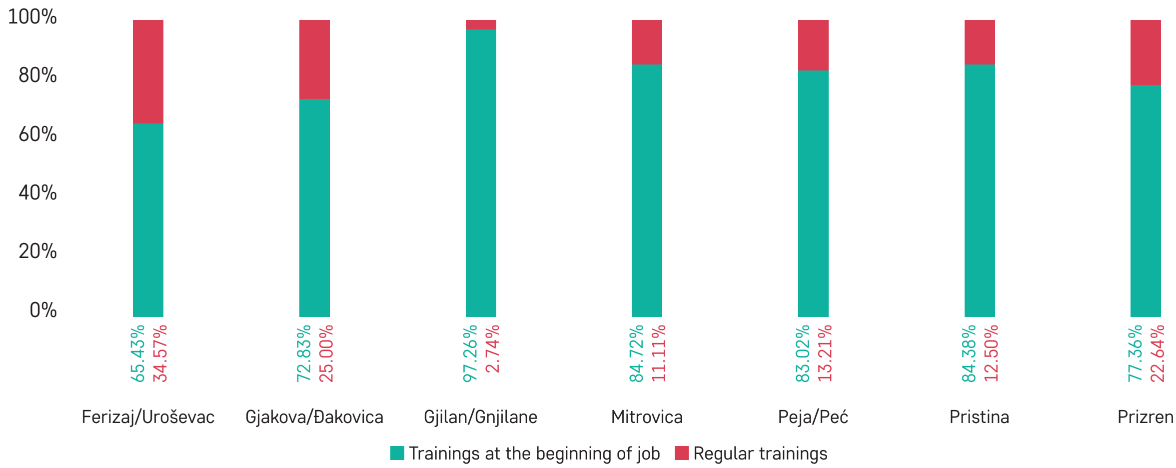
FIGURE 31: Training venue (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The vast majority of companies in each region tend to train their employees when they start their job position. However, around 35% of companies in Ferizaj/Uroševac, 25% in Gjakove/Đakovica, 23% in Prizren stated that they train their employees regularly (see Figure 32).

FIGURE 32: Types of trainings offered (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Around 28% of companies stated that they do not train their employees. Most of the companies that do not train their employees are based in Prizren region (25%), followed by Mitrovica and Gjakova/Đakovica (16% each region), Ferizaj/Uroševac, Pristina, and Gjilan/Gnjilane (12% each region) and the rest are based in Peja/Peć region. Turnover wise, companies that do not train their employees have turnovers up to 100,000 Euros. Showing that a lack of finances might be one reason why companies do not train their employees. The main reasons listed for not training their employees are: 1) they do not need to as they tend to hire experienced and trained employees; 2) it is not necessary; 3) it is costly both monetary- and time-wise; and 4) they do not have time and resources needed to train employees. Such results show that there are companies in Kosovo that they do not perceive training of employees as an investment but rather as a cost. Other companies do not have the resources and decide not to train their employees. This impacts their productivity, profitability, and development in the long run.

The percentage of employees that emigrated in the last three years stands at around 10 percent, among companies that have had staff members leaving the company during this period. Companies were also asked if any employee that they have trained has ever left to work for a company's competitor, and results show that the average number of trained employees left to work for a competitor is around 6 percent. If trained employees leave to work for a competitor that deters companies from investing in their training as they fear that they invest time and money in that employee and he/she still leaves to work for the competitor.

Regarding HR practices used in the company in the last three years, at the national level, 52% of companies have offered bonus pay based on performance, only 8% have paid the thirteenth salary at the end of the year for all employees and majority of these companies are based in Pristina and Ferizaj/Uroševac region and 32% operate in the wholesale and retail sector. Around 21% have offered percentage of earnings or sales, 62% have offered salary rise based on performance, 56% have offered promotion based on performance, 39% of companies stated that they have done salary rise across the board, 34% have offered support for employees' transportation, 66% have offered support for employees' meals, only 8% have offered support for workers' corporate day-care or other support for childcare, and 32% have organized team building events. For more detailed information, see Figure 33.

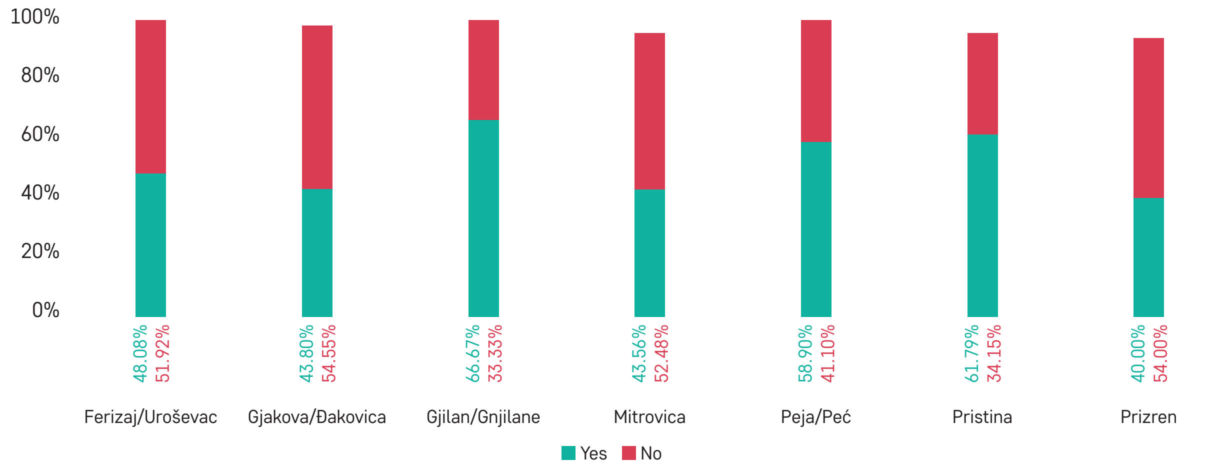
Further, in order to understand if there is any relationship between the HR practices used by companies and the number of employees voluntarily leaving the company, the results show that there is very little correlation with almost every practice. For each practice the regression coefficient is less than 0.10, except for promotion based on performance with a coefficient of exactly 0.10. Showing that there is no strong relationship between the use of HR practices by Kosovo companies and employees leaving the company.

FIGURE 33: HR practices used by companies in the last three years

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Analysing regionally for each practice, it can be seen that there are differences among regions for some practices. For the practice of offering bonus pay based on performance, three regions of Gjilan/Gnjilane, Peja/Peć, and Pristina stand out (see Figure 34). More than 60% of companies based in these regions offer bonus pay based on performance. Meanwhile, in Gjakove/Đakovica, Mitrovica, and Prizren the average number of companies that offer bonus pay is slightly above 40%. In Ferizaj/Uroševac around 48% of companies do so. Bonuses are viewed as a way to motivate employees to work harder and be more productive as their performance is appreciated. However, not all companies share the same opinion and not all companies decide to offer bonus pay based on performance. They might decide to offer fringe benefits that are non-monetary.

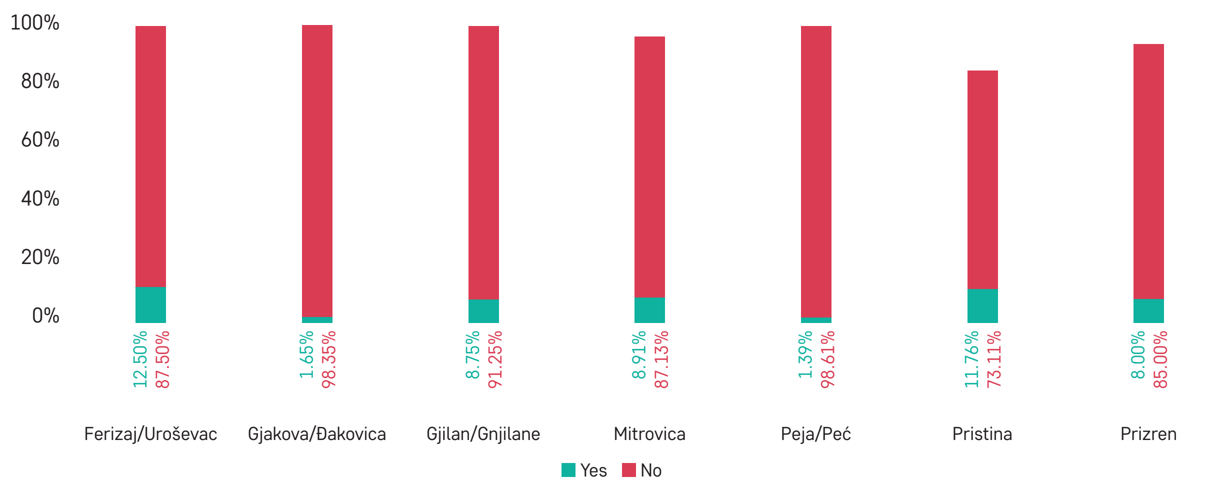
FIGURE 34: Bonus pay based on performance (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Companies in Kosovo do not practice the option of giving the thirteenth salary to employees (see Figure 35). Data also show that there are not many differences between regions except for Gjakove/Đakovica and Peja/Peć, which mark the regions with the lowest percentage where less than 2% of companies pay the thirteenth salary.

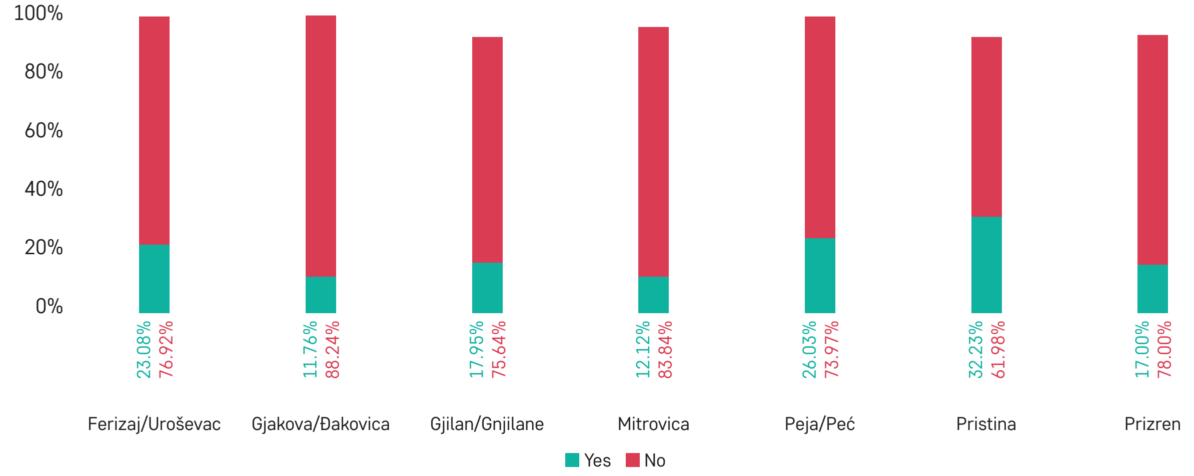
FIGURE 35: Thirteenth salary (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When analysing the practice of giving a percentage of income or sales, slight differences can be observed between regions (see Figure 36). Pristina region leads with 32% of companies giving a percentage of sales or income to their employees followed by Peja/Peć with 26% and Ferizaj/Uroševac with 21%. Companies in this region decide to motivate employees by offering them a percentage of sales. The other four regions are quite similar with not more than 18% of companies giving a percentage of income or sales.

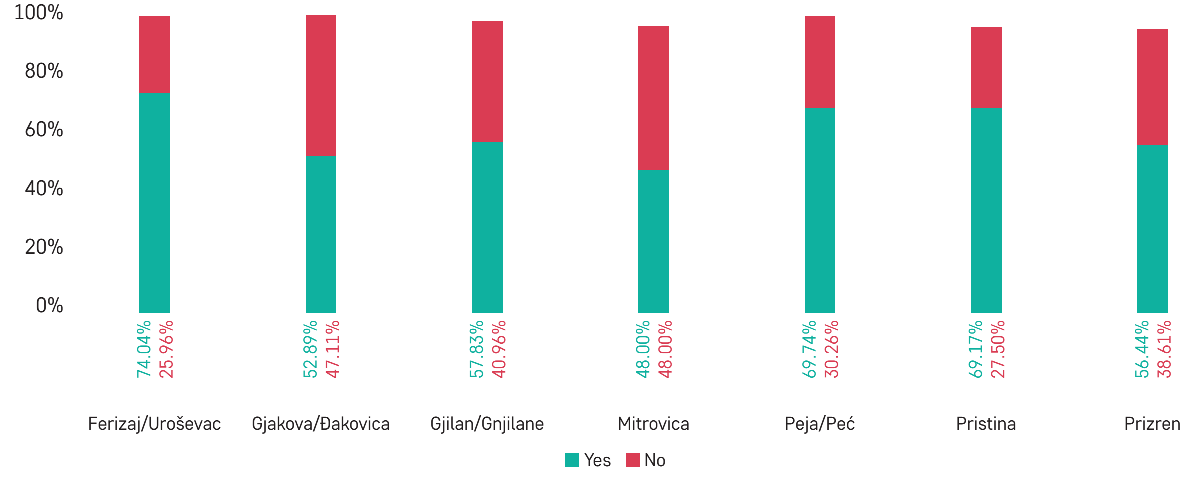
FIGURE 36: Percentage of income or sales (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The practice of offering salary raises based on performance seems to be used more by businesses operating in Kosovo. When analysing the practice across regions, Ferizaj/Uroševac, Peja/Peć, and Pristina (see Figure 37) lead with the highest% age of companies offering salary raise based on performance. In the other regions as well more than half of companies stated that they offer salary raise. This practice is good as it motivates employees to perform better since their performance is evaluated and rewarded. However, companies should be careful to have a transparent evaluation procedure so that employees feel that their performance is evaluated equally.

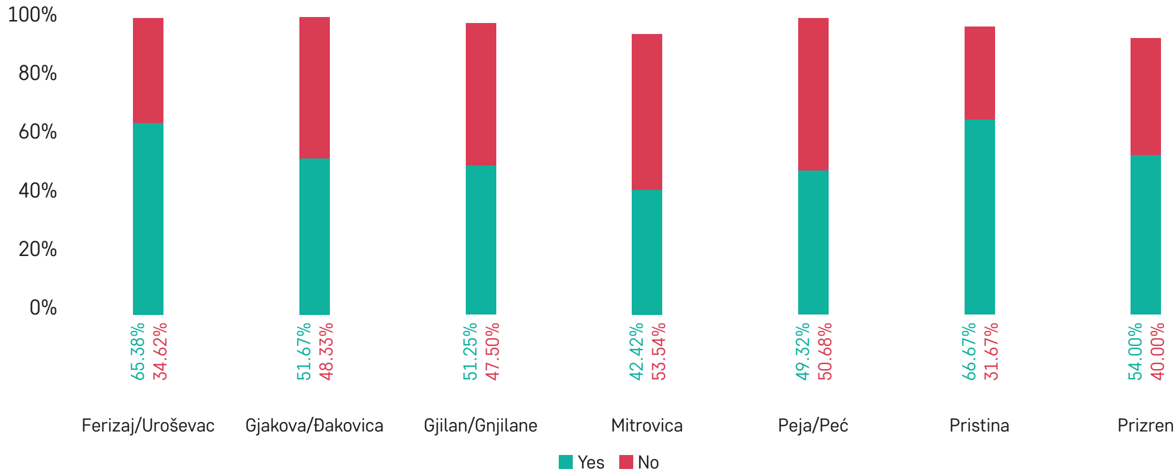
FIGURE 37: Salary raise based on performance (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Similar to salary raise based on performance, promotion based on performance is used by companies operating in Kosovo. More than 50% of companies in each region offer promotion based on performance to their employees. Standing out are Pristina and Ferizaj/Uroševac region with more than 65% of companies offering promotion based on performance. Meanwhile, 42% of companies in Mitrovica offer promotion based on performance (see Figure 38).

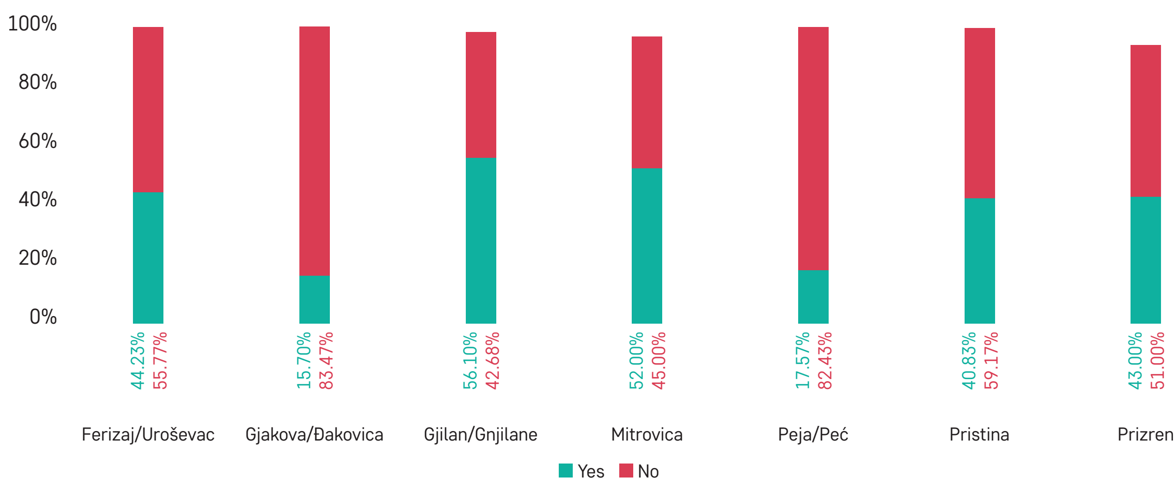
FIGURE 38: Promotion based on performance (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The practice of raising employees' salaries across the board is also used by companies operating in Kosovo. When analysed regionally, more than 50% of companies in Gjilan/Gnjilane and Mitrovica report to do so, meanwhile over 40% of companies based in Ferizaj/Uroševac, Pristina, and Prizren region raise their employees' salary. Two lowest-ranked regions are that of Gjakove/Đakovica and Peja/Peć, where only 16% and 18% of companies, respectively, raise their employees' salaries across the board (see Figure 39).

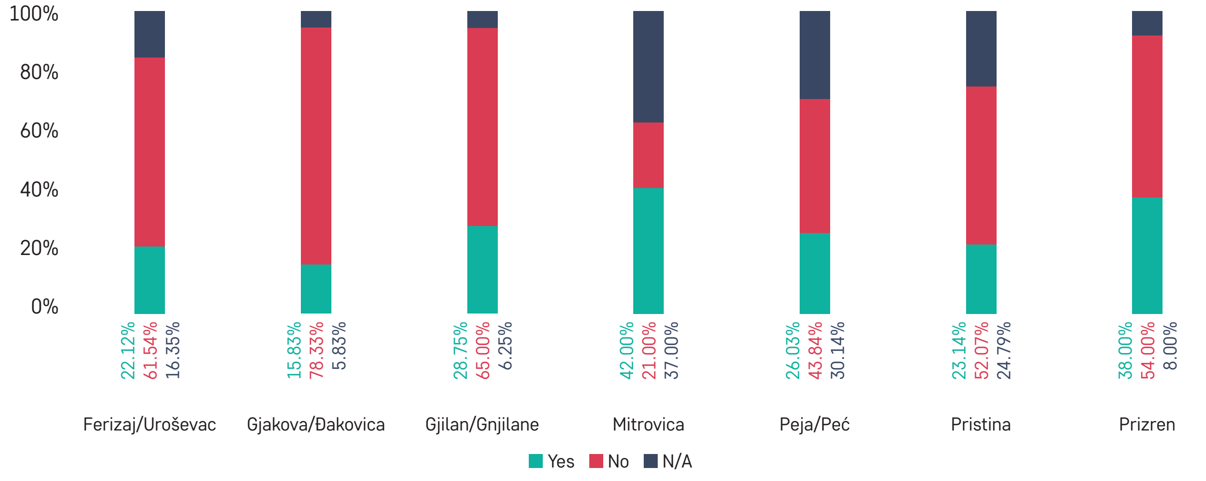
FIGURE 39: Salary raise across the board (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding offering support for transportation, looking at the data it can be seen that the majority of companies based in Ferizaj/Uroševac, Gjakove/Đakovica, Gjilan/Gnjilane Peja/Peć, and Pristina do not offer this kind of support. Meanwhile, a slightly higher number of companies based in the two other regions offer support for transportation. More specifically, 42% of companies in Mitrovica and 38% in Prizren offer such support (see Figure 40).

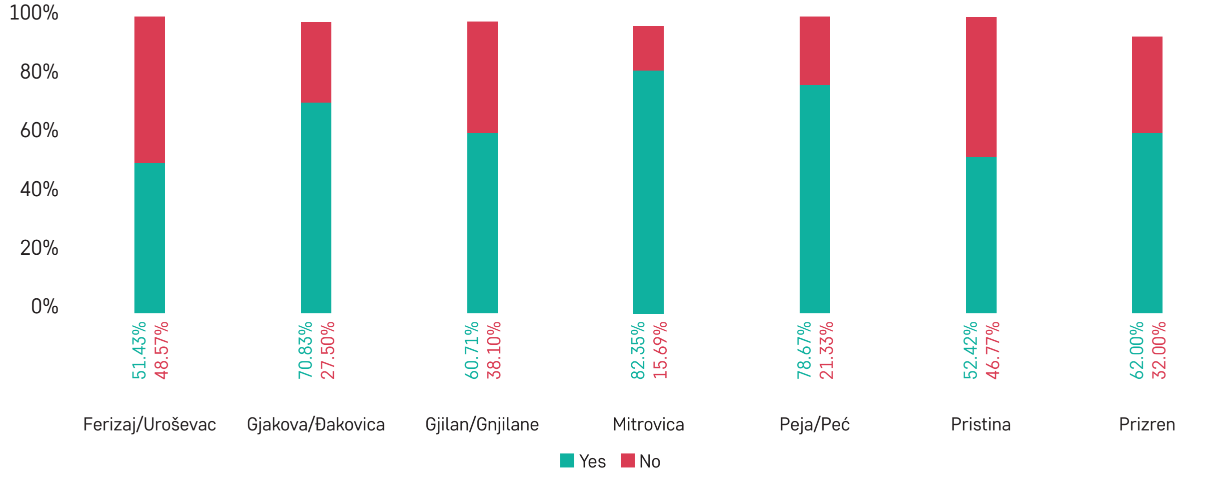
FIGURE 40: Support for transportation



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The majority of companies in Kosovo offer support for workers' meals. This can be also realized while analysing the data regionally. Three regions that offer the least are that of Ferizaj/Uroševac, Gjilan/Gnjilane, and Pristina (see figure 41).

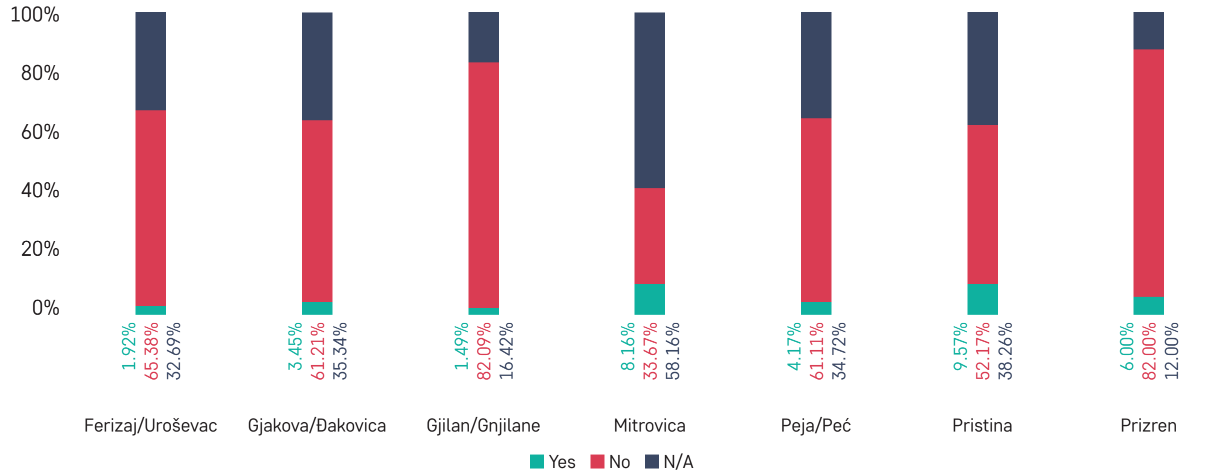
FIGURE 41: Support for meals (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Very few businesses in Kosovo offer support for day care or any other type of child care support for their employees. Analysing regionally, there are not many differences only for Pristina where 9% offer this support and Mitrovica where 8% of companies offer this support. In other regions, the percentage of companies that offer such support is even smaller. From this it can be seen that businesses operating in Kosovo do not pay attention to employees' family needs (see Figure 42).

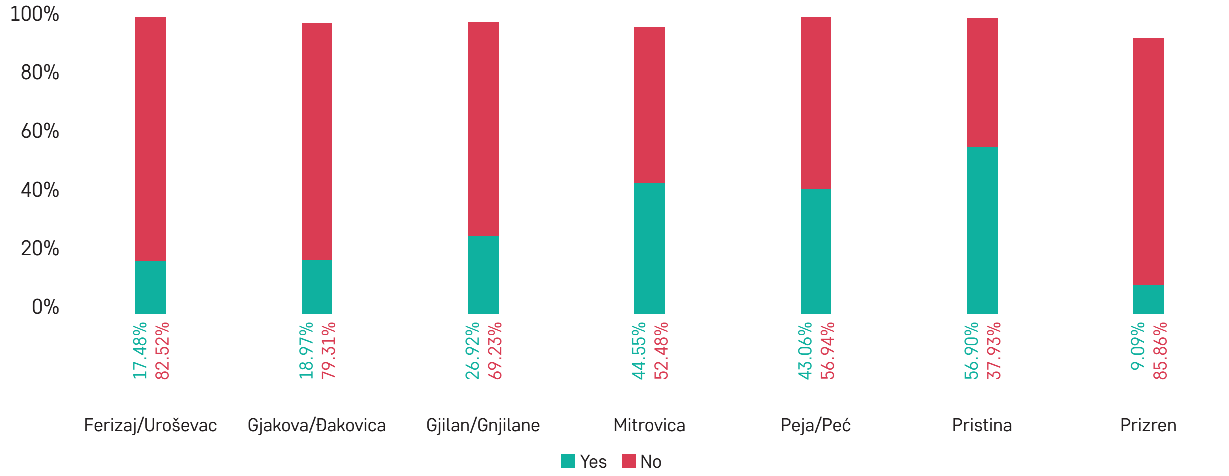
FIGURE 42: Support for day-care or other types of child care (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regarding team building events, there are some regional differences with the highest number of firms that organize team-building events being based in Pristina (57%), Mitrovica (45%), and Peja/Peć, (43%). The reason might be that companies that operate in the Pristina region are bigger and have a more developed awareness of corporate culture and pay attention to team building events. In Peja/Peć, region certain industries are more developed and through time companies have developed an awareness of the importance of team building events see (Figure 43).

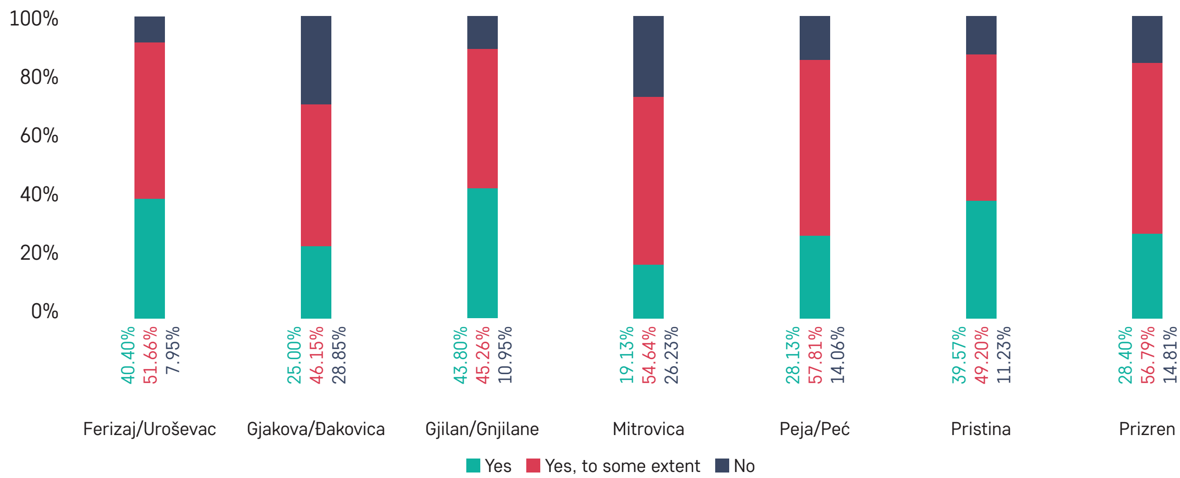
FIGURE 43: Team building events (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When asked about payments that employees receive, 50% of companies stated that their employees are paid adequately for the work they do, 41% stated that employees are paid adequately to some extent, for the work they do, and 9% do not agree with the statement that their employees are paid adequately for the work they do and most of these companies are based in Gjakove/Đakovica region (32%) and Mitrovica region (26%). Analysing across the seven Kosovo regions, almost 85% of businesses based in Ferizaj/Uroševac, Gjilan/Gnjilane, Peja/Peć, Pristina and Prizren either agree or agree to some extent with the statement that their employees are paid adequately for the work they do (see Figure 44). In Gjakove/Đakovica and Mitrovica region, around 71% and 74% of companies, respectively, either agree or agree to some extent with the statement. Meaning that around 29% and 26% of companies, respectively, do not agree. In general, businesses in Kosovo think that employees are paid adequately for the work they perform.

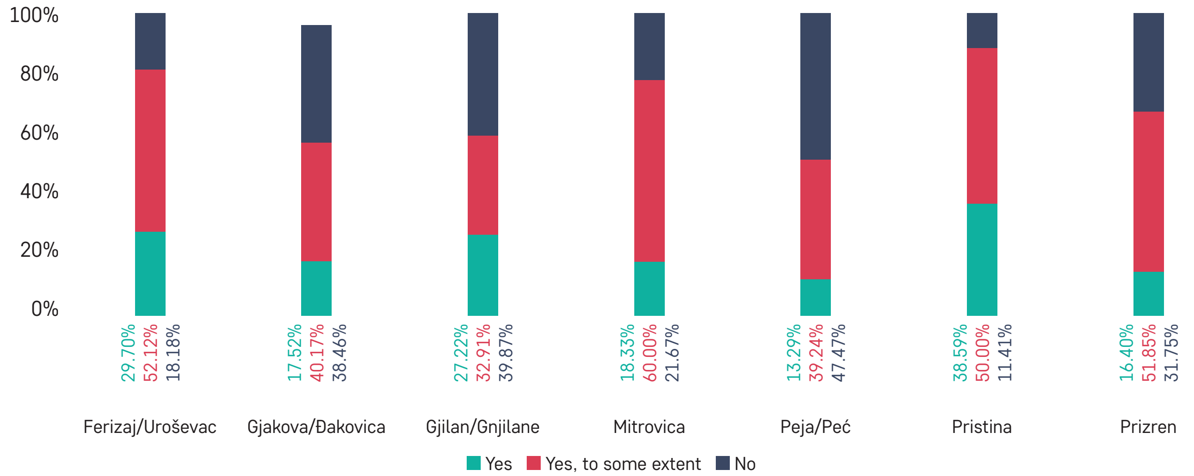
FIGURE 44: Level of agreement regarding employee salary levels (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When comparing employee salary levels to their competitors, 41% of companies stated that the pay that their employees receive is higher compared to that of employees doing similar work in other firms. Around 42% stated that the pay that their employees receive is higher to some extent compared to that of employees doing similar work in other firms. Around 18% do not agree with such a statement. Companies that do not agree with such a statement are mainly located in Gjakove/Đakovica region (24%), Peja/Peć, region (20%), Gjilan/Gnjilane region (17%), and Prizren region (17%). When comparing regionally, it can be observed that the majority of companies in each region either agree or agree to some extent with the statement that the pay their employees receive is higher compared to that of employees doing similar work in other firms. The regions where differences can be observed are that of Gjakove/Đakovica, Gjilan/Gnjilane, Peja/Peć, and Prizren where a higher number of companies do not agree with that statement.

FIGURE 45: Level of agreement regarding employee salary levels compared to competitors



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

2.3.3 Working conditions

Companies stated that their employees work 8 hours a day on average. There are no differences across regions. The average number of working days is 5.76. This result coincides with reality as employees is Kosovo work up to six (6) days a week. Regarding working arrangements, 29% of companies stated that their employees work on night/evening shifts and around 40% of such companies operate in the accommodation and food and services sector (see Figure 46). Roughly 85% stated that their employees have regular (fixed) working hours every day, 60% stated that their employees can choose to work on a flexible working schedule. A total of 84% stated that their employees work during Saturdays while 30% stated that their employees work during Sundays. Around 54% of businesses that work on Sundays operate in the wholesale and retail sector and in the accommodation and food and services sector. Around 25% of companies stated that their employees work on most national holidays[18] and 62% of these companies operate in the wholesale and retail sector and in the accommodation and food and services sector. A total of 44% of companies provide their employees with paid health insurance, and these companies operate in wholesale and retail sector (31%), construction (20%), manufacturing (20%), accommodation and food and services sector (13%). Almost 40% of companies stated that they pay their employees a higher rate when working on national holidays, weekends, and night shifts. Roughly 26% of companies stated that their employees can sometimes be exposed to safety risk and around 57% of these companies operate in the construction and manufacturing sector.

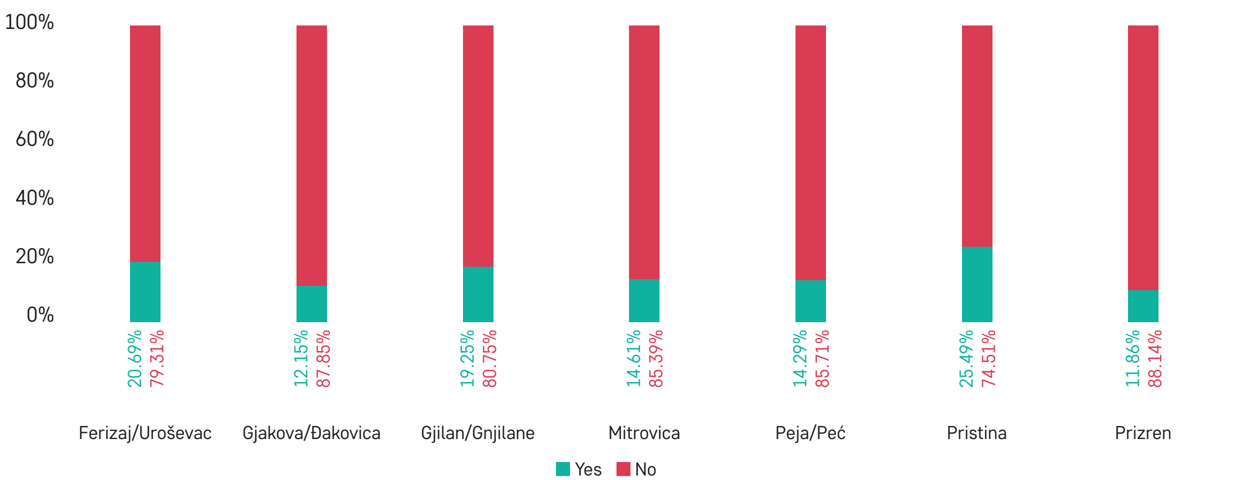
18 Another 52% stated that their employees work on some national holidays.

FIGURE 46: Working conditions

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regionally, the highest number of companies which stated that their employees work night and evening shifts are based in Pristina (25%) (see Figure 47). This is understandable as companies operating in the Pristina region are bigger and work longer hours than smaller businesses. For example, most retail businesses work until late in the evening. The next two regions are Ferizaj/Uroševac with approximately 21% and Gjilan/Gnjilane with 19%.

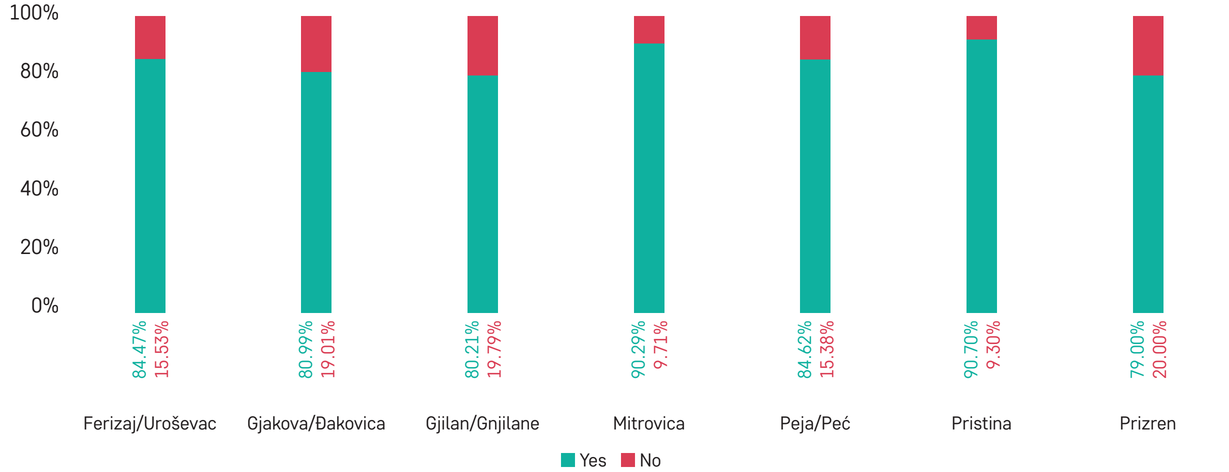
FIGURE 47: Employees working night shifts (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

There are no big differences regionally when it comes to working schedules (see Figure 48). In every region, at least 80% of companies stated that their employees have regular or fixed working hours every day. The percentage is slightly higher in Pristina and Mitrovica but still not much different from other regions. From such results it can be inferred that companies in Kosovo offer their employees a fixed working schedule.

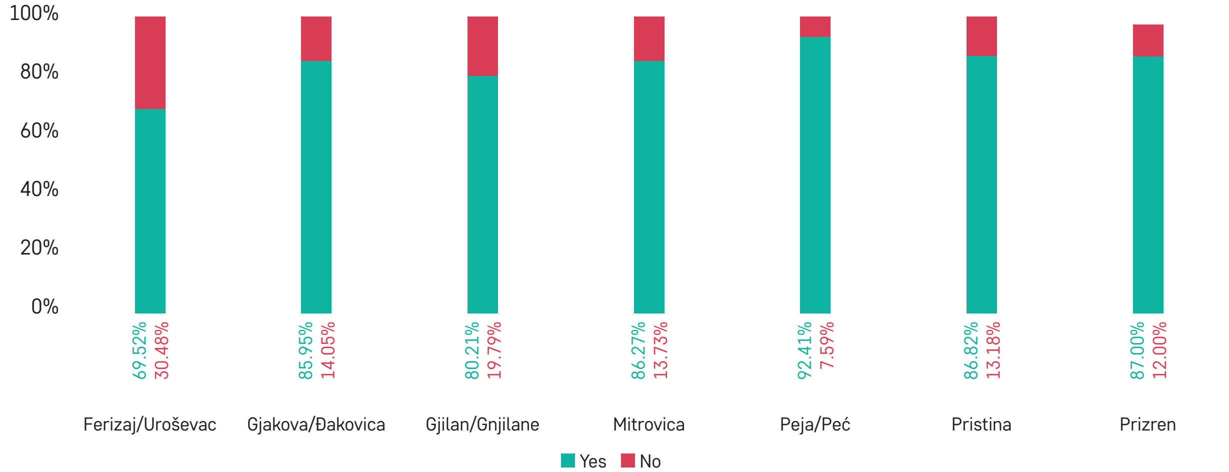
FIGURE 48: Employees have regular/fixed working hours every day (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When it comes to working on Saturdays, there is not much difference between regions where at least 80% of companies in each region stated that their employees work on Saturdays (see Figure 49). Except for in Ferizaj/Uroševac where the percentage is approximately lower with 70% of companies stating that their employees work on Saturdays. In general, the majority of companies work on Saturdays and there is not much difference between regions. This finding coincides with the results which show that employees work six days a week.

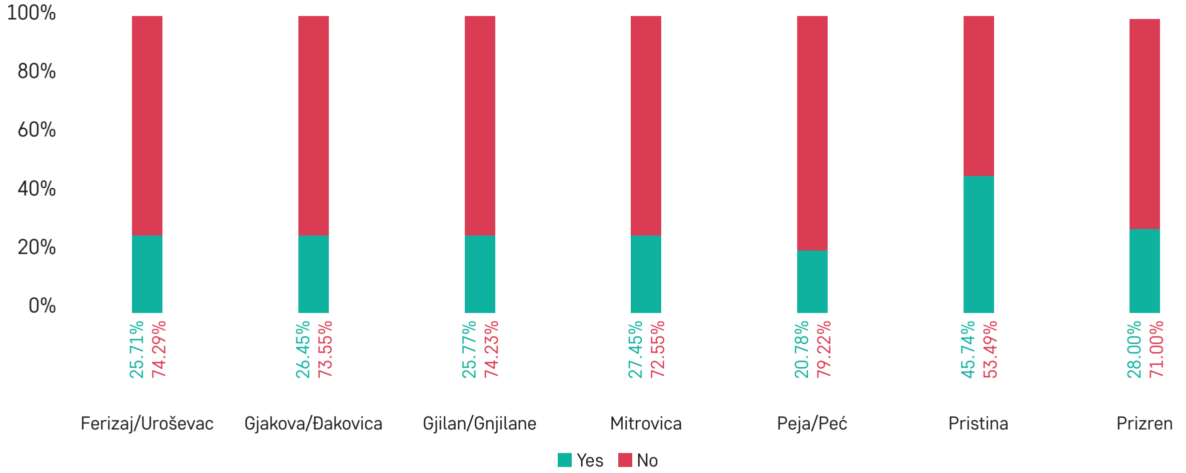
FIGURE 49: Employees work on Saturdays (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

There is no major difference among regions when it comes to working on Sundays as almost 25% of companies in each region stated that their employees work on Sundays (see Figure 50). The only region that differs is that of Pristina as almost 46% of companies stated that their employees work on Sundays. This might be due to the fact that the majority of companies in the sample operate in the construction sector, wholesale and retail, manufacturing and accommodation, and the food and services sector, as such, the majority of companies operating in these sectors work on Sundays as well. This might be the case why a higher number of companies based in the Pristina region work on Sundays as a higher number of accommodation and food and services businesses and wholesale and retail businesses operate in the Pristina region.

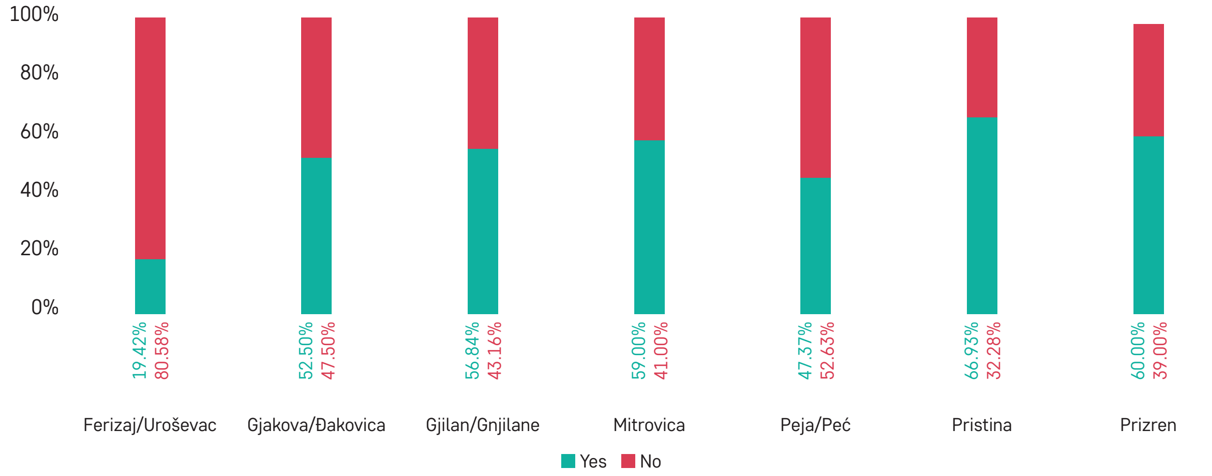
FIGURE 50: Employees work on Sundays (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When it comes to working during national holidays, there are some notable changes among regions (see Figure 51). In Ferizaj/Uroševac region, for example, 19% of companies stated that their employees work on some national holidays, meanwhile, in Pristina and Prizren region more than 60% of companies stated that their employees work on some national holidays. The reason why the number is lower in Ferizaj/Uroševac might be the fact that the majority of companies in the Ferizaj/Uroševac region are furniture stores or wood manufacturing companies that can close their business on national holidays. Meanwhile, in the other regions, businesses such as accommodation and food and services, gas stations, retail, think that they cannot afford to close the business on national holidays. Further, Pristina and Prizren regions top the list for the number of tourists that they get. As such, accommodation and food and service businesses work during holidays as well to accommodate the tourists.

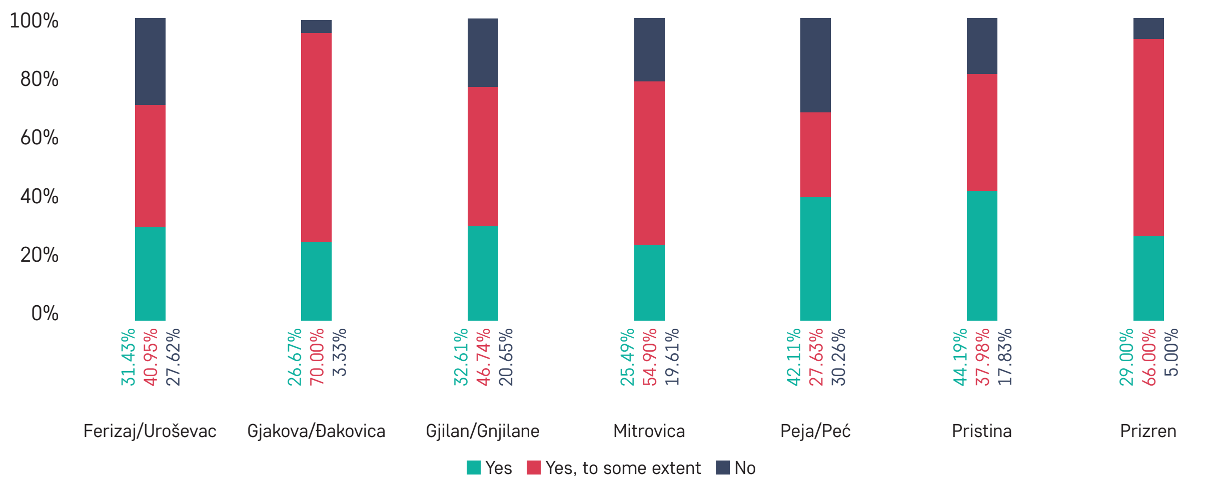
FIGURE 51: Employees work during some national holidays (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When analysing if a higher rate is paid to employees when they work on national holidays and/ or night/evening shifts, some slight differences can be observed (see Figure 52). In the region of Ferizaj/Uroševac, Gjakove/Đakovica, Gjilan/Gnjilane, Mitrovica, and Prizren, the average is around 30%. In Pristina and Peja/Peć, the region around 44% and 42%, of companies pay a higher rate to employees who work on holidays and/or during night/evening shifts. The law stipulates that companies need to pay higher rates to employees who work on national holidays and/or night/evening shifts.

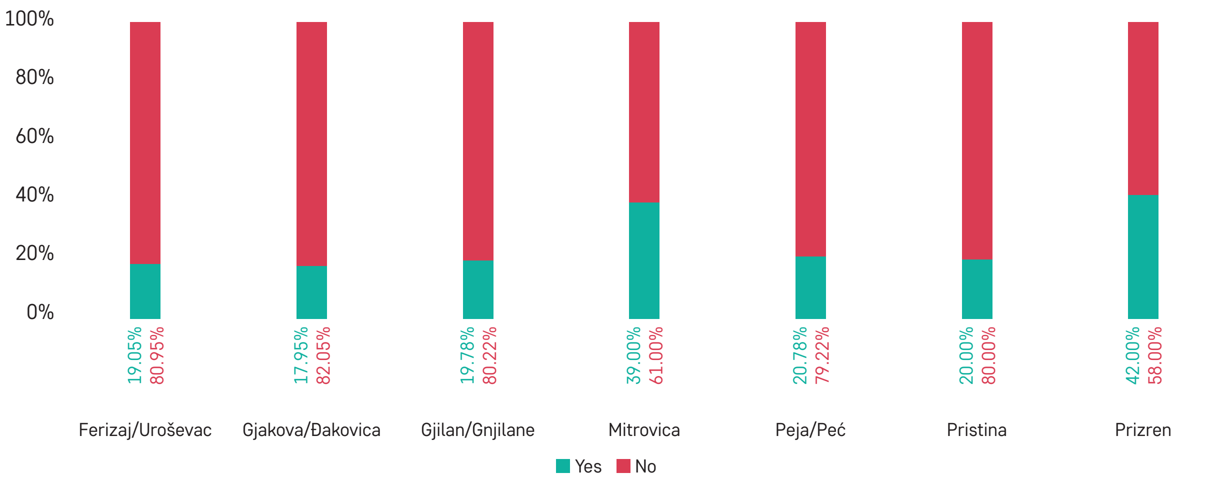
FIGURE 52: Employees are paid a higher rate when working on holidays, night/evening shift (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When analysing exposure to safety risk, the only difference can be noticed in the region of Prizren and Mitrovica where, respectively, 42% and 39% of companies declared that their employees can be exposed to safety risk (see Figure 53).

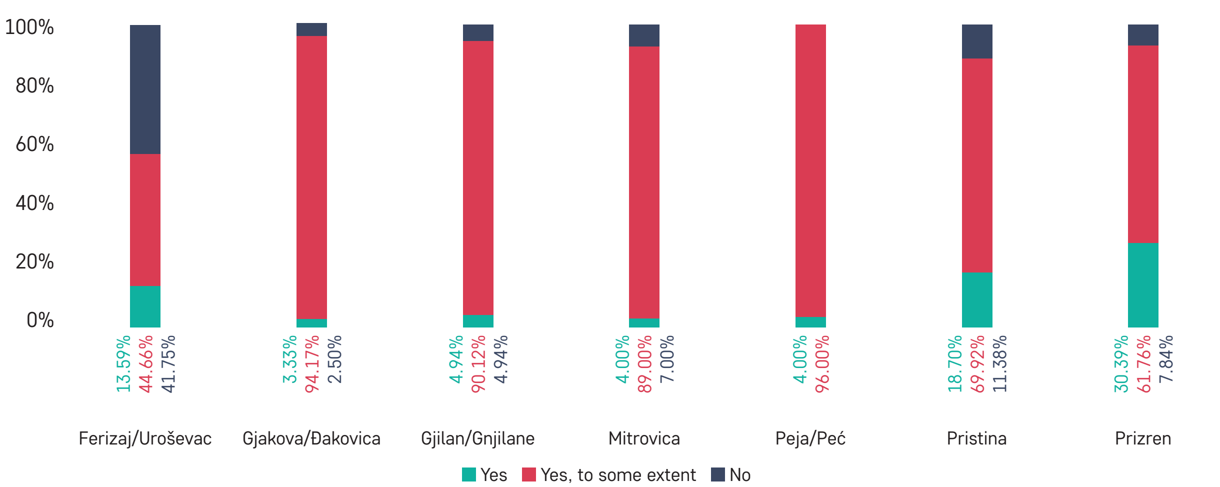
FIGURE 53: Exposure to safety risk (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

When asked about employee representation, only 13% of companies stated that in their company there is a labour union or some employee representative who is responsible to represent all employees (see Figure 54). Sector-wise, 75% of these companies operate in the wholesale and retail sector, manufacturing sector, construction sector, and accommodation and food and services sector. Region-wise, the highest number of companies that have labour unions or employee representatives[19] are based in Prizren (30%), Pristina (19%), and Ferizaj/Uroševac region (14%).

FIGURE 54: Labour unions or employee representatives by region (by region)

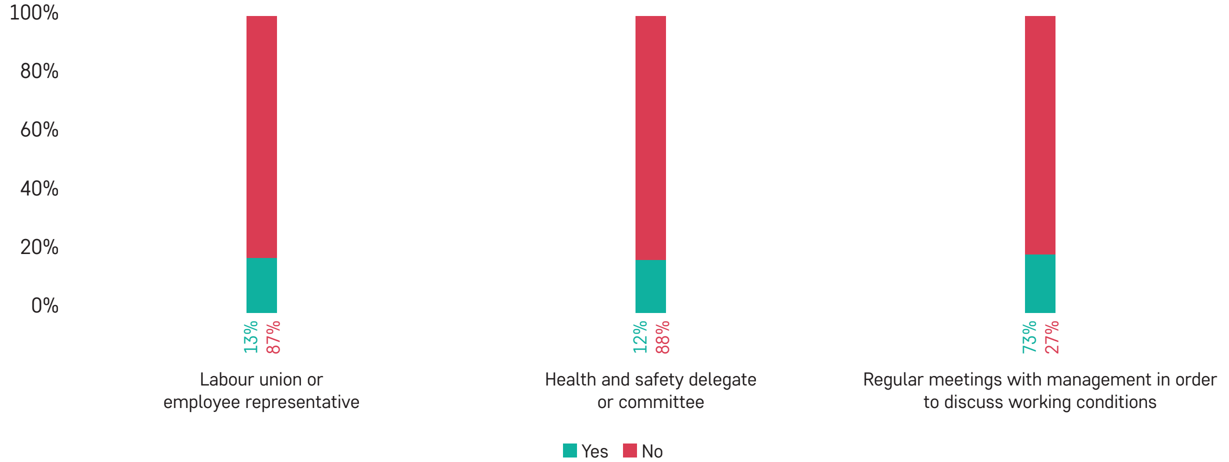


SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

19 Employee representative is not necessarily a union type representation. It rather reflects a situation in which a particular employee is designated to communicate with the management when it comes to employment and working arrangements.

Further, only 12% of companies stated that there is a health and workplace safety delegate or committee. The companies that have such a delegate/committee have an average number of 35 employees. Having a health and workplace safety delegate is a legal requirement as prescribed by Article 9 of the Labour Law.

FIGURE 55: HR practices used by companies in the last three years



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Meanwhile, 73% of companies stated that they organize regular meetings with management and employees to discuss working conditions and how work is organized in the company.

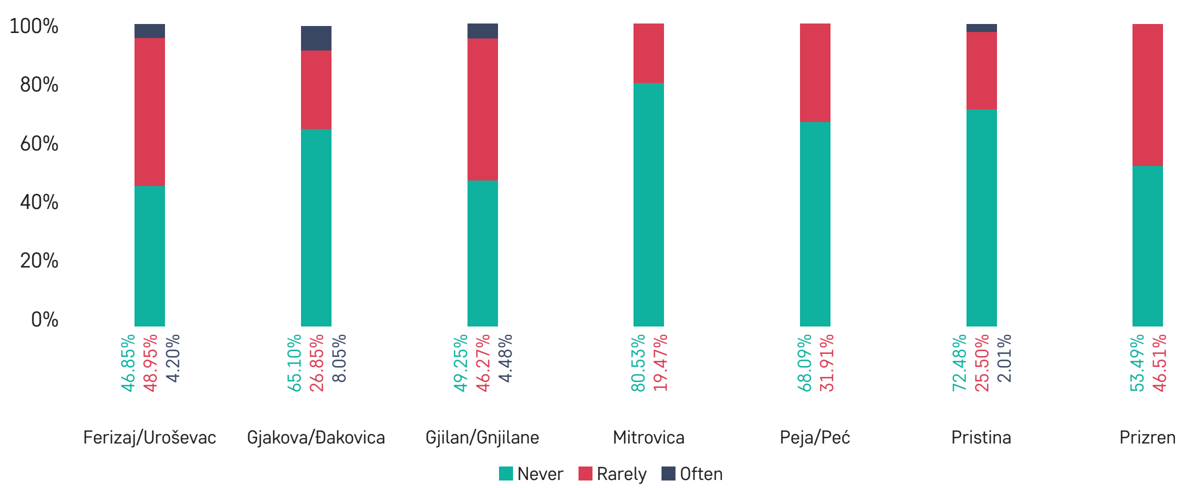
Regarding payments made to employees in the last three years, 91% of the companies stated that they have never encountered situations when they could not pay their employees at all for some months, 8% stated that they encountered such situations rarely (one or two times a year) and 1% stated that they face that problem often (more than 2 times a year). When analysing regionally, two regions can be observed, that of Ferizaj/Uroševac and Prizren. In Ferizaj/Uroševac region, around 20% of companies stated that it has happened once or twice a year that they were not able to pay their employees at all. In the Prizren region, 11% of companies stated the same (see Figure 56).

FIGURE 56: Occasions when companies were not able to pay employees at all (by region)

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Meanwhile, 77% of companies stated that they have never encountered situations when they could not pay their employees on time. A total of 22% stated that they have encountered that problem one or two times a year and 1% stated that they have encountered that problem often. Analysing regionally, in Ferizaj/Uroševac around 49% of companies that it has happened once or twice a year when they could not pay their employees on time. In Gjilan/Gnjilane and Prizren around 46% of companies stated that they have encountered that problem once or twice a year. In Peja/Peć, around 32% of companies reported that they have rarely had that problem. In Gjakove/Đakovica and Pristina around 26% and in Mitrovica around 20% of companies have encountered the same problem. It is important to mention that the highest percentage of companies which have faced this problem often (more than twice a year) is marked in Gjakove/Đakovica region, 8%. Meanwhile in Ferizaj/Uroševac and Gjilan/Gnjilane region around 4% of companies have declared that they have faced the problem. Taken together, companies that have faced problems in paying employees on time have reported having faced those problems once or twice a year at most.

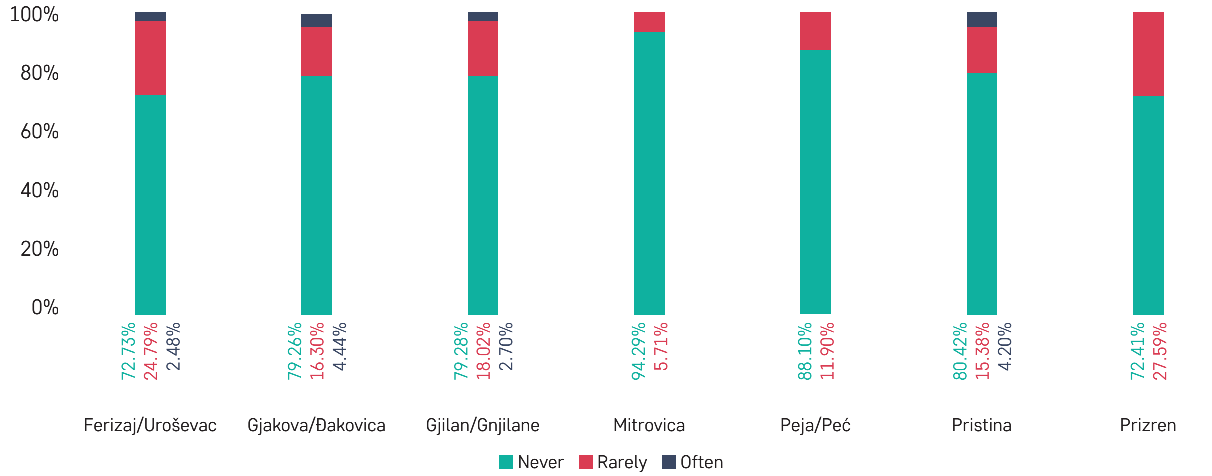
FIGURE 57: Occasions when companies were not able to pay employees on time (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Further, 89% of companies stated that they have never encountered situations when they could not pay their employees their full wage/salary, 10% stated that that has happened once or twice in a year and 1% stated that it has happened more than twice e year. Regionally, at least 72% of companies in each region stated that they have never faced that problem. Two regions that have faced that problem more are that of Ferizaj/Uroševac and Prizren. Around 25% of companies in Ferizaj/Uroševac and 28% of companies in Prizren have faced this problem once or twice a year.

FIGURE 58: Occasions when companies were not able to pay a full salary (by region)

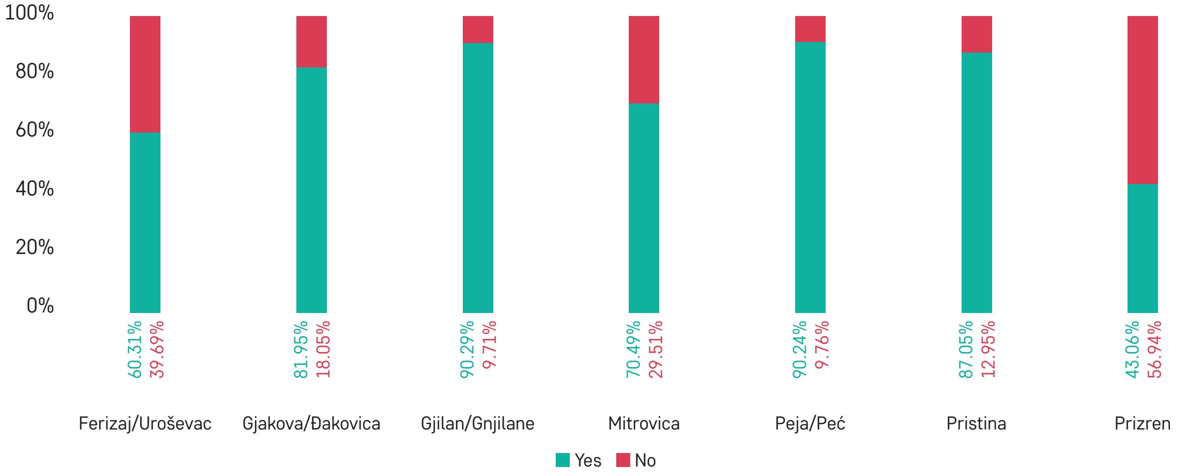


SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

2.3.4 Cooperation with labour inspectorate

When asked if they have ever been visited by the labour inspectorate in the last three years, 85% of the companies stated that they have been visited. Analysing regionally, it can be seen that the highest number of companies which stated that they were visited by labour inspectorate are based in Gjilan/Gnjilane (90%) and Peja/Peć, (90%), followed by Pristina region with 87%, Gjakove/Đakovica with 82% and Mtirovica with 70%. Ferizaj/Uroševac (60%) and Prizren (43%) region record the lowest number of companies to have been visited by labour inspectorate.

FIGURE 59: Visits by labour inspectorate (by region)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Inspectors have mainly inspected employee files/contracts (93%), tax administration lists in order to see if the companies comply with the contracts (79%), written decisions on leave (medical leave, vacation, maternity leave) (68%), company regulations which specify working schedule, paid annual leave, etc. (75%), implementation of company regulations (71%), conditions for health and safety at work (70%), and emergency regulation (60%).

Around 26% of companies stated that they have changed something in their company as a result of the labour inspectorate visit (regardless of whether they were fined) while the rest said that they have not changed anything. The most common responses were that at the company has completed the documentation required to keep for all employees (this including drafting the actual contracts for employees and signing them), has taken safeguarding measures against risks at work, has improved employee working conditions by giving them paid annual leave and sick leave, and by drafting and enforcing policies of how work should be organized. Almost 29% stated that they were advised by the Labour inspectorate on matters such as improving employee safety at the workplace, providing better working conditions to employees by giving them paid leave and setting working schedules as regulated by the law, drafting workplace policies and drafting and saving all the documentation required for employees. Around 18% were fined for irregularities identified from the labour inspectorate visit, 50% were not and 32% stated that the labour inspectorate did not find any irregularities.

CHAPTER 3. QUALIFICATION OF THE LABOUR FORCE

3.1. Employment in Kosovo

Given that most recent employment level data are not disaggregated at a regional, level, this section will present Kosovo-wide data. Employment levels differ among age and between men and women. For Kosovo, youth, aged 15-24, the employment rate is around 14.4% (19.4% for men, and a low of 8.6% for women).[20] For those in the age group 25-34, the overall rate of employment is 36.6%, with men having a higher rate of employment of 53%, compared to only 18% for women.[21] Apart from this low level of employment, the level of youth, who are currently not employed, in education, or training (NEET) in Kosovo, for 2019, is worrying. For men, it is around 31.4%, whereas for women it is around 34.2%.[22] These figures showing the lack of activity among youth, be in educational attainment or in employment, are worrying.

While the employment rates for men are in the continuous increasing trend, with levels around 50%, at all but the 15-24 age bracket, the employment rate for women, albeit increasing, is still at worrying rates.[23] For the 35-44 age group, the employment rate is at 63% for men and the highest 21% for women. Whereas for the 45-54 age group and the 55-64 age groups, the employment rate for men is above 50%, and for women, it drops back to around 14 respectively 11%.[24]

3.2 Structure and qualification of the labour force and structure of unemployment

Data on the qualification of the labour force, prior to data collection from Riinvest, is assessed based on educational data from the region, as well as from a combination of data from the Labor Market Information System (LMIS). The data presented in this section are disaggregated by education level and by region. Overall, 39% of youth 15-29 have completed general high school, 26% have completed a bachelor's degree, and 16% have completed vocational education and training. Of the rest, around 15% have completed primary education and around 4% have a master's degree.

3.2.1 Pristina region

In the Pristina region specifically, the education level of youth ages 15-29 is similar to that in Kosovo overall, albeit a higher number of youths have completed a master's degree. Specifically, while around 40% have completed general high school education, in the Pristina region there are around 22% of youth who have completed a bachelor' degree, 19% who have completed vocational education, and around 10% who have a master's degree.

20 Kosovo Agency of Statistics, Labor Force Survey, Employment rate, 2019

21 Ibid.

22 Kosovo Agency of Statistics, Labor Force Survey, Youth Not in Employment, Education, or Training, 2019.

23 Kosovo Agency of Statistics, Labor Force Survey, Employment rate, 2019

24 Ibid.

Currently, in the Pristina region, there are 12,677 students enrolled in Professional Schools, spread across different profiles, ranging from Agribusiness and Technology, to Information Technology, to Medical School.[25] Further, 11,216 students are enrolled in general high schools (Gymnasiums). The specific profiles offered by professional high schools are especially important, to show the skills and vocational training that the labour force acquires through these schools, and in turn to see where the gaps in the labour market are. Thus, based on the data on supply and demand for different professions based on ISCO occupation list from the LMIS, it can be shown that certain vocations and professions have a lack of labour supply, and even more so, lack of training offered for said professions. This provides insights into the supply side of Pristina's labour market.

FIGURE 60: Percentage of employees declared for tax purposes (by region)

SOURCE: LMIS DATA

When taking into account the jobs for which requirements for employment have a minimum of a general high school degree, the number of job seekers for occupations such as General Office Clerks and Accounting and Bookkeeping Clerks increases even further. Moreover, only in the Pristina Region, there are five professional schools, offering education in Economics and Law, with a capacity level of more than 3,000 students, whereas the labour market demand for such occupations remains low and is saturated.

This issue is further exacerbated for job seekers with tertiary education, where there is still a dominance of social sciences, especially law and economics, in the labour supply, whereas the demand shows a clear tendency towards information technology professionals, engineers, and architects. Even more so, the demand for the latter occupations is still unmet. Only in the past year, there have been more than 1,500 [26] students graduating with a Bachelor's Degree in Economics or Law, with less than 50 new job openings in these fields. Whereas there have been only around 300 students graduating in Engineering,[27] be it Mechanical, Electrical, or Computer Science, with around 20 openings in these fields, only in the past

25 A full list of professional schools and their specializations can be found here: https://masht.rks-gov.net/shkollat-profilet

26 Kosovo Agency of Statistics, Education Statistics, Prishtina University Graduates, 2017

27 Kosovo Agency of Statistics, Education Statistics, Prishtina University Graduates, 2017

year.[28] The gap in the labour market data, however, is only visible for the social sciences. This can be attributed to a higher level of employment during studies for students of engineering, especially for computer science students.

On the other hand, occupations with the highest number of unfilled positions in this region are shown below. These are occupations which have required a professional school diploma and have remained open, due to lack of labour supply. The one occupation which remains with the highest number of open positions that are not filled is under the ISCO classification Tailors, Dressmakers, Furriers, and Hatters, for which, in the Pristina region, there is a gap in labour market of 244 people.[29]

FIGURE 61: Occupations with unfilled positions in Pristina region (VET requirement)

SOURCE: LMIS DATA

In the region, there is only one professional school which offers education in this specialization, and currently has only 143 students enrolled, which is to capacity.

3.2.2 Prizren region

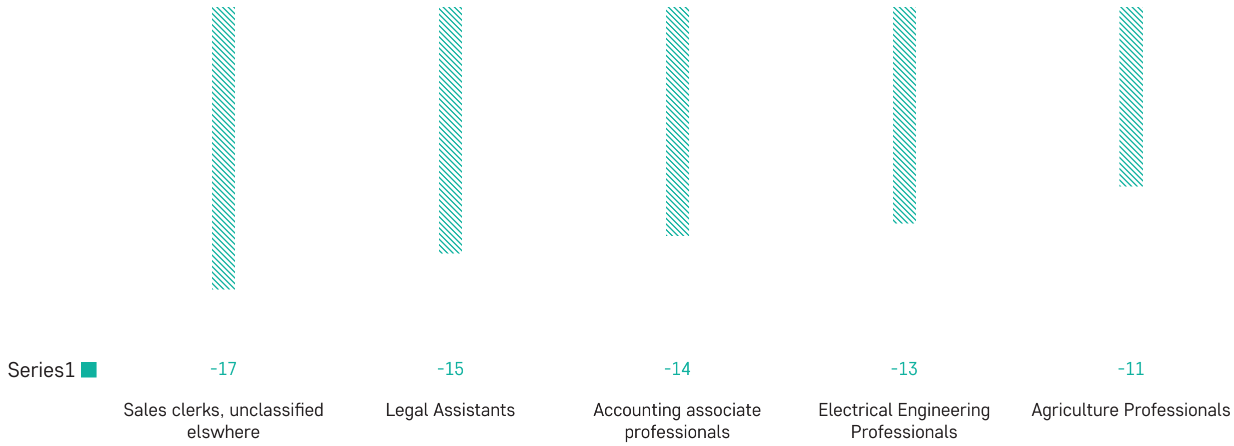
In Prizren, there are 8,298 students enrolled in professional schools, 8,766 students enrolled in general high schools.[30] Using a similar methodology to that in the Pristina region, there is a difference in the supply in the labour market in Prizren. There is a high number of workers seeking jobs that have a VET requirement for sales clerks, legal assistants, and accounting professionals. These skills and occupations are offered by professional schools in the Prizren region, with a capacity of more than 2,000 students.

28 LMIS data on supply and demand in the labour market: http://sitp.rks-gov.net

29 LMIS data on supply and demand in the labor market: http://sitp.rks-gov.net

30 Kosovo Agency of Statistics, Education Statistics, 2017

FIGURE 62: Occupations with lack of positions in Prizren region (VET requirement)

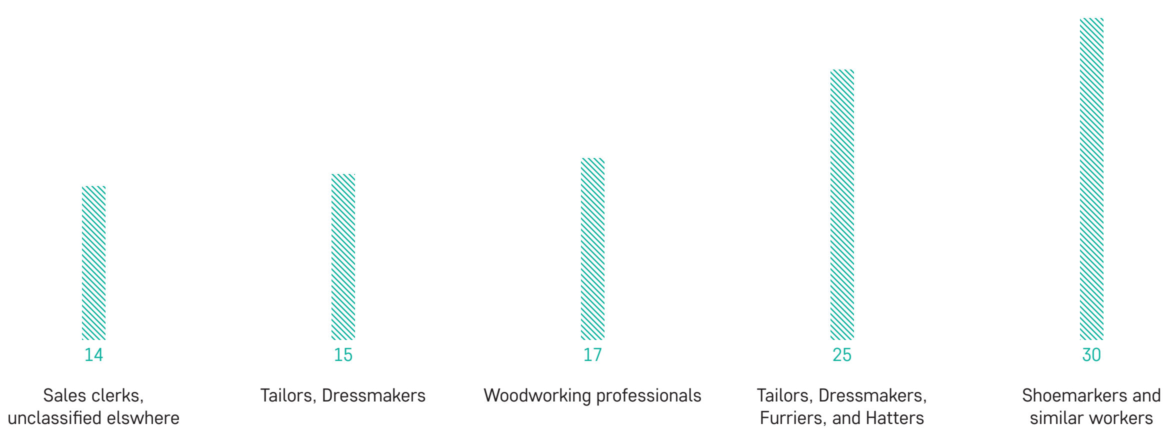


SOURCE: LMIS DATA

As in the Pristina region, the highest number of students graduating with a Bachelor's Degree from the Prizren University, are in Business Administration, around one in four graduates receive a Business Administration degree, and further, around one in ten students receives a degree in Law. These also remain occupations that have not had recurring or consistent job openings in this region.

The occupations with the highest number of unfilled positions in this region are shown below. Similarly, to Pristina region, there is a high demand for Tailors, Dressmakers, Furriers, and Hatters, as well as for Shoemakers, which lack in the Prizren region labour supply.[31]

FIGURE 63: Occupations with unfilled positions in the Prizren region (VET requirement)



SOURCE: LMIS DATA

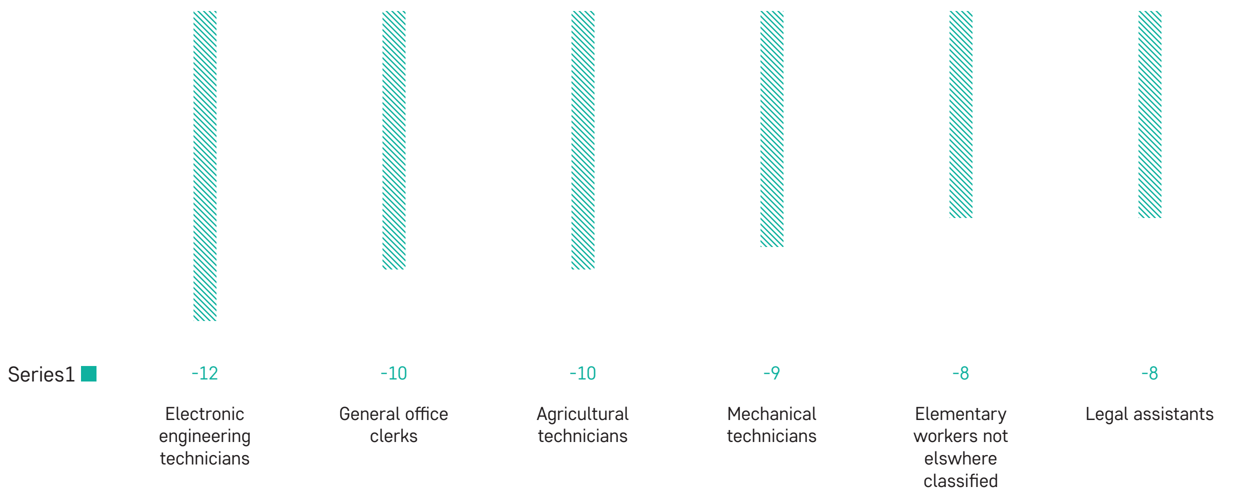
31 LMIS data on supply and demand in the labor market: http://sitp.rks-gov.net

However, what is important to note, is the fact that the Sales Clerk occupation appears both to have a surplus of labour supply and a deficit. Upon closer look, this results from data being disaggregated by municipalities within the region, indicating a low level of mobility for economic opportunities in this region.

3.2.3 Peja/Peć region

Following a similar trend to the whole Kosovo, in Peja/Peć, there are 5,415 students enrolled in professional schools, compared to 4,382 in general high schools.[32] The range of specializations in the region is similar to the Kosovo-wide picture, however, in the Peja/Peć region, there is a higher number of students enrolled in the Trade, Tourism, and Catering school. This, given the higher need for labour force specializing in these occupations.

FIGURE 64: Occupations with lack of positions in Peja/Peć region (VET requirement)



SOURCE: LMIS DATA

However, even with a higher potential for engaging in tourism activities and for tourism professionals, the number of students graduating with a Bachelor's Degree from the University of Peja/Peć, are in Business Administration, followed by Law students, and by Tourism and Catering students.

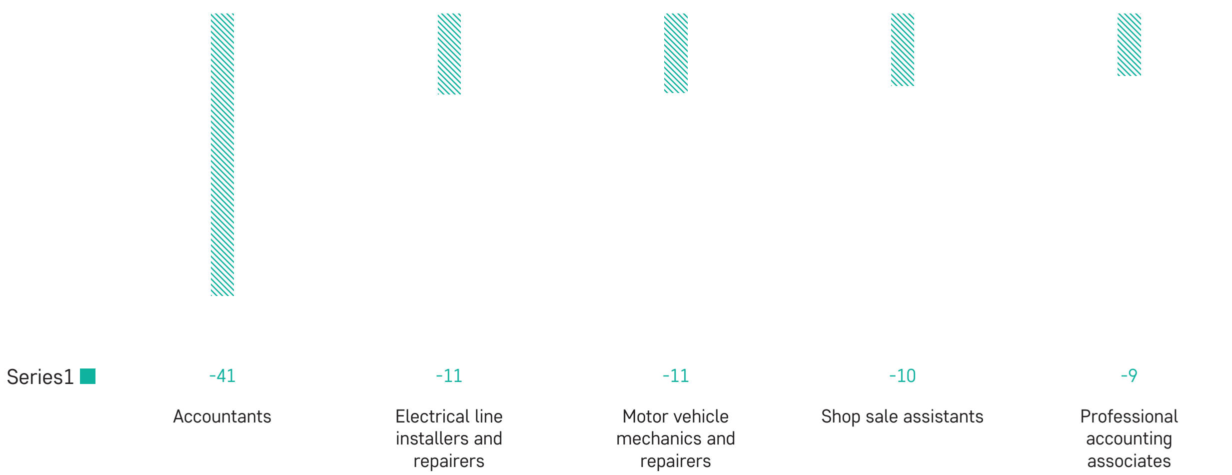
32 Kosovo Agency of Statistics, Education Statistics, 2017

3.2.4 Mitrovica region

In the Mitrovica region, there are 6,731 students enrolled in professional high schools, and 4,061 students enrolled in general high schools. [33] Mitrovica region has the highest number of students enrolled in the Metallurgy and Mining professional school, as well as a considerable number of students enrolled in Chemistry and Non-metal works. However, the highest number of students are still enrolled in Economics and Law professional schools.[34]

A higher concentration of students in the metallurgy and chemistry fields is expected, considering the historical demand for professional labour force in these occupations, however, with the current economy of the region, there are a limited number of jobs in these industries.

FIGURE 65: Occupations with lack of positions in Mitrovica region (VET requirement)



SOURCE: LMIS DATA

A limited number of jobs compared to the number of those who have completed professional education in these fields, as can be seen from Figure 65, are also in accounting, electrical installation and repairs, as well motor vehicle mechanics and repairs.

In terms of tertiary education, students in Mitrovica University tend to be spread evenly across different fields of studying, with a lower number of students graduating in Economics and Food Technology. The highest concentration of students is in Geosciences and Mechanical and Computer Engineering.

33 Kosovo Agency of Statistics, Education Statistics, 2017

34 Ministry of Education, Science and Technology, Professional School Profiles: https://masht.rks-gov.net/shkollat-profilet

3.2.5 Gjilan/Gnjilane region

Gjilan/Gnjilane region has a very evenly spread share of students enrolled in professional high schools and in general high schools, with 4,687 and 4,620 students enrolled, respectively.[35] Gjilan/Gnjilane has the highest number of students in the professional school of Textile and Leather Processing, as well as the highest number of students in the professional school of Music. Gjilan/Gnjilane also has no professional school specializing in Trade, Tourism, and Catering. The highest number of students, as in other regions, though, is concentrated in the Economics and Law professional school.

FIGURE 66: Occupations with lack of positions in Gjilan/Gnjilane region (VET requirement)

SOURCE: LMIS DATA

Gjilan/Gnjilane region also has one of the biggest professional schools in Health and Social Protection, which can in part explain the surplus of nursing professionals in the region's labour force. A high concentration in economics can also explain a higher number of accounting and sales professionals, who are still seeking employment.

The same pattern, as in other regions, is prevalent in Gjilan/Gnjilane as well, in terms of University studies, where students are highly concentrated in Business Administration and Law, and a very small minority of students in Computer Science. The third-highest number of students, at the University of Gjilan/Gnjilane is in the Faculty of Arts.

3.2.6 Ferizaj/Uroševac region

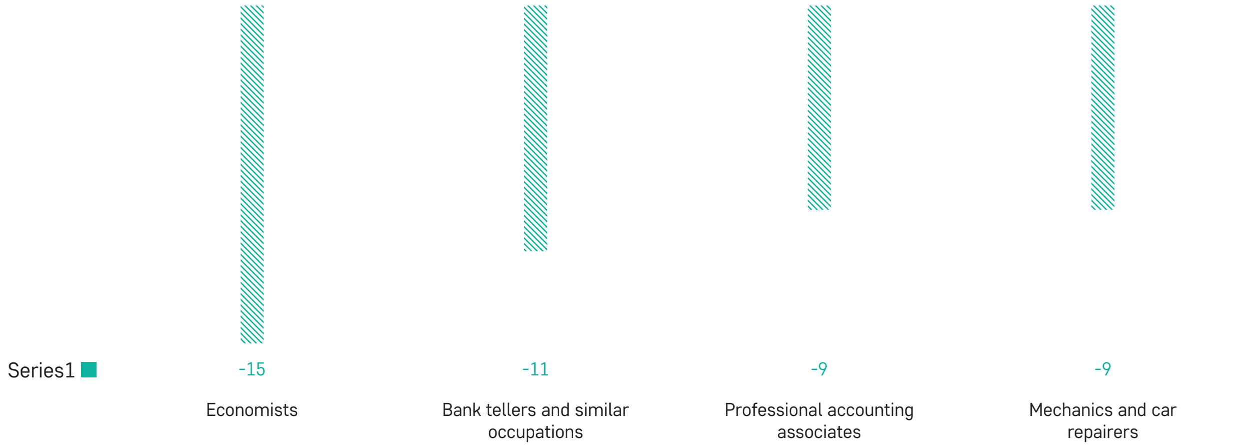
In Ferizaj/Uroševac, and all municipalities in the region, the number of students in professional schools is very similar to the number of students in general high schools, 5,205 and 5,032, respectively.[36] In terms of professional schools, there is a high concentration of students in the professional school of Forestry and Wood Processing, in Machinery and

35 Kosovo Agency of Statistics, Education Statistics, 2017

36 Kosovo Agency of Statistics, Education Statistics, 2017

Metalwork, as well as Electronics. These occupations are also in high demand in the region, known for its woodworking and metalwork potential. However, even so, the highest number of total students in one school, are still concentrated in economics and law.

FIGURE 67: Occupations with lack of positions in Ferizaj/Uroševac region (VET requirement)



SOURCE: LMIS DATA

That is illustrated even in the number of professionals who have not found employment, who have studied or trained in these fields, that is, economics, banking, and accounting.

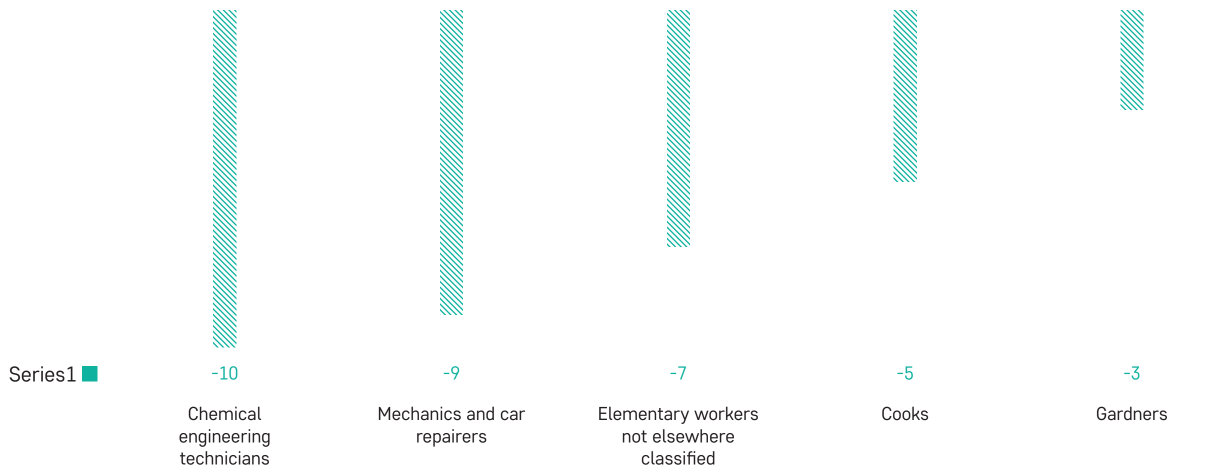
However, in terms of university education, in University of Ferizaj/Uroševac, there is a concentration of specializations based on the labour market, given that there is a high level of students graduating in Industrial Management, Architecture and Furniture Design, and Wood Design and Technology.

3.2.7 Gjakova/Đakovica region

In the region of Gjakova/Đakovica, 2,713 students are enrolled in the professional schools offered in this region, compared to 2,037 students following general studies. [37] The main professional schools in the region are those specializing in Economics and Law, Trade and Tourism, Health and Social Protection, as well as Textile and Leather Processing. Figure 9 below shows the occupations in which the supply of the labour force exceeds the demand for these occupations.

37 Kosovo Agency of Statistics, Education Statistics, 2017

FIGURE 68: Occupations with lack of positions in Gjakova/Đakovica region (VET requirement)



SOURCE: LMIS DATA

University of Gjakova/Đakovica is specialized in Medical professions. The highest number of students graduate from Medical School, specifically as Nurses, where an evident dominance of female students is prevalent. This is followed by Primary Education, where, again the number of female students is fifteen times higher than that of male students.

3.3 Structure of unemployment

Occupations with the highest level of unemployment, based on Millennium Challenge Corporation (MCC) data in Kosovo, are Business, Manufacturing and Construction, and Life Science.[38] Although a prevailing high unemployment rate, combined with some level of lack of demand for these occupations in all regions, should serve as a deterrent, Kosovo youth still are clustered in education and professional schools linked directly or closely to Business Administration, Economics, and Law. On the other hand, Services, Engineering, and Crafts and Trades, are the occupations with the lowest level of unemployment, all, around half the level of that faced by business professionals, and yet remain sectors in which neither a lot of education is offered, nor is there a demand for such education from the youth.

A worrying figure from the MCC data, is the high unemployment rate among those who have completed post-secondary vocational education, with an unemployment rate of 22%, and for those who have completed a university education, with an unemployment rate of 20%.[39] The unemployment rate is also higher in urban areas compared to rural areas, by MCC estimates, which may show biased statistics, given the definitions of employment used in the survey (designed to include non-paid family workers) are more likely to overestimate employment levels in rural areas and underestimate employment in urban areas.

38 MCC Kosovo – Labor Force and Time Use Survey Report, 2018

39 MCC Kosovo – Labor Force and Time Use Survey Report, 2018

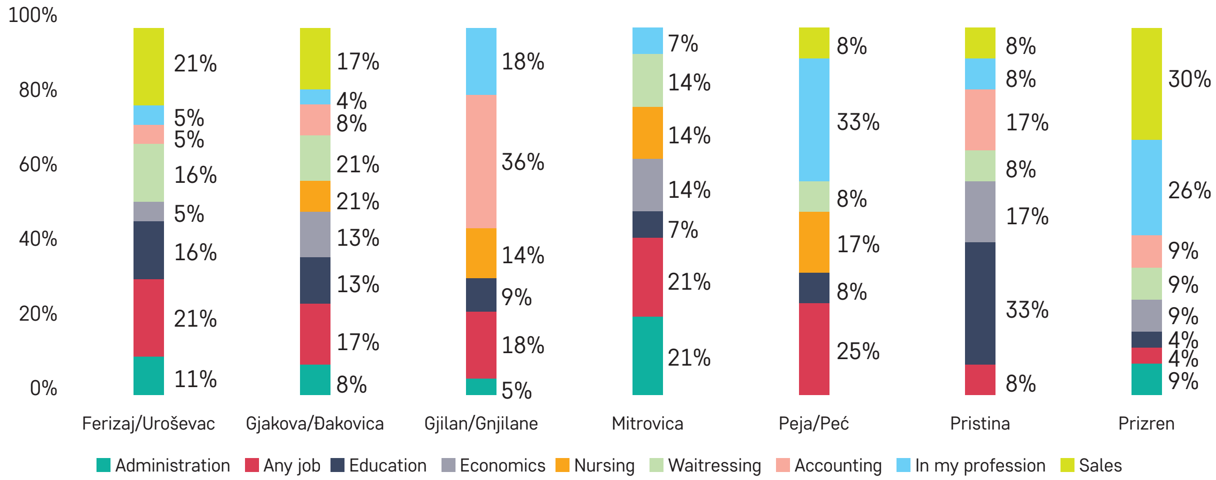
In regional comparisons, Riinvest data show a higher number of youngsters who are unemployed and not looking for a job are concentrated in Gjilan/Gnjilane and Pristina region, where 35% and 31%, respectively, of unemployed youth, are not looking for jobs. Of the unemployed youth who are looking for jobs, there is a higher concentration in Prizren, with 43%, followed by Peja/Peć with 35% and Mitrovica with 32%. In Pristina, Gjakova/Đakovica, and Ferizaj/Uroševac, the highest number of unemployed youths are currently university students, with 45%, 39%, and 37% respectively. A complete picture of the status of unemployed youth by region is presented in Figure 69.

FIGURE 69: Unemployed youth by status and region

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

A more detailed analysis of the labour market gaps from the supply side shows that the highest number of youths, looking for jobs are focused on finding any job that is related to their profession. This is especially evident for youth with a general high school degree and those with vocational education. For those who have completed a bachelor's degree, job seeking in more specific, with jobs in teaching, accounting, economics, and IT, as the most sought after. However, jobs in sales are popular across the board, with no correlation to any specific level of educational attainment.

FIGURE 70: Most attractive jobs by region



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

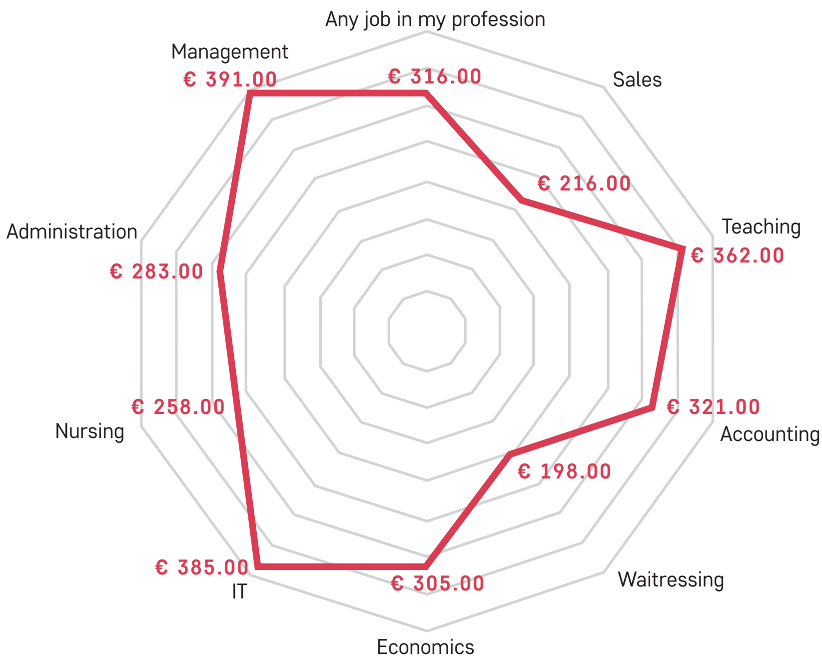
These results are similar in all regions, however, there are slight differences in specific jobs, which are shown in Figure 70.

Those who are Not in Employment, Education, or Training (NEET), comprise 12% of all respondents. The average age for this category is 23 years old, of which, most respondents falling within the 20 to 25 age range. In terms of gender, across all age ranges the breakdown is similar, with 52% of those categorized as NEET, being male, and the rest female. Moreover, more than half, 53% are living in urban areas, compared to 47% in rural.

3.3.1 Wage expectation and sector preferences

The most common jobs the unemployed are looking for differ in terms of both educational and experience requirements, which is expected to impact wage expectations for these professions as well. Lowest wages for which those seeking jobs would accept a job in their preferred occupation ranges from a low €198.00 in waitressing, to a high €391.00 in management.

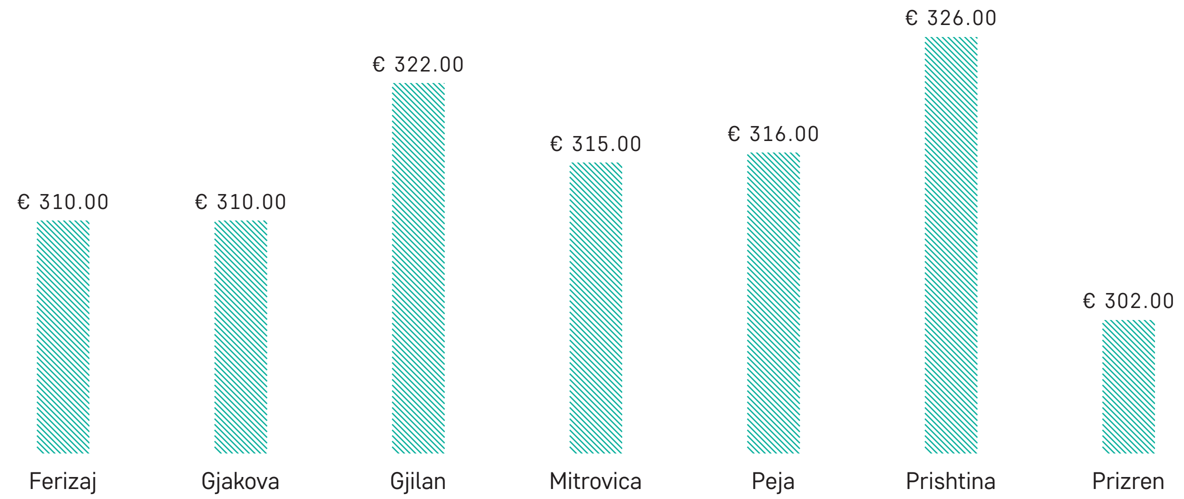
FIGURE 71: Wage expectations by profession



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Wage expectations differ across regions as well. While the Kosovo average minimum wage for which unemployed youth would accept a job in their preferred occupation is €304.00, it ranges from a low €302.00 in Prizren, to a high of €326.00 in Pristina. The differences shown below by region reflect average wage expectations across all occupations. Specific wages in occupations remain similar across regions, showing there is a standard wage range in professions across Kosovo.

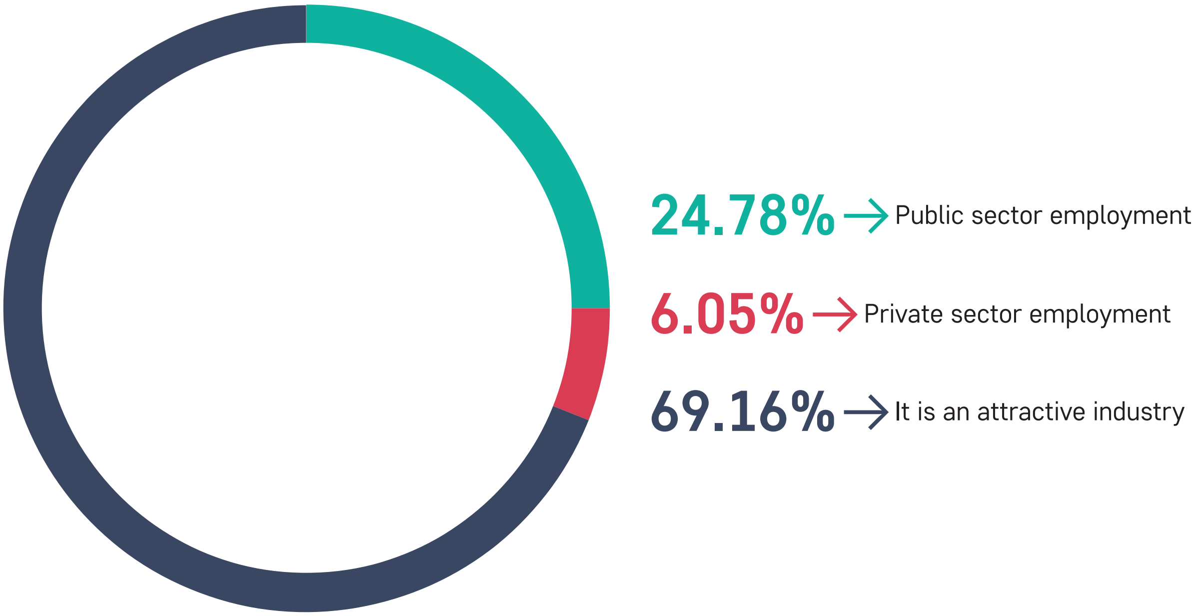
FIGURE 72: Wage expectations by region



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Given the job stability and working conditions in the public sector, combined with salary increases across the board, expectations from the Kosovo economy are that youth have a preference for employment in the public sector. This issue has been raised by the private sector as a problem in finding skilled employees, but even more so, in finding affordable labour force. However, of those who are not currently working, even though youth have a clear preference for the public sector over the private sector, that is around 25% prefer employment in the public sector, compared to 6% who prefer the private sector, overall, across Kosovo, more than 2 in 3 of unemployed youth have no preference for one sector or the other.

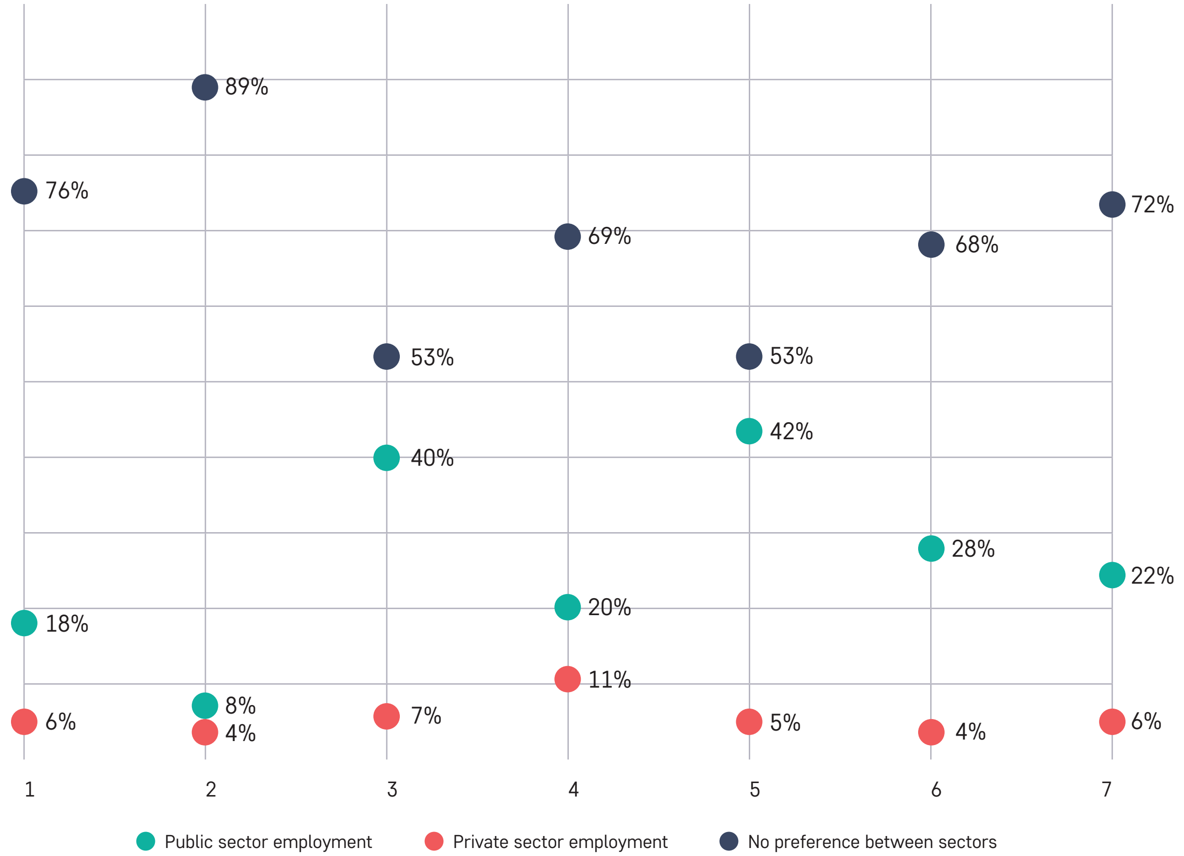
FIGURE 73: Sector preferences for employment



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

However, there are notable differences between regions in these preferences. Prizren with 11% of youth preferring the private sector, followed by Peja/Peć with 7%, show a higher inclination of youth for working in the private sector in these regions, compared to others. This may be a result of a higher private sector development in Prizren and Peja/Peć which provides youth with more employment opportunities. In Mitorvica, as one of the regions with the lowest level of private sector development and a high level of unemployment, almost 90% of youth have no specific preference for employment, reflecting the economic situation of the region. One notable issue is that apart from Ferizaj/Uroševac, where 42% of youth have a clear preference for public sector employment, Peja/Peć follows with 40% in this response. Combined with their preference for private sector employment, youth in Peja/Peć and Ferizaj/Uroševac show the highest level of pre-determined preferences. Notable differences from expectations however are in Pristina and Gjilan/Gnjilane. While the Pristina region has the highest number of public sector jobs available, only 18% of youth claim they want to be employed in the public sector specifically, not reflecting the higher demand for employees that this sector has. On the other hand, in Gjilan/Gnjilane, one of the regions with a higher private sector development, only 4% of respondents have shown a preference for private sector employment, comparable to Mitrovica, where demand for employment in the private sector is much lower. All preferences are presented in Figure 74 below.

FIGURE 74: Sector preferences for employment by region



SOURCE: AUTHORS' CALCULATION BASED ON SURVEY DATA

However, to properly analyse sectoral preferences for employment, it is important to see why one sector is preferred over the other. Of those who prefer the public sector over the private sector, the main reason is working conditions with 23%, followed by job security with 21%, and compensation with 12%. On the other hand, of those preferring the private sector, 33% claim that the private sector is the only sector in which they can work in their occupation, followed by the fact that they consider there are more opportunities for work in the private sector with 14%, and the compensation is better with 10%.

Assessing the entrepreneurial spirit of youth, around 57% claim they would consider pursuing self-employment, with the main reasons for doing so being better profits (29%), followed by better professional advancement opportunities (18%), and being their own manager (6%). Of the 43% of youth who claim they would not consider owning their own business, 40% do not see themselves as able and ready to do so, 15% state lack of financing and 5% claim it is not in their profession.

Only 26% of unemployed youth have been previously employed. And of those who have worked before the highest share, 26% have worked in sales and 16% have worked as waiters. Of the remaining, jobs range from working in a pastry shop, to working in auto repairs. Only 10% of those who have been working previously have worked in jobs related to their profession. Another 16% claim their job was somewhat related to their profession.

Moreover, the main reasons for leaving these jobs are low salary in 29% of the cases, unsatisfactory work conditions in 26% of the cases, and long working hours (more than 40 hours a week) in 18% of the cases. Given this high importance placed in working conditions, asked whether they are willing to work during night shifts, 65% said no, 25% stated they are willing to do so, and the rest stated that it dependents on the pay (41%), their studies (15%), and the full respect for the law of labour (11%).

The majority of those who have some work experience, range from 6 months to 2 years, with specific experience in their profession skewed to periods below one year. Lack of experience, however, is not one of the main reasons that the unemployed youth consider as impacting their employment status. Around 40% state that the fact that they are currently in education or training is one of the top reasons for not working. The second most common reason is the low salary level in the labour market, followed by their self-perceived low level of skills and education, and lack of know-how to apply and find jobs. However, when considering near future plans, 41% of youth claim they want to find a job, whereas 39% state they want to continue their studies. Only 8% state they will open their own business.

Given that the highest number of youth want to find jobs in the near future, the effectiveness of their job search is important. Around 47% of youth claim they use public announcements to look for jobs, followed by recommendations from family and friends, and family connections. Only 5% each use employment offices and the networks of their educational system. In terms of public job announcements, most use job portals and social networks, with 34% each, followed by daily newspapers, with 23%.

3.4 The country's education system

3.4.1 Educational attainment/enrolment (national level)

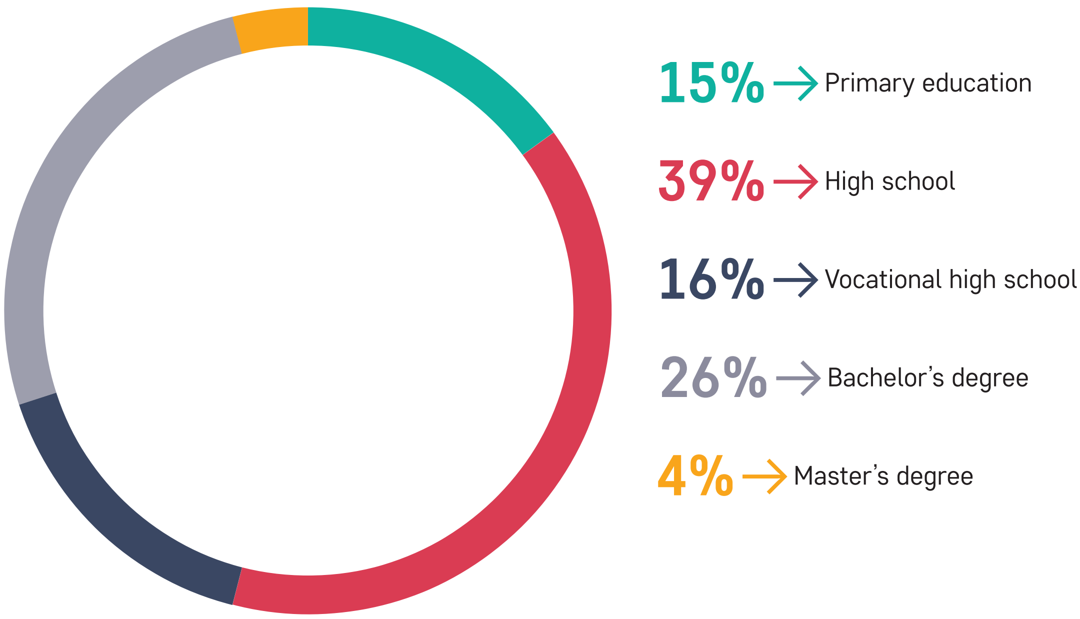
The education sector remains one of the most sensitive spheres in Kosovo. Despite the transformations and reforms, difficulties constraining the education system persist. Lack of sufficient infrastructure and the budget for teacher training, lack of quality assurance mechanisms, are some of the key challenges affecting the improvement of the education system. The latest results from PISA (The Programme for International Student Assessment) rank Kosovo among the last three countries among those countries that took the test. Kosovo participated in the PISA assessment for the first time.[40] The results of PISA 2015 placed Kosovo students at the bottom of the developing countries and in the last place in the region. The 15-year old Kosovo students performed amongst the lowest in all of the testing disciplines. In science, 15-year-old Kosovo students scored 378 points compared to an average of 493 points in OECD countries; in mathematics students scored on average 362 points compared to an average of 490 in OECD countries; and in reading they scored on average 347 points, compared to an average of 493 in OECD countries. The OECD suggests that a difference of 30 PISA points is roughly equivalent to the progress made in one year of schooling. Applying this measure in PISA 2015 results, it seems that Kosovo students on average fall short 4.3 years of schooling in three subjects compared to their counterparts in OECD countries (3.8 years in science; 4.9 years in mathematics and 4.3 years in reading). Similar results are observed in PISA 2018 results as well.[41] Again, Kosovo students are among the least performing students in the world (third from the bottom).

40 The following results are based on OECD (2016).

41 The following results are based on OECD (2019).

The highest level of educational attainment for youth surveyed is shown below. Of the youth featured, 39% have completed their general high school, 26% have completed a bachelor's degree, 16% have completed vocational education, and the rest have completed primary education 15%, and 4% have completed a master's degree. Moreover, 46% are still enrolled in educational programs, and 11% are enrolled in training.

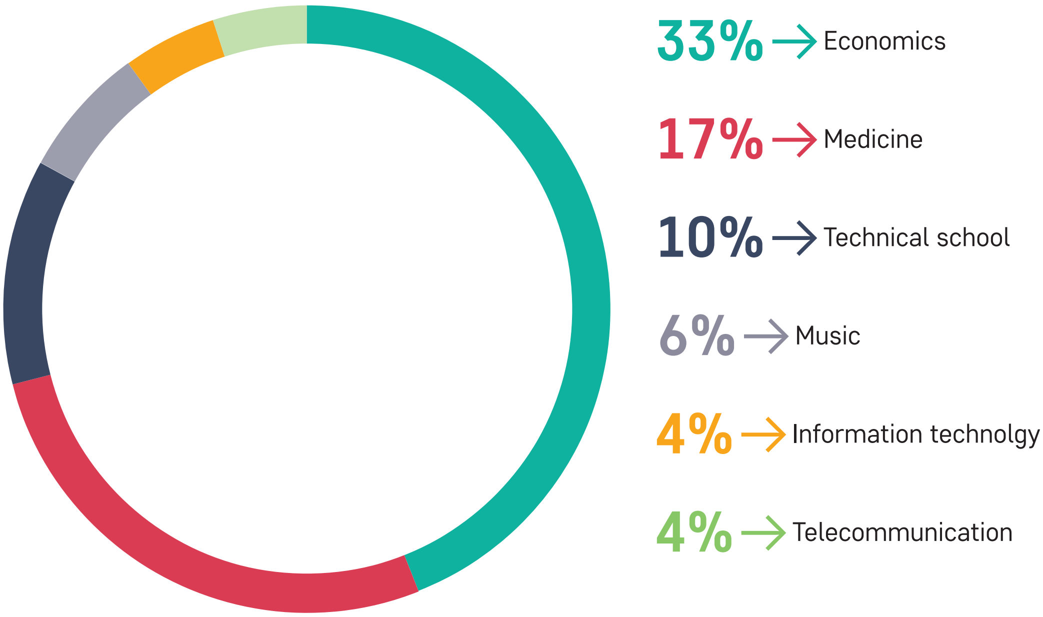
FIGURE 75: The highest level of educational attainment



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

However, educational attainment in itself, while telling, it is important to analyse the majors that have been selected by those who have completed a bachelor's degree and vocational education. In both these levels of education, economics remains the most elected major. Those who have completed vocational education, 33% have completed vocational education in economics, 17% in medicine, 10% have completed their vocational education in technical school.

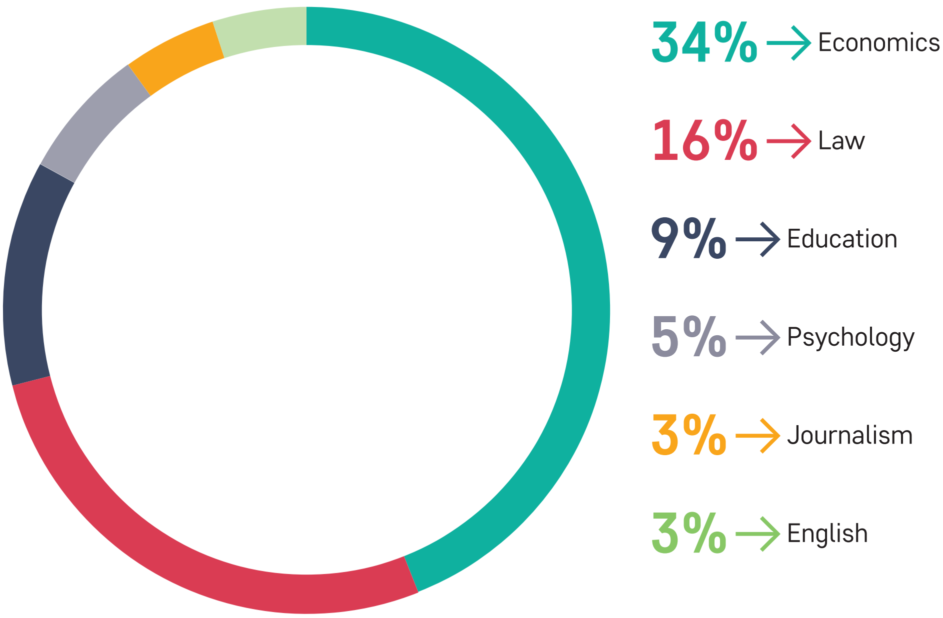
FIGURE 76: Majors in vocational schools



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

On the other hand, 34% of students who have completed a bachelor's degree have done so in economics, followed by 16% in law, and 9% in education.

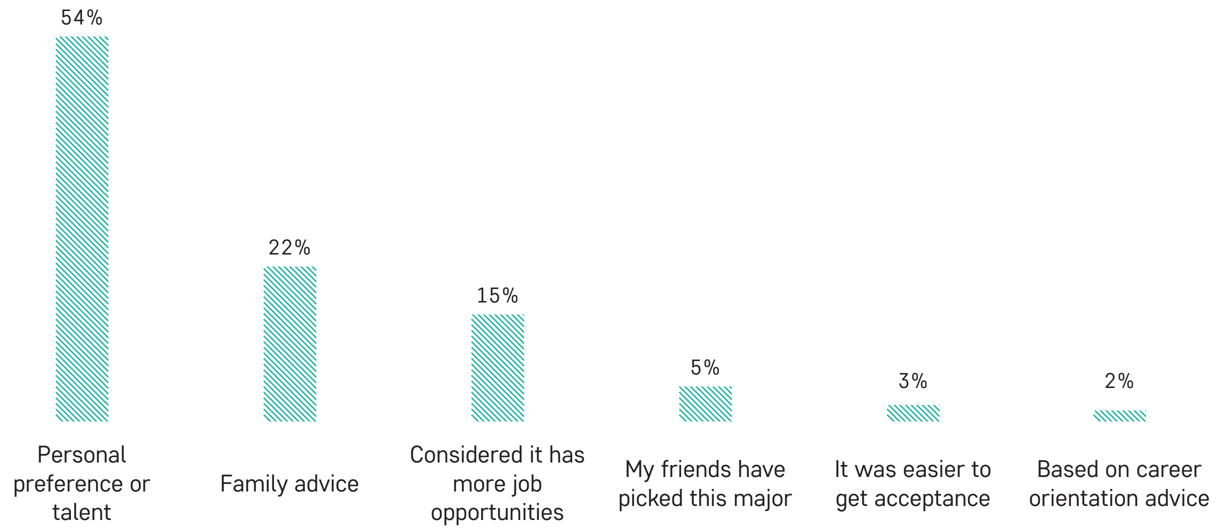
FIGURE 77: Majors in university education



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

As can be seen from the analysis of the job gaps throughout Kosovo and in the regions, these occupations are not in high demand in the job market. However, assessing whether the decisions made by though regarding their field of study are based on information and knowledge about their major, 89% claim that they did make an informed decision. The majority, 54%, state that their decision was based on personal preference or talent, followed by 22% who have selected their major based on family advice, and another 15% who have considered that their selected major gives them more opportunities for employment.

FIGURE 78: How did you pick your major?

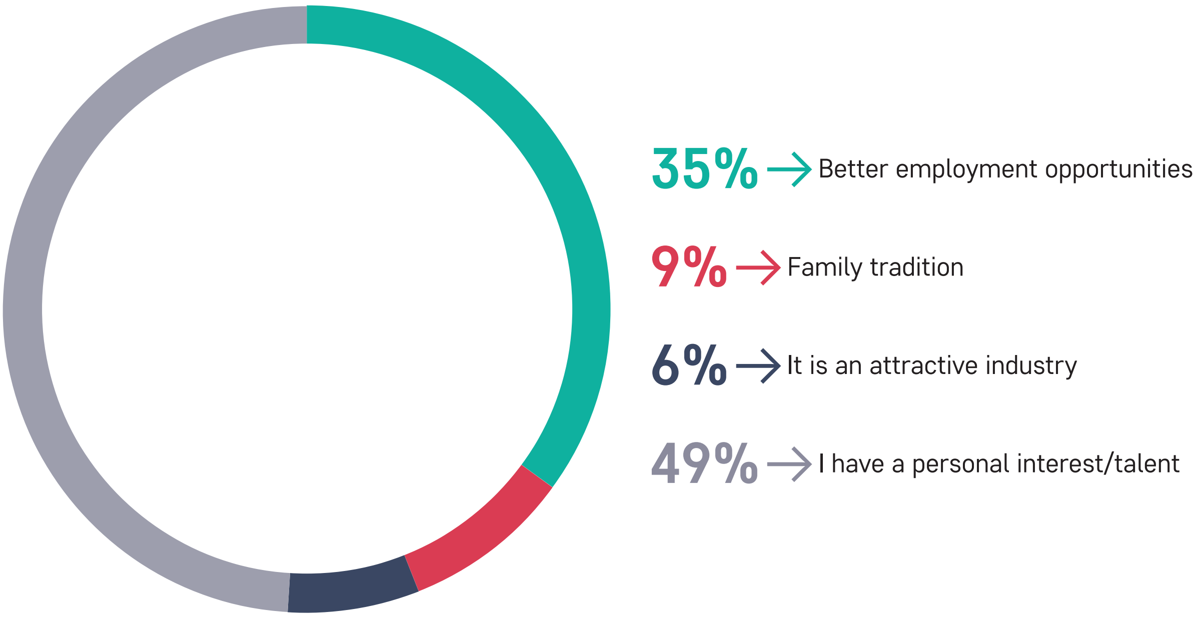


SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

3.4.2 Availability of career orientation

In terms of career orientation, the focus is to assess whether youth in Kosovo are offered and receive career orientation advice. Different from advice on what majors to pick, career advice is more embedded in specific talents and traits that are crucial for a successful career in that field. In terms of picking careers, most (49%) still have done so based on their own personal interest and talent, followed by better opportunities for employment as a driver (35%), 9% followed the family tradition, and only 6% have picked their career based on industry attractiveness.

FIGURE 79: How did you choose your career?



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Moreover, while 75% have received career guidance and advice from family and friends, only 24% have received career guidance from other sources. Of those however, 69% state they have received guidance from a teacher/professor at school, compared to 18% who have received guidance from a professional career counsellor at school. Helpfulness of this guidance is graded at 3.14 out of 4, however, 20% of the students who have received guidance say it was not at all or very little help to their career decision. Further, 33% claim they have had the opportunity to hear both businesses and alumni speak on their experiences, 28% have had the opportunity to visit businesses.

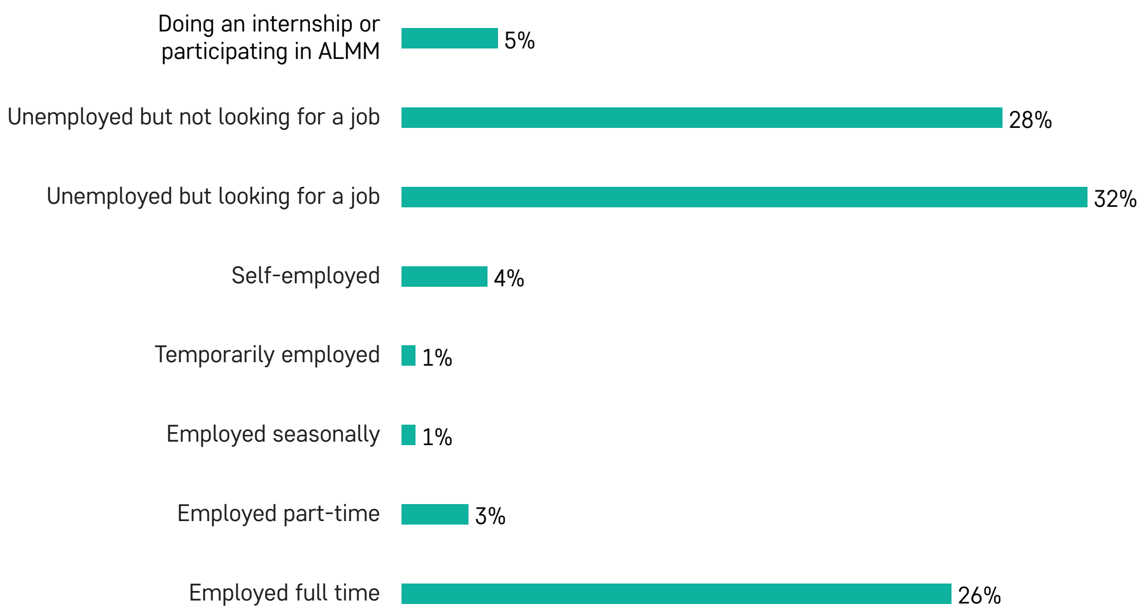
3.5 Employment-related features

3.5.1 Employment

The majority of surveyed young people are unemployed – 60%, of which 32% are looking for a job, whereas the rest are not. Those who are not looking for jobs, 63% are studying or in training, 18% are not interested to work, 9% are not looking for work due to family obligations, and 7% do not believe there are jobs available.

The remaining are employed (mostly in full-time jobs), engaged in internships or ALMMs, or self-employed.

FIGURE 80: Employment Status



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

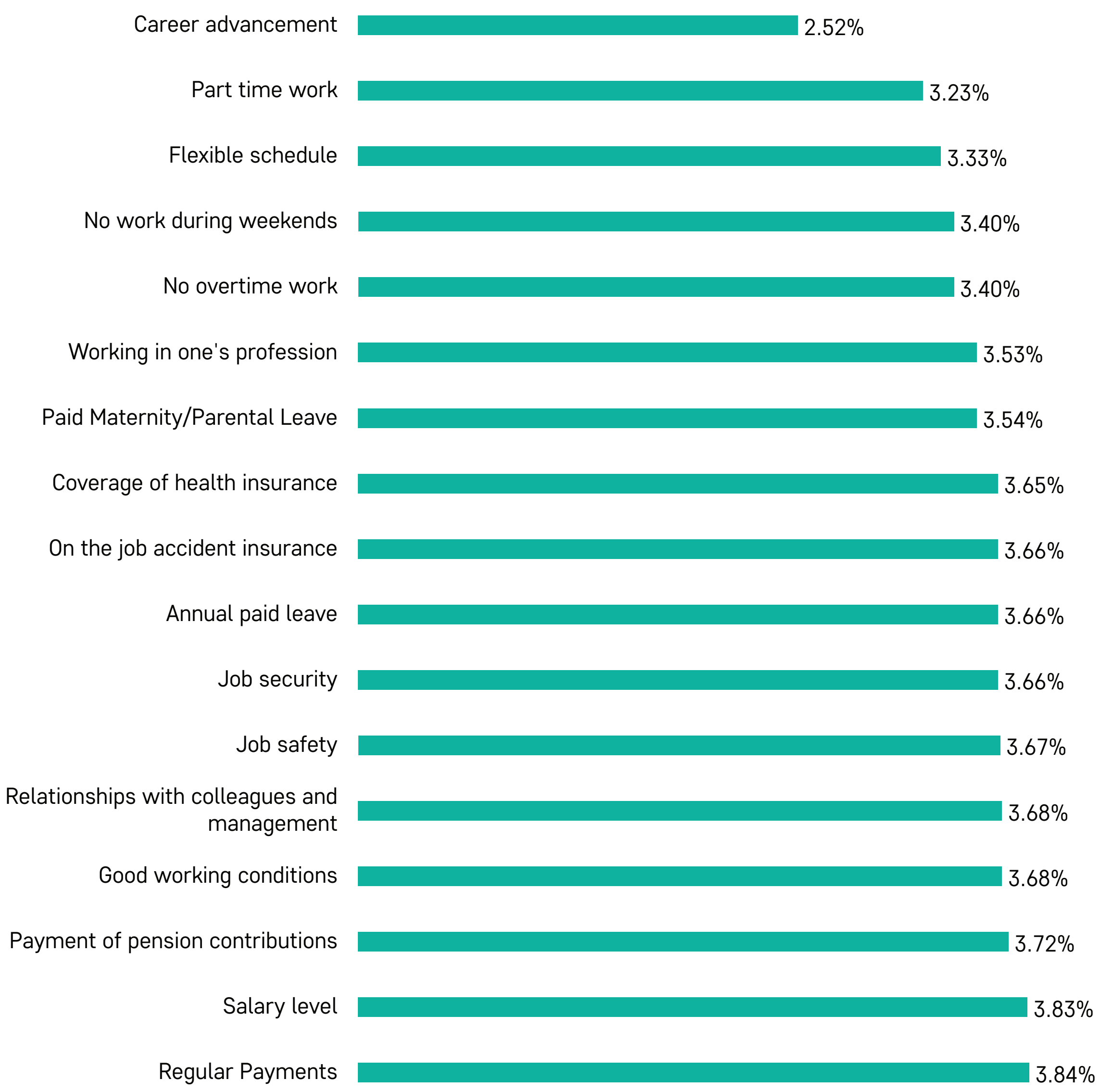
Most, that is 73%, would prefer to have full-time jobs, compared to 12% who prefer to have part-time jobs, 7% who would prefer to be self-employed, with the rest preferring some other arrangement.

In terms of work experience, 28% of the youth in the sample stated that they have been engaged in unpaid work, with a duration averaging 1 month to 3 months. An additional 17% have been involved in unpaid work in the family business, with a duration ranging from 1 to 3 years. Further, 9% have previously been self-employed.

3.5.2 Attitudes towards work

Attitudes toward work are also measured with specific aspects of a workplace that youth value. The most valued aspect for all youth is receiving regular payments as per the job agreement, followed by salary level, and payment of pension contributions. These aspects also fall within the domain of having an enforceable contract for the job, which is important to ensure job security and good working conditions. What is interesting is that youth consider opportunities for career advancement as the least important aspect of added value to a job.

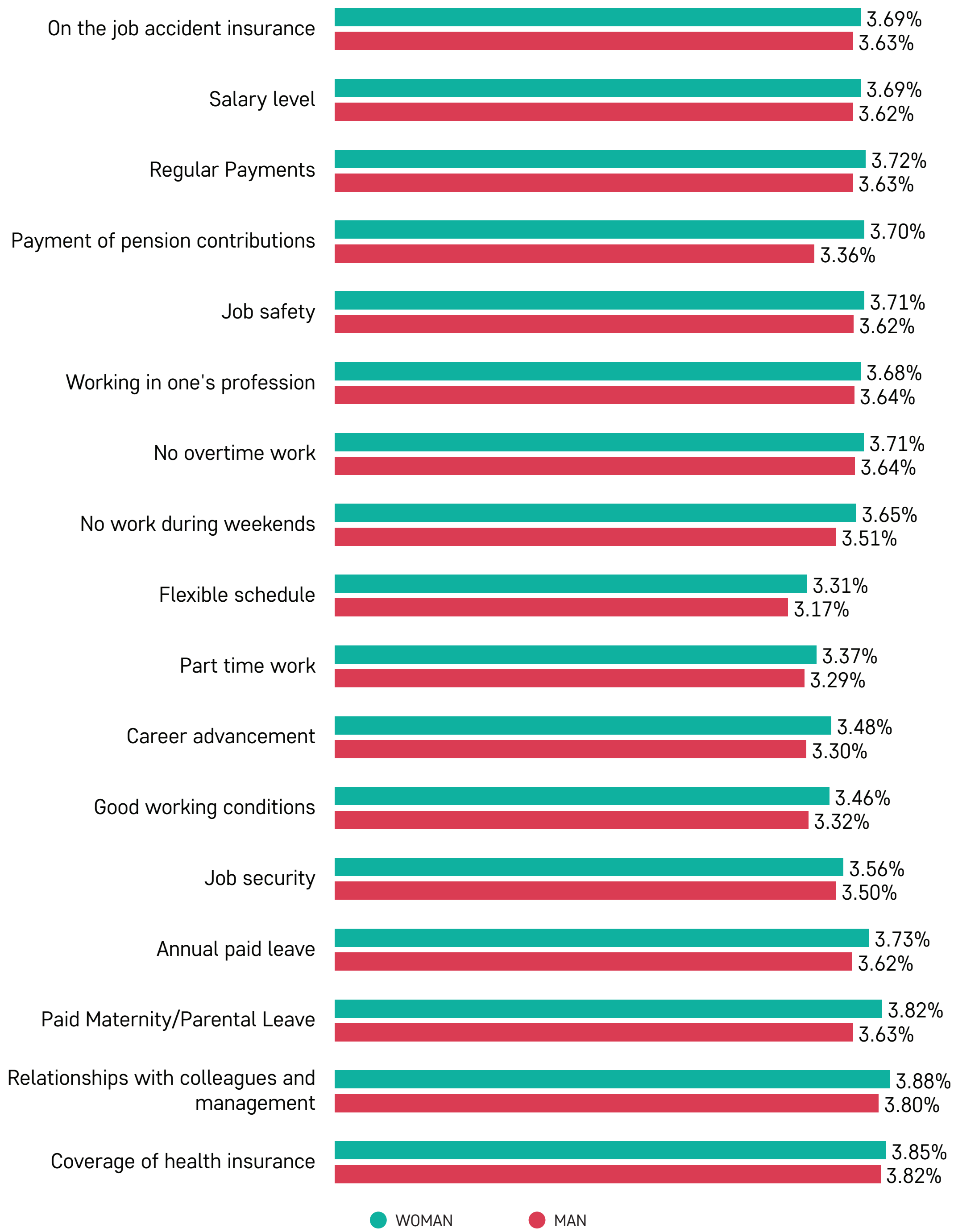
FIGURE 81: What do you value in a job?



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

In terms of gender differences in the valuation of different aspects of a job, while women place higher importance in all the listed aspects, there are some noticeable differences in specific issues men and women value in the workplace. Specifically, women place noticeable higher importance on paid maternity/parental leave, as is expected, given that as foreseen by the current legislation, only women can take leave when becoming a parent. Women also attach more value to not having to work during weekends or overtime, being able to work flexible hours, on the job safety, payment of pension contributions, and having a clear career advancement path.

FIGURE 82: Gender differences in valuing of different job aspects



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

In terms of valuation of job security one in three states it is worth working for a lower salary if the job offers job safety. Furthermore, a similar number of people agree that it is worth accepting a job with a lower salary if the working conditions are good. Another important factor, especially for women is employer-provided child-care, for which 67% agree that a lower salary would be worth it.

Around 62% of all youth surveyed claim they would be willing to move to another location within Kosovo for work, 22% state that they would not, whereas 16% are not sure. Moreover, 54% would be willing to commute to work every day, 26% claim it would depend on the circumstances, and 20% state that they would not. Of those who are willing to commute, most state that they would be willing to commute between 30 minutes to 1 hour one-way, daily.

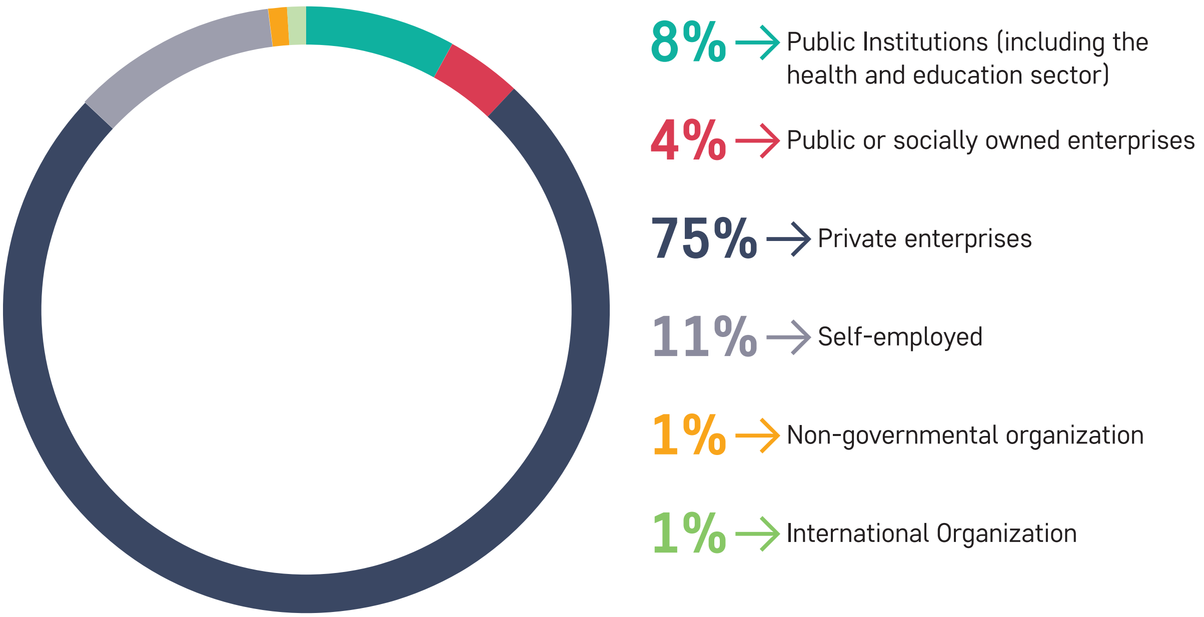
3.5.3 Qualification structure of employees (regional level)

To assess the qualification of the labour force, it is important to first assess the activity level of the population with different levels of education. MCC data show that the highest labour force participation rate is for those who have completed a Master's degree, with more than 92% participation rate, followed by those with a Doctorate with 86%, and those who have completed a University Degree with 77%. A higher level of participation is shown for those who have completed Upper Secondary Vocational Education, with 65%, compared to those who have completed Post-Secondary Vocational education, with 61%, and those who have completed General Upper Secondary Education with 51%.

The data collected for the purpose of this study suggest that in terms of employment rate by field of study, in line with the lowest level of unemployment in those sectors, Services with an employment rate of 66%, followed by Engineering with 65%, and Teacher training and education science with 62%, are the fields of study with the highest employment rate. In more general terms, employment levels show a closing gap between men and women at higher levels of education. As is expected, higher levels of education, have higher employment rates, except for the difference between upper secondary vocational education and post-secondary vocational education.

More specifically, sectors of employment for youth aged 15-29, show that most of those who are employed, are employed in the private sector, which is 75%, followed by 11% that are self-employed, and 8% employed in public institutions.

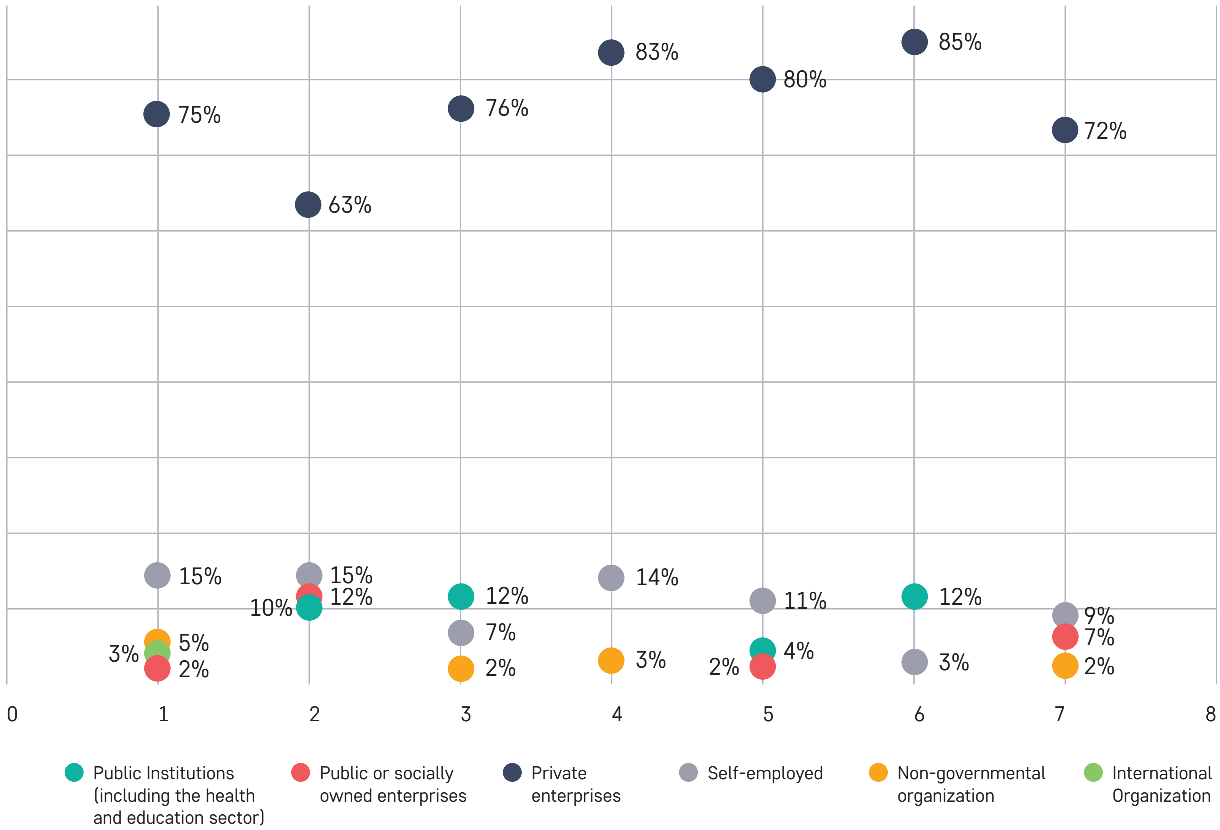
FIGURE 83: Employment by sector



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

However, there are differences between regions in terms of the sectors of employment. While private enterprises remain the main employer, the number of youths employed in the private sector ranges from a high of 85% in Gjilan/Gnjilane and 83% in Prizren, to a low 63% in Mitrovica. The highest number of self-employed youths is in Pristina and Mitrovica, with 15% each, followed by Prizren with 14%. In public institutions, the level of employment ranges from a low 4% in Ferizaj/Uroševac, to a high 12% in Gjilan/Gnjilane and Peja/Peć. It is important to note that public institutions do not only include the public administration, but also the health and education sector.

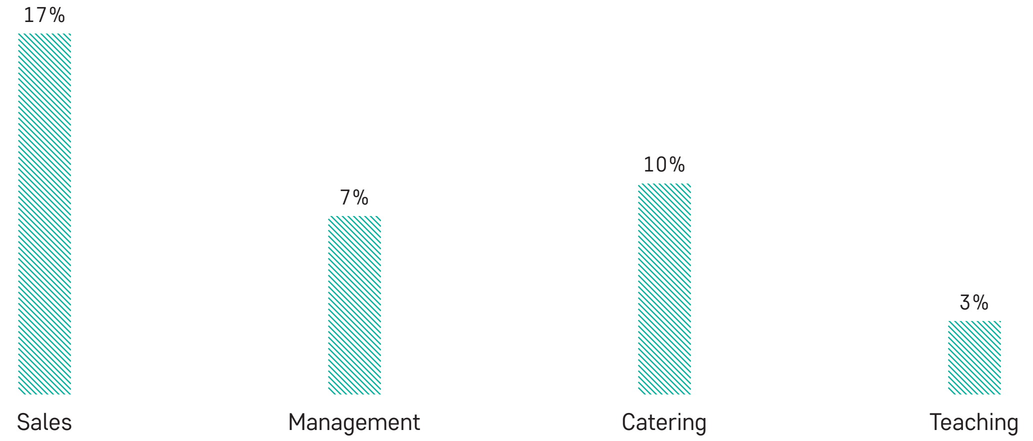
FIGURE 84: Employment by sector and by region



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The private sector differs within itself though, however, the sectors with the majority of youth employed are sales, catering, construction, and production. This is also reflected in the professions of those who are employed. The highest share of employed youth, 17%, claim they work in sales, 10% work in catering, 7% work in management, and 3% work in teaching. Other professions are represented with a negligible share.

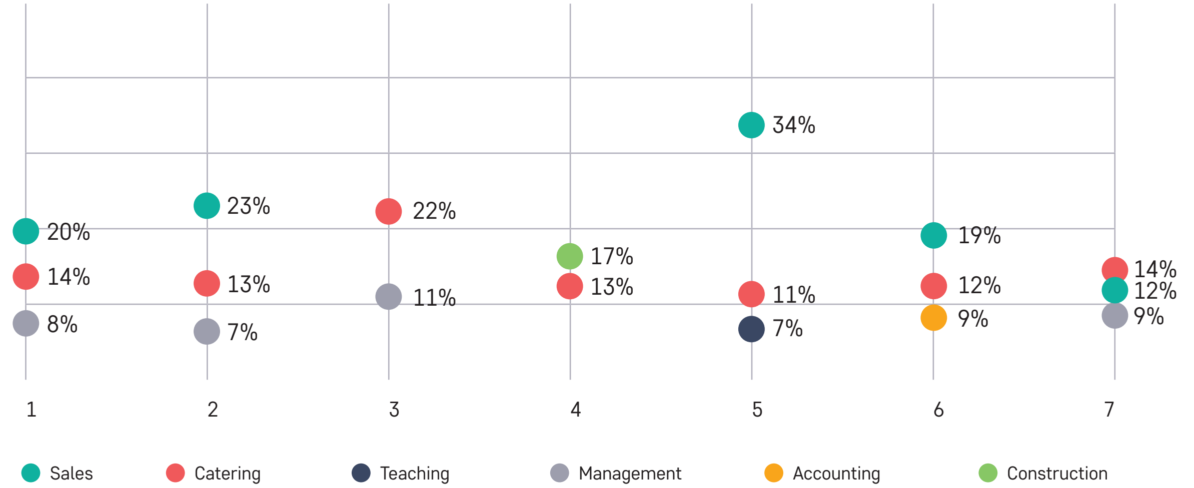
FIGURE 85: Jobs by description



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Regionally, as differences in industries are shown in the demand side analysis, there are differences in which professions and industries are the employed youth concentrated. While jobs in sales and catering are present in all regions, the third most common jobs differ from one region to another. In Pristina, Mitrovica, Peja/Peć, and Gjakova/Đakovica, following sales and catering, the third most common jobs are in management. In Ferizaj/Uroševac, the third most common jobs are in teaching. Whereas, in Prizren, with 17% each, jobs in sales and construction are most common for youth, followed by catering. Figure 39 shows a more detailed view.

FIGURE 86: Most common jobs by region



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Most of the youth have not completed relevant education and training for the profession, with only 36% claiming they have the relevant education and 43% claiming they have relevant training for the job they are currently occupying. As expected, when factoring in the young age and lack of work experience, 53% of youth state that they have had this profession since the beginning. More specifically, 32% of youth aged 15-29 state they have 1-3 years of total work experience, 21% have between 3 and 5 years of experience, whereas 19% have 1 year or less.

Moreover, in terms of specific work experience, that is, in their current profession, 33% state they have between 1 and 3 years of experience in the profession, 30% have up to a year of experience, and 18% have between 3 and 5 years of experience in their profession. Results are similar when asked how long have they been in the job they currently hold.

3.5.4 Wages and cost of living

Experience also has an impact on the average wage of those who are employed. The average starting wage in their first job is reported at €271.00, compared to €298.00 when they have started in their current job. The current reported average wage is almost 30% higher than their starting wage at the current job. However, wages were negotiable when they started their current job only in 35% of the cases. Nonetheless, this share increases to 45% when analysing negotiations after starting to work. Apart from negotiations, employees have experienced wage increased due to longer work experience, promotions, and across the board wage increases. However, around 20% of those currently employed have not experienced any salary increase.

In more specific terms, the highest reported average monthly wage is in Pristina region, at €406.00, followed by Peja/Peć with €374.00, and Gjilan/Gnjilane /Gnjilane with €342.00. The lowest reported average monthly wage is in the Prizren region, with €255.00, followed by the Ferizaj/Uroševac region with €282.00. These two regions have the highest number of employed in the private sector and within this sector, in Prizren, the highest number of those employed are in construction, which remains a low-paid sector in Kosovo.

FIGURE 87: Monthly average wage by region

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

While wage levels differ between regions, the cost of living is also different. However, full-time jobs are expected to be a source of living. Around 70% of employed youth claim their income is sufficient for them to cover their own personal needs, whereas the rest claim it is not. Even more so, of those who have to provide for their families, 75% of youth state their income is not sufficient to do so. Regionally, in all regions, apart from Prizren, the majority claim their income suffices for personal needs. In Prizren, however, 60% of the employed state their income is not enough for them to fulfil their personal needs. In Gjilan/Gnjilane, 86%, in Peja/Peć 83%, and in Gjakova/Đakovica 81%, of youth claim their income is sufficient for their own personal needs.

FIGURE 88: Is your income sufficient for your personal needs?

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

However, this picture becomes worrying when looking into the role of their income in providing for their families. Those who need to provide for their families, across all Kosovo regions, claim their monthly income is not sufficient. More worrying is Gjilan/Gnjilane where almost 90% state their income is unsatisfactory in providing for the needs of the family, followed by 84% in Ferizaj/Uroševac, and 82% in Prizren. While Ferizaj/Uroševac and Prizren are regions with the lowest reported salaries, those employed in Gjilan/Gnjilane report a salary higher than in Mitrovica and Gjakova/Đakovica. Yet, family size and cost of living can be sources of such results. In Peja/Peć and Mitrovica, 63% of employed in each claim they cannot provide for their families with their salaries alone. This number is 68% in Gjakova/Đakovica and 78% in Pristina.

FIGURE 89: Is your income sufficient to provide for your family?

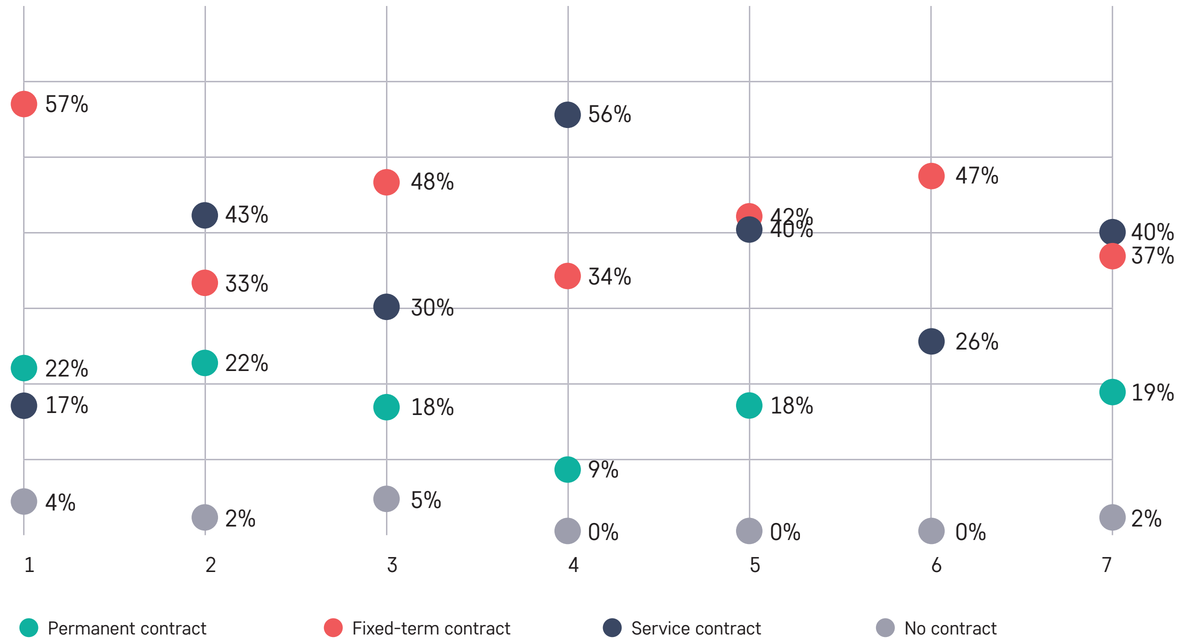
SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

3.5.5 Working conditions

Apart from compensation, other aspects of working conditions are also important, especially in terms of working contracts and the implementation of legal provisions. Kosovo wide, around 43% of the employed claim they have a fixed-term contract, with an average duration of 11 months. Almost 20% have a permanent contract. Whereas, a worrying 36% work without a contract. There are clear contrasts between regions in terms of contracts that the employed hold.

The most vulnerable group, those working without a contract, comprise 56% of those who are employed in Prizren, followed by 43% of those employed in Mitrovica. Ferizaj/Uroševac and Gjakova/Đakovica regions, with 40% each, also have a high number of workers working without a contract. In the Pristina region, the lowest number of workers without a contract is recorded, at 17%, which is still high at almost 1 in every 5 workers. Further, in the Pristina region, most of the workers, that is 57%, hold a fixed contract, 22% hold a permanent contract, and 4% work with a service contract. In Prizren, 34% of workers have a fixed-term contract, and only 9% have a permanent contract. A higher number of fixed-term contracts is noted in Peja/Peć, at 48%, Gjilan/Gnjilane – 47%, and Ferizaj/Uroševac – 42%. A full picture is provided in Figure 90 below.

FIGURE 90: Types of contracts by region



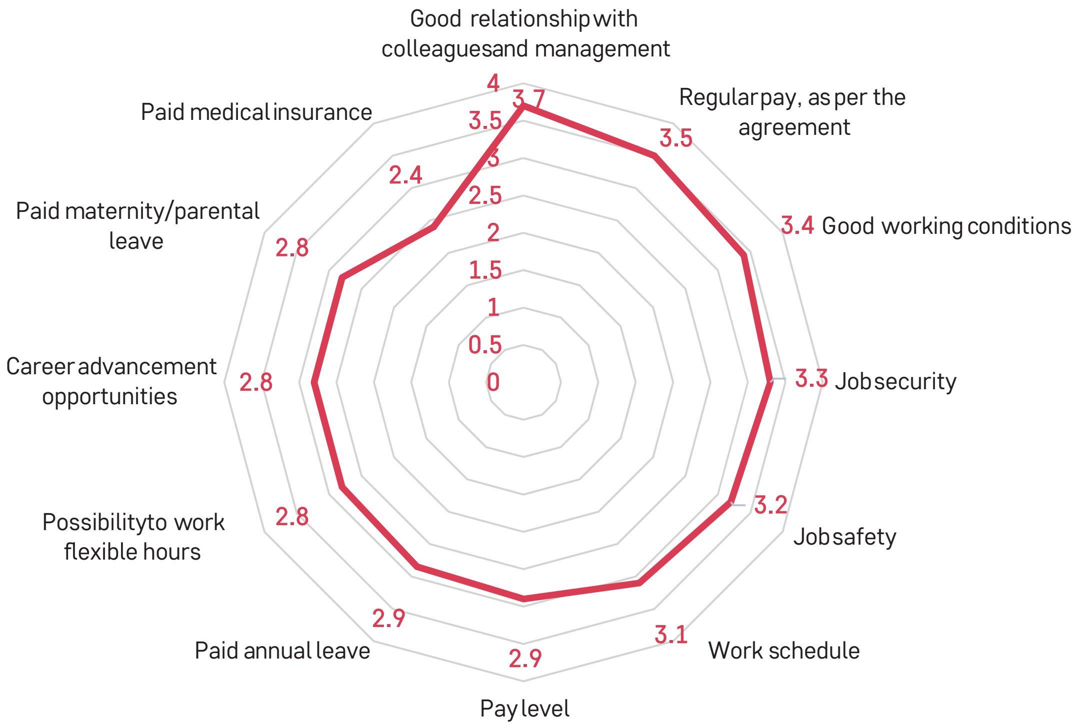
SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The average hours worked in their main job across Kosovo is 8 hours, whereas the average number of days worked in a week is around 6. More than 2 in 3 people work on weekends, however, 77% claim they do not work outside of regular hours without compensation. Nonetheless, of the 23% that do, they work on average 15 hours and 30 minutes without additional compensation, outside of regular work hours. The highest number of those employed, have found their job through recommendations from family and friends – 32%, through family connections – 30%, and public announcements – 26%.

3.5.6 Job and work satisfaction

In a more general overview of satisfaction with different aspects of work, the highest-rated aspect remains the relationship with colleagues and management, ranked first with 3.7/4 intensity points this is followed by satisfaction with regular pay, and working conditions.

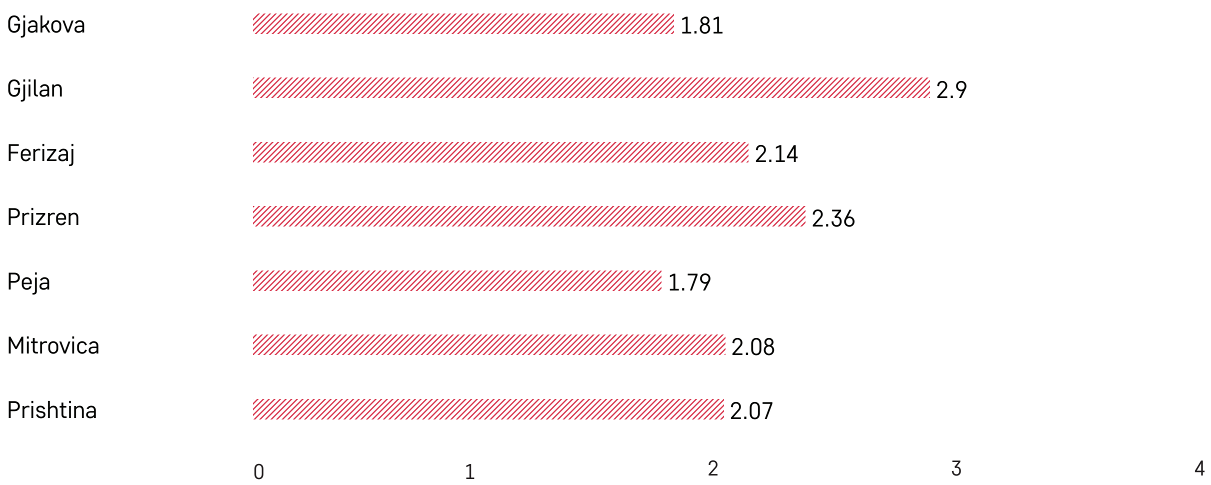
FIGURE 91: Satisfaction with the following aspects (scale 1-4, where 1 is least, 4 is most)st)



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Job security is another important aspect of job satisfaction. Overall, most of those employed do not feel very worried about the prospect of losing their job in the next 12 months. This differs between regions, with employees in Gjilan/Gnjilane / Gnjilane being most worried, compared to those in Peja/Peć and Gjakova/Đakovica that are least worried.

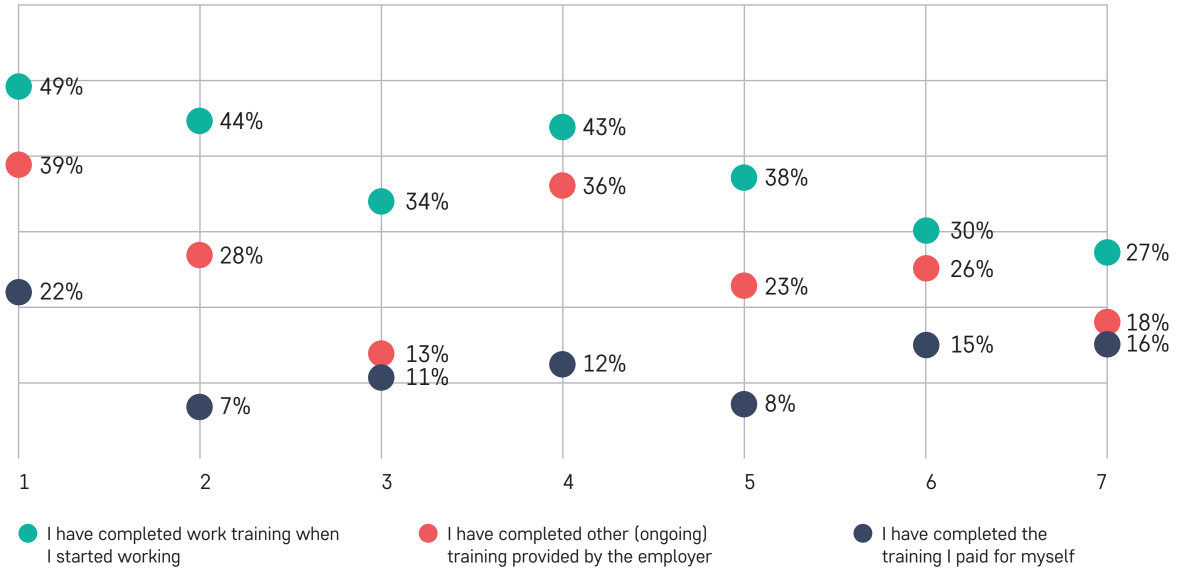
FIGURE 92: Job security – on a scale from 1-4, how worried are you that you may lose your job in the next 12 months?



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Moreover, in terms of internal regulations, on average, 36% of the employed underwent some formal on-the-job evaluation in the past 12 months. Around 19% have expressed some concern or work-related issue to an employee delegate. Moreover, in terms of discrimination, 3% of employees, have been discriminated against based on their age, sex, or disability, each. The figures differ in regions, especially in terms of evaluations. In terms of training and up-skilling of the employed, overall, around 38% have completed training when they started working, around 23% undergo training that is continuously provided by their employers, whereas about 18% have completed training for which they have paid themselves. These differences are quite high when analysing them regionally. In Pristina almost half, 49% of employees have completed training when they started working, compared to a low 27% in Gjakova/Đakovica. Moreover, employees in Pristina have overall undergone most training. More specifically, 39% have completed continuous training provided by employers, and 22% have completed training they have paid for themselves. This is both a result of a more dynamic labour market and a higher competition in demand for labour. Another notable finding is that workers in Prizren – 36% and Gjilan/Gnjilane – 26% have undergone more training for which they have paid themselves, than training which are provided by their employers.

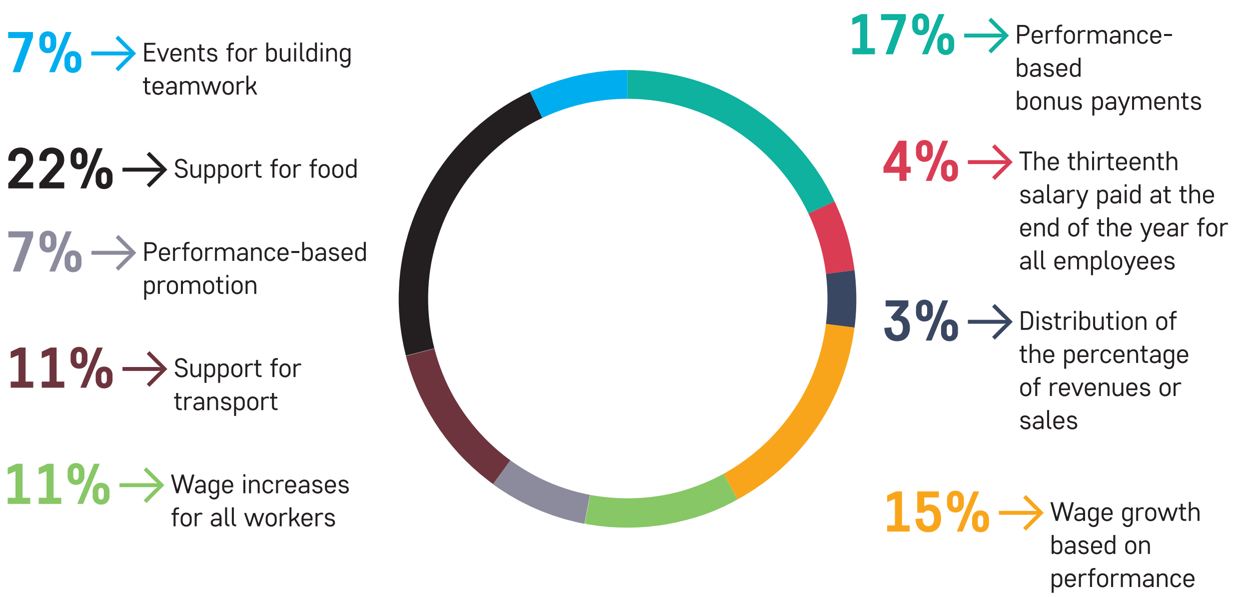
FIGURE 93: In the past 12 months, have you undergone any of the following forms of training?



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Apart from training as a tool for up-skilling, employers have other forms of rewarding employees. To assess this, employed youth provided insights into the workings within their company. The most common forms of employee rewarding are providing support for food – 22%, bonus payments based on performance – 17%, and overall wage growth based on performance – 15%. Apart from these, 11% of companies provide support for transport, and another 11% have applied wage increases across the board.

FIGURE 94: Employee reward practices



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

About 25% of employed young people are currently looking for other jobs. Those who are looking for jobs are searching for better compensation – 50% and better working conditions – 27%.

Overall, 33% of employed youth plan to continue doing what they are doing, 22% plan to continue further studies, and 15% aim to advance further within their current company/organization. Changing the profession altogether and moving to another company/organization are next with 10% each. Only 6% plan to open their business, and 1% plan to emigrate.

3.5.7 General overview of internships

Around 5% of youth are currently completing internships. Of these, 61% are doing their internship in their profession exactly, and a further 20% are doing internships related to their profession. While doing their internships, 43% of interns are looking for a permanent job in their profession, including the possibility of being retained as full employees in their current internship. The average reservation wage is €290.00, which is lower than the average expected wage of those who are not currently employed. Apart from finding a job – 45%, 33% of those who are currently doing internships plan to continue their studies.

3.6 Labour migration

3.6.1 Level of local migration

Regional differences are prominent in relocating within Kosovo. While only 17% of youth claim they have moved, the regional statistics range from a low 9% who have relocated from Ferizaj/Uroševac, to a high of 27% from Gjakova/Đakovic of these relocations, 76% have been towards Pristina, as a major destination. This is especially prominent from the Gjakova/Đakovica region, where 87% of those who have relocated, have moved to Pristina.

The overwhelmingly main reason for internal migration is studying, for 73% of youth, followed by work-related moves, in 14% of the cases.

3.6.2 Commuting barriers

Commuting seems to be a slight barrier for employees. Around 49% commute to work. The average one-way commute for those employed across Kosovo is 23 minutes. It ranges from 18 minutes in Peja/Peć and Gjakova/Đakovica, up to 29 minutes in Prizren. The majority use one form of transportation, with an average cost of €1.70 for a round-trip.

TABLE 12: Commuting

Region	One-way commute to work/from work
Pristina	25 minutes
Mitrovica	27 minutes
Peja/Peć	18 minutes
Prizren	29 minutes
Ferizaj/Uroševac	24 minutes
Gjilan/Gnjilane	27 minutes
Gjakova/Đakovica	18 minutes

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

3.6.3 International migration

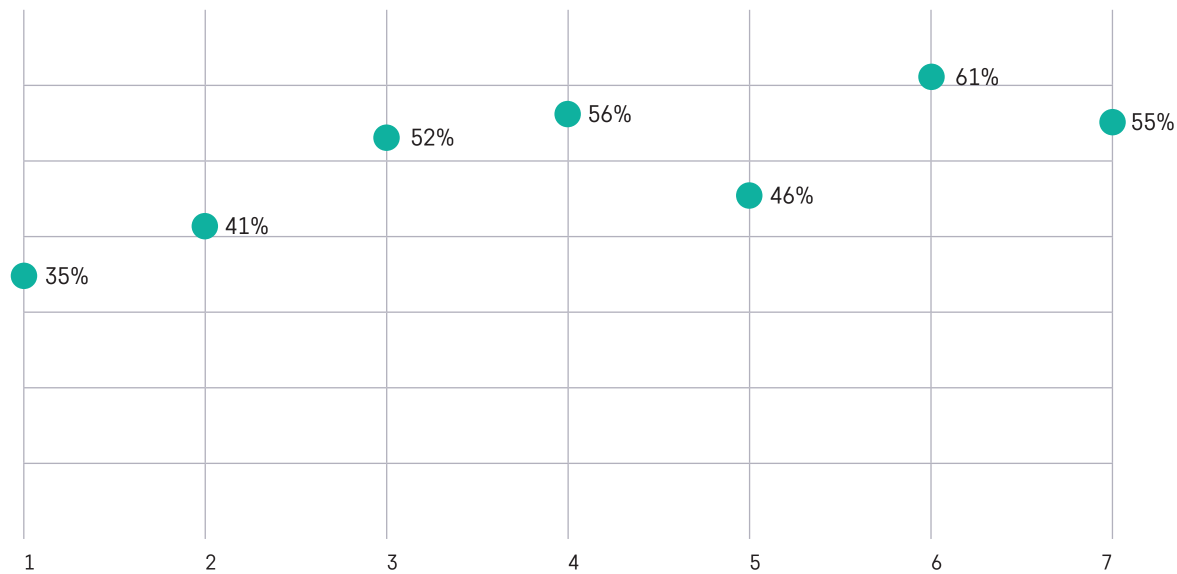
To assess intent to emigrate, for the population of working age, before analysing Riinvest collected data, the MCC provides a snapshot of intent to work abroad in the next year, for respondents in their Labour Force Survey.

MCC collected data show there is a higher level of men showing intent to work abroad compared to women, with 20% of men, compared to around 12% of women, claiming they plan to work abroad in the next 12 months.[42] The difference between residents in rural and urban areas is insignificant.

Based on the Rinvest youth survey, around 49% have claimed intent to emigrate in the next two years. Of those, 63% claim they plan to migrate alone, 18% plan to do so with their families, whereas 19% plan to migrate alone and have their families join them in the future. The main reason remains to find a job or a better job – in 33% of the cases. However, 37% are looking for a better quality of life overall or for their family, followed by 16% who want to pursue further studies.

Differences are evident between regions. The highest level of intent to migrate is in Peja/Peć region, where 61% have claimed they plan to migrate in the next two years. The lowest level is in Gjilan/Gnjilane, with only 35% claiming they plan to do so.

FIGURE 95: Intent to emigrate

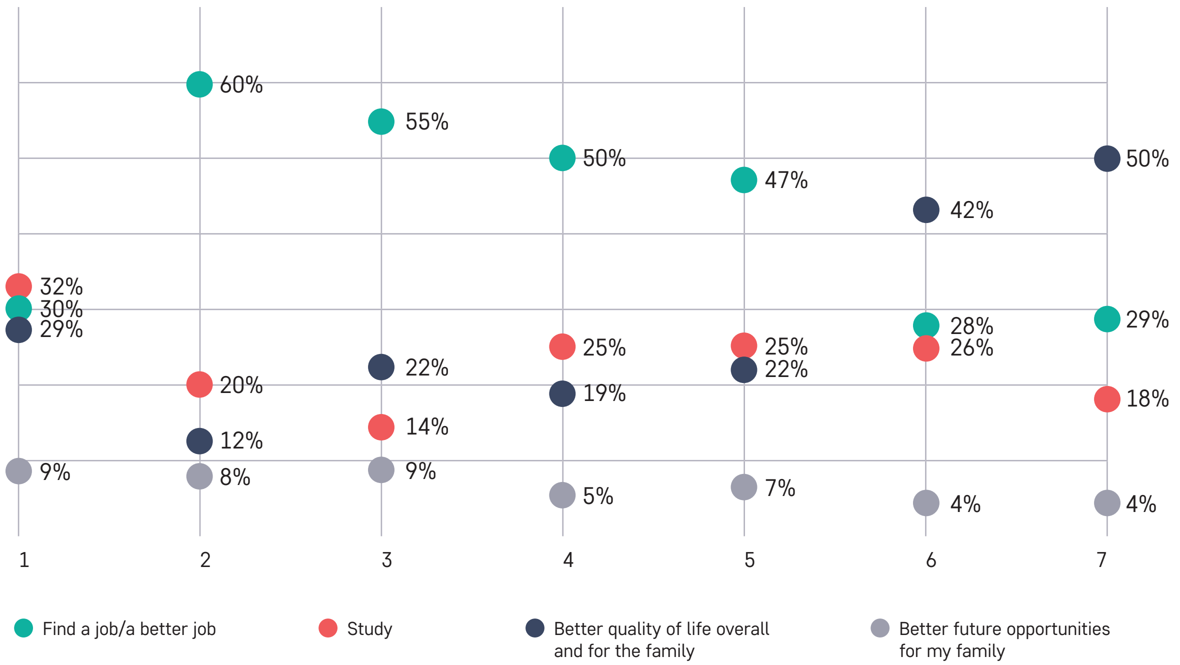


SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

42 MCC Kosovo – Labor Force and Time Use Survey Report, 2018

Reasons for migration, however, differ greatly between regions. While in Mitrovica – 60%, Peja/Peć – 55%, Prizren – 50%, and Ferizaj/Uroševac – 47%, the main reason is finding a better job; this is not the case in the other three regions. In Gjakova/Đakovica – 50% and Gjilan/Gnjilane – 42%, the main reason is better life quality overall and for the family in particular. In Pristina, the main reason is studying – 32%, followed closely with aims to find a better job – 30%, and better life quality – 29%. While the least selected reason is better opportunities for the family, this is understandable, especially based on the age group of respondents.

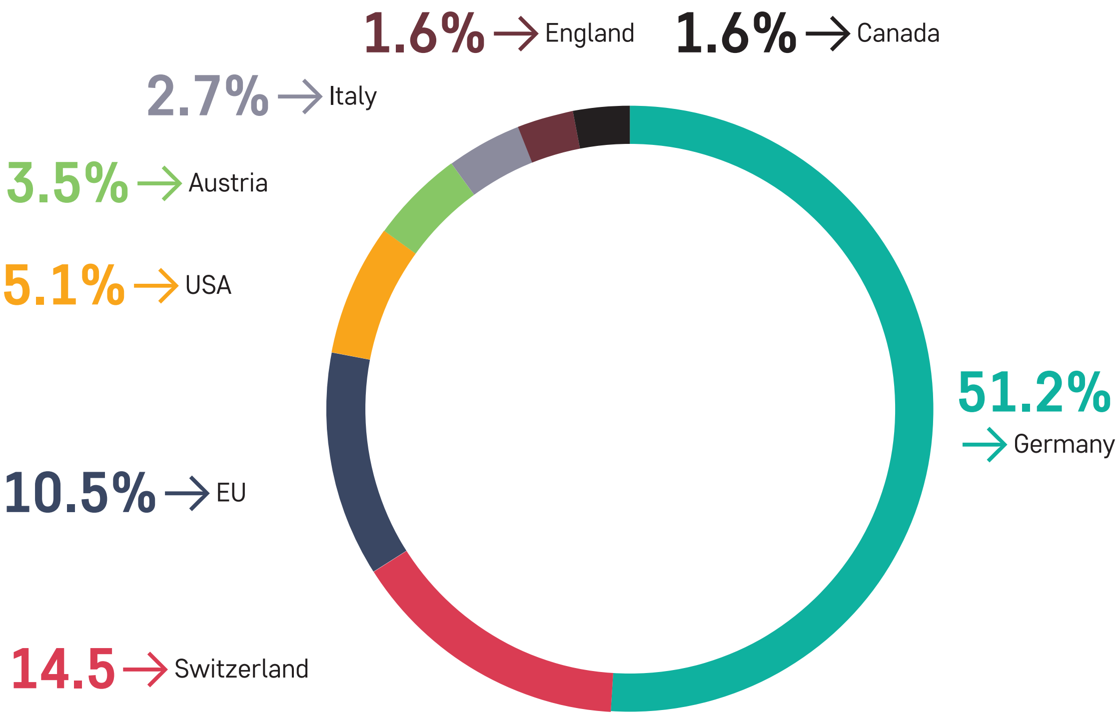
FIGURE 96: Reasons for migration



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Another important aspect of migration is the destination country. Germany is the main destination of those who plan to migrate, followed by Switzerland. These destinations are understandable and expected given the large diaspora that Kosovo already has in these two countries. Figure 97 provides a more detailed breakdown of the intended destination countries for migrants from Kosovo.

FIGURE 97: Main destination of migration



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

Moreover, barring the USA and Canada, which together amount for around 7% of destination countries, the vast majority of Kosovo youth see Europe as the destination for potential migration, likely both due to geographical proximity and prior patterns of Kosovo diaspora.

3.7 General overview of survey results

3.7.1 Demographics

Having targeted youth respondents, the results of the survey show that even with a random selection of respondents aged 15-29 and distribution across Kosovo, the average age of respondents is almost midpoint in the distribution, at 22 years and 8 months. The average age distribution of respondents in each region is shown below:

TABLE 13: Age of population by region

Ferizaj/Uroševac	22
Gjakova/Đakovica	22
Gjilan/Gnjilane	22
Mitrovica	24
Peja/Peć	24
Pristina	23
Prizren	22

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA .

The majority of youth, in all regions alike, are single, which is expected based on their age. Specifically, 81% are single, compared to 17% who are married, and around 2% who fall into other categories. Moreover, 89% do not have children. However, of the 11% who do, 38% have one child, another 38% have two children, and 21% have 3 children. These demographic statistics are important in assessing the living conditions and livelihood from wages and other sources of income, later in the report. The demographic statistics show no major differences among regions.

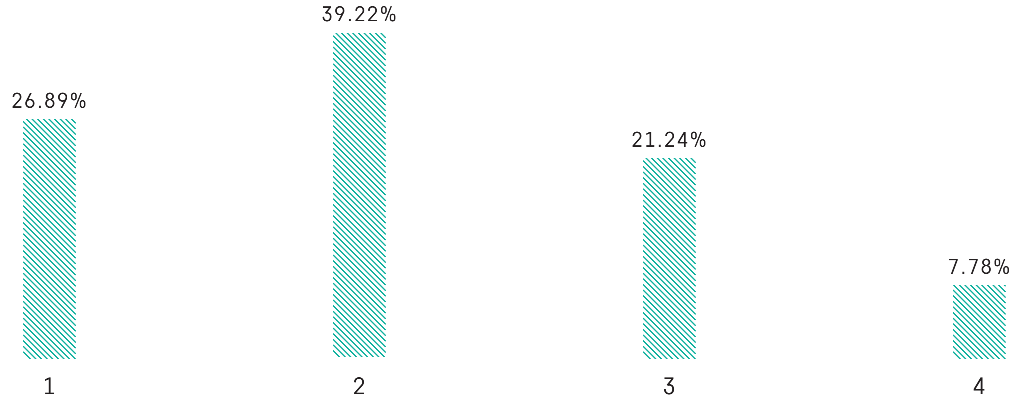
3.7.2 General family information

Most families are between 2 and 7 members, with the majority having 4 to 5 members older than 15 years. From this family size, in the majority of cases, one or two family members are employed, with fewer cases where three or more family members work.

FIGURE 98: Family size

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

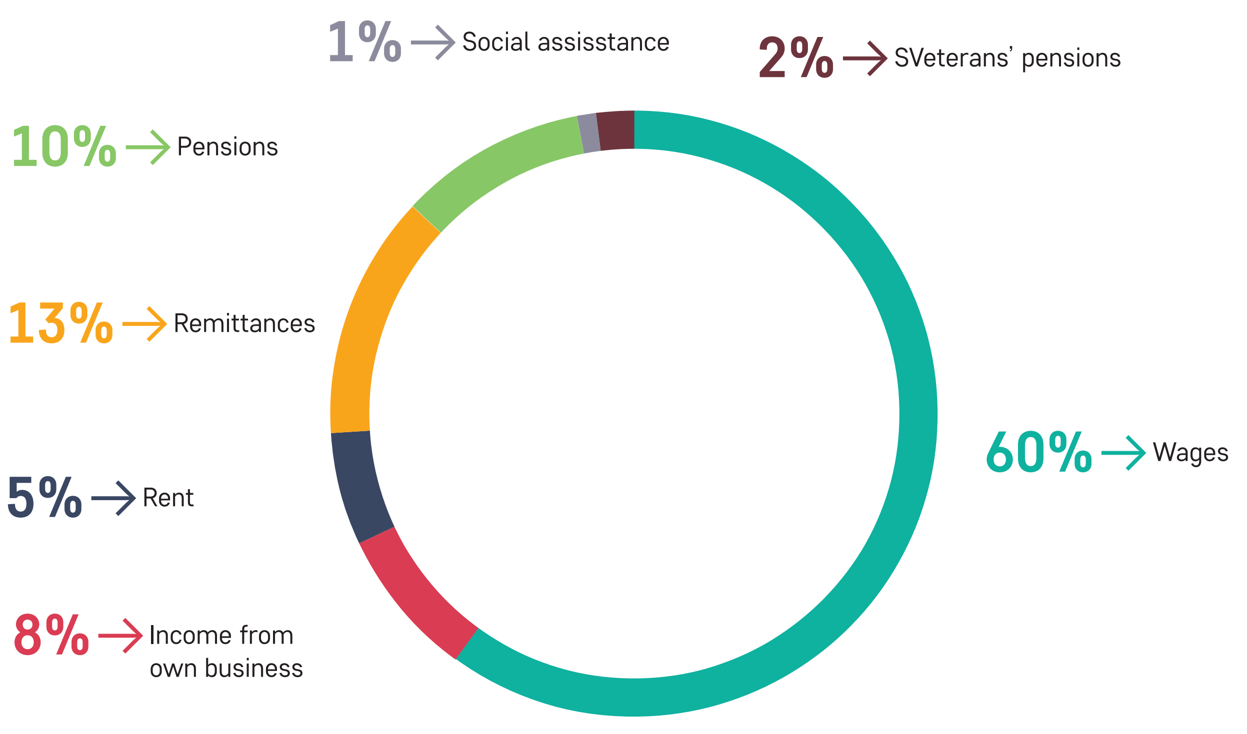
FIGURE 99: Working members of the family



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The average monthly income for families across Kosovo is €639.00. Looking into specific regions, there are little variations that are adjusted when controlled for the number of family members working. However, apart from wages as a source of income, Kosovar families receive income from other sources as well. Figure 100 provides a detailed breakdown of sources of income.

FIGURE 100: Sources of income



SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

While wages still dominate with 60%, the second source of income is remittances with 13%, followed by pensions. It is expected for these families to have other sources of income, considering the high number of working youth who state that their income is not sufficient to provide for their families.

CHAPTER 4. MATCHING DEMAND AND SUPPLY OF LABOUR

Following an in-depth comprehensive study of the demand and supply side of the labour market in Kosovo, this section analyses the current institutional framework on the matching mechanisms. More specifically, here the focus is on the existing labour market-related policies, both active and passive ones, and the relevant mechanisms concerning wage determination and the collective bargaining system in Kosovo.

4.1 Wages, labour law and regulations, collective bargaining system

Labour related regulatory framework in Kosovo consists of several sources such as the Constitution of the Republic of Kosovo, Law on labour, Law for organizing trade unions, Law on safety and health at work, and other primary and secondary legislation that deals with the rights and obligations of the employees in Kosovo.[43] It should be noted that employment and other special labour related matters of civil servants is regulated by a special law and more than twenty different regulations and acts.[44] In addition to the above mentioned legal sources, there is also a General Collective Bargaining Agreement (GCBA) signed in 2014 between the Government of Kosovo, Trade Unions, Business Associations, and the Social and Economic Council. However, this agreement has been implemented selectively at the employer's discretion. Currently there are very few organizations that actually regulate the rights and obligations in the employment relations through collective agreements. Among the private sector, there are only two, albeit large, companies that implement some of the provisions of the GCBA.[45] Nevertheless, there are trade unions organized across different sectors and professions most of which operate under the umbrella of The Union of Independent Trade Unions of Kosovo (UITUK). The actual role of such unions is rather formal since they are not able to protect the rights and duly represent the interests of employees. In the public sector they are more active and to some extent have more bargaining power as opposed to those that represent the private sector's employee interests. Wages are their primary interest and it is actually the only issue that characterizes unions' activities although wage formation in Kosovo is mainly based on individual and to a lesser degree on collective bargaining.

As far as wages are concerned, there is a minimum wage set which, as per the Law on Labour and GCBA, is supposed to be adjusted on an annual basis. As the article 57 of the law suggests, at the end of every calendar year, the Social and Economic Council propose to the Government the minimum wage for the following year. The minimum wage should be defined having into consideration the cost of living expenses, unemployment rate, the general state of the labour market, and the level of competitiveness and productivity in the country. However, regardless of the systematic change in the key

43 The Law on Labour No. 03/L-212 as the main legal source related to labour issues in Kosovo was approved by the Government of Kosovo on April 2010 and ratified by the Assembly on December that year.

44 The Law on Public Officials No. 06/L-114 regulates the legal relationship between the state and public officials.

45 To the best of our knowledge, IPKO Telecommunications and Buçaj L.L.C. are the private only companies that have some types of collective agreements in place.

macroeconomic indicators, the minimum wage remained unchanged since 2011. Currently, the monthly minimum wage for employed under 35 years old is 130 Euros while for those employed people older than 35 is 170 Euros. It should be noted that in 2016, the Social and Economic Council, according to its mandate, has proposed an increase of the minimum wage to 210 Euros but it was disregarded by the Government at that time. Budgetary implications are the primary reason that explains the Government's reluctance (FES, 2017). This is understandable as the most expensive social scheme – that of war veteran's pension – is referenced to the minimum wage and as long as this is the case, an increase in the minimum wage would have significant implications for public finances.

Given the fact that the average salary in the private sector is twice as much as opposed to the minimum wage, and even higher in the public sector, an adjustment of the minimum wage is needed. Kaitz index shows that the legal minimum wage from 2012 through 2018 was far from the centre of the distribution; the average index values are 0.46 and 0.35 relative to the private sector respectively public sector average gross salaries.[46] Although the value of the Kaitz index in Kosovo is similar to developed countries (OECD), the index alone cannot give a complete picture. The minimum wage per se does not reflect the actual economic conditions in Kosovo – the average salary has increased systematically and so have the living standards.

TABLE 14: Average salary 2012-2018

Year	Average salary		Public sector		Private sector	
	Gross	Net	Gross	Net	Gross	Net
2012	€ 431	€ 384	€ 407	€ 353	€ 367	€ 333
2013	€ 444	€ 393	€ 415	€ 356	€ 367	€ 333
2014	€ 482	€ 430	€ 465	€ 408	€ 358	€ 326
2015	€ 510	€ 451	€ 511	€ 441	€ 367	€ 333
2016	€ 519	€ 457	€ 525	€ 449	€ 371	€ 337
2017	€ 528	€ 471	€ 532	€ 474	€ 384	€ 348
2018	€ 558	€ 498	€ 573	€ 509	€ 401	€ 364

SOURCE: KOSOVO AGENCY OF STATISTICS

46 Kaitz Index (ratio of the legal minimum wage to average wage of the working population) named after Kaitz H. (1970) is used as a benchmark for measuring the level of the national minimum wage.

On the other hand, wage expectations are much closer to the average wage. In the previous chapters we have shown that the average minimum entry-level salary that unemployed youth would accept is 304 Euros. It has been argued that the reservation wage in Kosovo is strongly affected by the level of remittance inflows (UNDP, 2012). The above argument is based on the altruistic motives of remittances which suggest that remittances mainly serve as a hand-to-mouth type of transfers that fulfil recipients' immediate needs. However, this is rather anecdotal evidence as there is no evidence-based literature that confirms such a hypothesis.[47]

Furthermore, a systematic increase in wages in the public sector, which do not reflect the productivity level, may have also altered to some extent wage expectations of unemployed people in Kosovo. Considering the above hypothesis, public sector wages may also have long-term repercussions in the private sector due to the potential sectoral labour mobility. Except the labour market structural irregularities, the lack of skills in the labour market for some industrial sectors may also occur due to sectoral shift as a result of wage differences between the public and private sectors.

4.2 Active labour market policies

Active labour market policies (ALMP) are an important tool in tackling unemployment in Kosovo. ALMP programs are the key components of the labour market and social welfare measures in the national development strategy of Kosovo.[48] The legal framework that defines ALMP related measures consist of the Law no. 05/L-077 on registration and providing of the services for unemployed, job seekers and employers as well as the regulation no. 01/2018 on active labour market measures (Table 22).

The Employment Agency of the Republic of Kosovo (EARK), established in 2015 by the Ministry of Labour and Social Welfare (MLSW), is the central authority that coordinates the implementation of ALMPs across the country.[49] Under the agency operates Vocational Training Centres (VTC) that provide professional training services on practical knowledge and skills for unemployed and jobseekers in order to better match the labour market needs. Currently, there are 8 VTCs across Kosovo that offer training services on 30 different professions (Table 22). Trainings provided at VTCs are module-based and last from 3 to 6 months where 70% of the whole training program consists of working practice. In addition to the institutional trainings provided at VTCs' facilities, there are also combined training modules organized in partnership with private businesses in Kosovo where the theoretical part is organized in VTCs while practice sessions take place in businesses' facilities. The purpose of the joint trainings is to offer participants hands-on experience and better equip them with practical skills in line with the labour market needs.

Total budget allocated for employment and vocational training services for the year 2019 is 8 million Euros – 110% increase from the previous year.

47 The team has tested the relationship between remittances and the reservation wage, however no the results were insignificant.

48 http://kryeministri-ks.net/wp-content/uploads/docs/National_Development_Strategy_2016-2021.pdf

49 Law no. 04/L-205 on Employment Agency of the Republic of Kosovo regulates the establishment process, functioning and responsibilities of the Agency.

TABLE 15: Types of ALMPs in Kosovo as per the Regulation 01/2018 on ALMPs

ALMP	Definition
Wage subsidy	This means the active labour market measure that creates employment opportunities for the unemployed by subsidizing the employer for the salary of the unemployed to recruit them for at least 12 months. Wage subsidies are offered to create long-term employment opportunities since the unemployed in this measure are expected to be equipped with sufficient skill and experience to remain in jobs after the end of the subsidy period.
Training at work	Aims to teach participants the knowledge, skills and competences that are required to perform specific work within the work environment. Job training is offered to increase the prospects of registered unemployed for employment by gaining basic knowledge and skills to carry out a job during engagement in productive work.
Vocational training	A measure consisting of activities to equip registered and unemployed jobseekers with knowledge, skills, competences and attitudes required for employment in a given occupation or to a group of related professions. Vocational training is provided to improve the employability of registered and unemployed jobseekers by acquiring the knowledge, skills and competences needed for certain occupations in the labour market.
Practice at work	An active labour market measure that offers participants the opportunity to gain the necessary experience in the work environment to start a particular profession or a career field. Job work is offered to enhance the skills and perspectives of graduates for employment by providing access to the working environment and create entrepreneurial experience and contacts in order to improve future job opportunities.
Self-employment and entrepreneurship promotion	A measure that consists of an activity to provide participants with knowledge, skills and competences and initial capital to start with their own business or to become self-employed. This measure is offered to generate employment for registered unemployed through the creation of viable business or business activities that are able to succeed in competitive markets.
Public work	Creates temporary employment opportunities by implementing public works that absorb manpower and which maintains and rehabilitates municipal and public spaces. Public works are provided to create employment opportunities and increase the employability of registered unemployed through the provision of work experience and job training.

TABLE 16: Vocational training centres and profiles in Kosovo

VTC	Profiles
Pristina	→ Plumbing / Central heating installation → Business administration/self-employment → Accounting/Administrative assistant → Bakery → Confectionery → Construction → Office equipment services → Auto electrician → Tailoring
Prizren	→ Cooking → Waitress/Waiter → Auto electrician → Pneumatic and hydraulic systems → Welding → Business administration/self-employment → Industrial electrician → Electro-mechanics of home appliances → ICT → Hairdressing → Tailoring → Bakery
Peja/Peć	→ Accounting/Administrative assistant → Business administration → Electro installation → Construction → Plumbing → Agriculture → Braille technology → Cooking → Welding → Carpenter → Entrepreneurship/self-employment
Gjakova/Đakovica	→ Accounting/Administrative assistant → Electro installation → Micro and small enterprises management /self-employment → Welding → Hairdressing → Tailoring

Ferizaj/Uroševac	→ Carpenter → Electro installation → Plumbing → Welding → ICT → Business administration/ self-employment → Maintenance (offices and other facilities) → Cooking → Catering → Central heating installation
Gjilan/Gnjilane	→ Carpenter → Welding → ICT → Accounting/Business administration → Self-employment → Graphic design → Cooking
Mitrovica	→ Carpenter → Cooking → Textile → Construction → Welding → ICT → Business administration/self-employment → Computer skills (Skenderaj)
Doljane (North Mitrovica)	→ Carpenter → Cooking → Textile → Welding → Business administration

SOURCE: THE EMPLOYMENT AGENCY OF THE REPUBLIC OF KOSOVO

Also, local Employment Offices (EO) operate under the EARK's umbrella and are responsible for the registration of job seekers, providing counselling services, career orientation as well as mediation in employment. There are 34 local EOs spread across the territory of Kosovo which offer the above services for unemployed and job seekers in Kosovo. Moreover, the role of EOs is also the implementation of other ALMPs including, but not limited to, public work, vocational training, work practices, vocational rehabilitation for vulnerable groups, and promotion of entrepreneurship and self-employment. However, schemes in Kosovo tend to be small and funded mostly by donors. A recent study published by GIZ (2019) shows that most schemes are focused on entrepreneurship and skills-related trainings.[50] The table below shows the structure of ALMP measures and beneficiaries provided by EOs.[51]

50 GIZ (2019) is available at https://yesforkosovo.org/wp-content/uploads/2019/12/Report-ENG.pdf

51 It should be noted that schemes such as internships, self-employment and wage subsidy include also beneficiaries supported by GIZ, UNDP, MCYS, KIESA and the Ministry of Internal Affairs.

TABLE 17. Beneficiaries and structure of ALMP measures

Programmes	2015	2016	2017	% 2017	2018	% 2018	2019	% 2019
Internship	188	434	728	8%	1,101	12.7%	2,705	23.4%
On-the-job training	281	951	478	5%	493	5.7%	420	3.6%
Self-employment	49	54	35	0.4%	390	4.5%	214	1.9%
Wage subsidy	498	474	713	8%	336	3.9%	445	3.9%
Vocational training	4,055	6,736	5,979	68%	5,497	63.2%	6,603	57.2%
Out of which at VTCs	3,811	6,641	5,612		5,300		6,281	
Combined - at VTC and enterprise	244	95	367		197		322	
TOTAL implemented through EOs	6,936	7,687	8,806	100%	8,694	100%	11,536	100%

SOURCE: EARK (AS CITED IN GIZ, 2019)

The assessment made by GIZ (2019) evaluates the effectiveness of the most important active labour market-related measures. The study suggests that ALMP effectiveness is somewhat questionable. Regional concentration of placements, low level of awareness of the schemes in some regions, lack of consistency in terms of quality and delivery of employment counselling services, weak compliance by Employment Office officials regarding monitoring visits during placements, are some of the major weaknesses which undermine the effectiveness of ALMP related measures in Kosovo. Nevertheless, this assessment has revealed some important strength of ALMP measures including but not limited to transparency in the process for placement beneficiaries, private sector outreach, and diversity of placement opportunities and work experiences.

There are also other public institutions that provide vocational education and training programs. Among the largest ones are the so-called Centres of Competences (CC) which are administered by the Agency of Vocational Education and Training and Adults' Education (AVETAE). Currently there are six CCs located in Pristina, Ferizaj/Uroševac, Skenderaj, Malishevo, and Prizren.[52] According to the Law on adults' education and training in the Republic of Kosovo, curricula and training programs, qualifications and modules offered by CCs are developed in coordination with the Ministry of Education, Science and Technology (MEST). In addition to public service providers there are also non-public organizations that provide different training programs such as professional training programs, business training and entrepreneurship programs, foreign language courses, etc.[53]

52 Full list of profiles offered by each CE is provided in AVETAE's webpage https://aaaparr.rks-gov.net/en/

53 Employment Promotion Agency Kosovo (APPK), Women for Women network, Training Center Don Bosko, are only few non-public successful organizations that currently provide training services in Kosovo.

4.3 Passive labour market policies

The role of social protection policies in mitigating inequality and poverty reduction has been highlighted in many studies to date. There are two main motivations supporting social protection across the literature; one is that social protection is a considered a human right, while the second rationale consider social protection policies as tools that serve for achieving country's development objectives including poverty reduction, social inclusion, health, education, and so on. In Kosovo currently there is a wide range of programs grouped in three types of social protection schemes, namely age and disability pensions funded by the state budget, special benefits, and a social assistance scheme aimed at supporting poor people. Almost the whole system is based on social cash transfers which to some extent is systematically increasing the fiscal burden. It should be noted that the post-independence era is characterized by propagation of budget-financed cash transfer schemes. Social protection schemes in Kosovo accounted for almost 20% of the state budget for 2019 or equivalent to 7% of Kosovo's GDP (Table 23).

Among the first group of schemes, most of the budget is spent in the first pillar of the Kosovo pension system where old-age pension accounts for almost one-third of the total social scheme budget in Kosovo. From the second group, war-related benefits account for more than 20% of total social protection programs or 4% of the state budget.

The social assistance scheme remains the only poverty alleviation specifically designed program for the working-age population. The coverage of social assistance is low and benefit levels are inadequate (IMF, 2016). According to the MLSW currently there are around 25,000 families with more than 100,000 family members that benefit from the social assistance scheme. The average benefit per family in 2019 is estimated to be around 96 Euros per month.

TABLE 18: Social schemes in Kosovo

Pension schemes and compensations

Social scheme	Allocated budget for 2019 (EUR)	Allocated budget for 2018 (EUR)
Basic (social) Pensions	138,814,426	115,100,000
Disability Pensions	17,100,000	19,700,000
Early Pensions (Trepça)	5,300,000	4,300,000
Early Pensions (KPC)	2,785,000	2,600,000
Contributing Pensions	111,121,647	89,891,647
Pensions of KSF members	1,403,000	1,300,000
Kosovo Assembly Members of 90s	300,000	300,000
Compensations for political prisoners	5,500,000	10,500,000
Compensations for the visually impaired persons	5,500,000	5,500,000
Family Pension	6,193,697	2,880,000
Labor Invalidity Pension	720,000	1,800,000
Paraplegics and Tetraplegics	12,401,000	1,430,000
War invalid pensions	39,505,527	38,000,000
Veterans' pensions	57,911,776	58,750,000

Social policy and social services

Social scheme	Allocated budget for 2019 (EUR)	Allocated budget for 2018 (EUR)
Social Assistance	29,000,000	31,350,000
Social Services	4,100,000	4,500,000
Utilities for social assistance beneficiaries	4,500,000	4,500,000
Total	**442,156,073**	**392,401,647**

Permanent benefits may have potential implications in the labour market. Most of the social schemes' beneficiaries are not allowed to work and claim benefits at the same time. Moreover, some specific pension schemes such as Trepça and family pensions paid to citizens below the age of 65 are more like permanent unemployment benefits. Such benefits could discourage employment and even encourage exiting the labour market since they are directly linked with the employment status.

In order to better make use of the current social protection schemes as well as improve its sustainability, the system needs to be reformed. Allowing beneficiaries to claim the benefit and work for some time could potentially improve beneficiaries' welfare and make them permanently independent from the social schemes.

CHAPTER 5. RESEARCH METHODOLOGY

This section provides a general description of the methodological approach applied in this research. The project employed data collection on two different levels. First, data are collected from businesses operating in specific sectors with potential for job creation, across Kosovo. Second, the data will be collected from surveys with youth 15-29 years old, assessing their level of employment, employability, as well as skills – in order to provide a skills-matching analysis from both surveys.

Data collected from businesses distributed across regions of Kosovo have a particular focus on identifying sectors with potential development and job creation. To generate the target population, from the list of about 30,000 active businesses in Kosovo, as reported by the Kosovo Business Registration Agency (KBRA), for the purpose of this research, the Riinvest team has eliminated sectors A, U, and O (NACE classification), as well as all businesses with less than three employees. The population of businesses after these modifications has resulted to be 10,700 active businesses throughout Kosovo. The research envisages having representative data at the regional level. As a result, business sampling for this research is stratified at the regional level.

TABLE 19: Population on a regional level

REGION	Population 15-29
Pristina	4,418
Prizren	1,671
Ferizaj/Uroševac	1,075
Gjilan/Gnjilane	1,036
Peja/Peć	982
Mitrovica	683
Gjakova/Đakovica	553
TOTAL	**10,418**

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

To ensure that this research produces national data, the overall sample is composed of 780 respondents (businesses) across Kosovo, disaggregated in seven regions. From the population in each region, businesses are randomly selected to be interviewed for the survey. The number of businesses to be surveyed in each region varies from 97 to 132, depending on the number of businesses operating in each region. Calculations have shown that a sample of 780 respondents is statistically significant to provide representative results with a confidence level of 90% and a margin of error of 7%. In fact, the sample reflects an 80% response distribution, as well as a correction for unequal groups, and as a result, is considered to be sufficiently representative for the needs of this research.

TABLE 20: Distribution of businesses by region

Margin of error	**7%**	**5%**
Confidence level	**90%**	**90%**
Response distribution	**80%**	**80%**
Region	**Sample size (corrected)**	**Sample size**
PRISTINA	132	167
PRIZREN	120	157
FERIZAJ/UROŠEVAC	111	150
PEJA/PEĆ	110	148
GJILAN/GNJILANE /GNJILANE	110	149
MITROVICA	100	139
GJAKOVA/ ĐAKOVICA	97	133
TOTAL	**780**	**1043**

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

The second survey that is implemented through this project is with youth distributed across all of Kosovo regions. Given the population distribution among Kosovo regions, in all regions, the population of youth 15-29 years of age, is higher than 10,000. Since the research foresees representative data at the regional level, sample sizes in all regions are the same, with a 90% confidence level and a margin of error of 7%. As a result, youth sampling for this research is stratified at the regional level.

TABLE 21: Population on a regional level

Region	Population 15-29	Sample
PRISTINA	128,300	138
PRIZREN	107,124	138
PEJA/PEĆ	59,237	138
MITROVICA	53,351	138
GJILAN/GNJILANE /GNJILANE	51,197	138
FERIZAJ/UROŠEVAC	50,265	138
GJAKOVA/ĐAKOVICA	28,193	138
TOTAL	**477,667**	**966**

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA

To ensure that this research produces national data, the overall sample is composed of 966 respondents across Kosovo, disaggregated in seven regions, and distributed among urban and rural areas. From the population in each region, respondents are selected randomly to be interviewed for the survey. The number of respondents in each region is 138, a sample for which calculations show is statistically significant to provide representative results with a confidence level of 90% and a margin of error of 7%, on both national and regional level.

TABLE 22: Distribution of population 15-29 by region

Municipality	Population 15-29 years of age	% in region	Sample		
			Total	Urban	Rural
PRISTINA REGION					
PRISTINA	52,884	41.2%	57	46	11
Gllogoc	17,418	13.6%	19	6	13
Fushë Kosova	9,294	7.2%	10	5	5
Lipjan	15,845	12.3%	17	4	13
Obiliq	5,852	4.6%	6	3	4
Podujeva	24,311	18.9%	26	9	17
Graçanica	2,696	2.1%	3	0	3
PRIZREN REGION					
PRIZREN	48,862	45.6%	63	35	28
Dragash	8,368	7.8%	11	2	9
Rahovec	16,058	15.0%	21	6	15
Suhareka	16,800	15.7%	22	4	18
Malisheva	15,514	14.5%	20	3	17
Mamusha	1,522	1.4%	2	0	2

Municipality	Population 15-29 years of age	% in region	Sample		
			Total	Urban	Rural
PEJA/PEĆ REGION					
PEJA/PEĆ	25,846	43.6%	60	34	26
Deçan	11,454	19.3%	27	6	21
Istog	10,740	18.1%	25	7	18
Klina	11,197	18.9%	26	8	18
MITROVICA REGION					
MITROVICA	19,065	35.7%	49	34	16
Skenderaj	14,647	27.5%	38	8	30
Vushtrri	19,639	36.8%	51	24	27
GJILAN/GNJILANE /GNJILANE REGION					
GJILAN/GNJILANE /GNJILANE	24,799	48.4%	67	39	28
Kamenica	9,826	19.2%	26	7	19
Novoberda	1,711	3.3%	5	0	5
Viti	12,754	24.9%	34	10	25
Ranillug	908	1.8%	2	0	2
Partesh	482	0.9%	1	0	1
Kllokot	717	1.4%	2	0	2

Municipality	Population 15-29 years of age	% in region	Sample		
			Total	Urban	Rural
		FERIZAJ/UROŠEVAC REGION			
FERIZAJ/UROŠEVAC	29,491	58.7%	81	45	36
Kaçanik	9,217	18.3%	25	8	17
Shtime	7,414	14.7%	20	8	13
Shtërpce	1,658	3.3%	5	0	5
Hani i Elezit	2,485	4.9%	7	0	7
		GJAKOVA/ĐAKOVICA REGION			
GJAKOVA/ĐAKOVICA	26,532	94.1%	130	75	55
Junik	1,661	5.9%	8	0	8

SOURCE: AUTHORS' CALCULATIONS BASED ON SURVEY DATA