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## **Author: Strategy & Development Consulting**

MARCH 2016

This Assessment is prepared by Strategy & Development Consulting and is commissioned by the Enhancing Youth Employment (EYE) programme financed by the Swiss Cooperation Office and implemented by the consortium of Helvetas Swiss Intercooperation and MDA.

### **DISCLAIMER**

The views expressed in this publication do not necessarily reflect the views of the Swiss Cooperation Office.

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## Abbreviations

AVETA	Agency for Vocational Education and Training and for Adults
AWPK	Association of Wood Processors of Kosovo
B2B	Business To Business Meeting
CVETA	Council of Vocational Education and Training and for Adults
EMIS	Education Management and Information System
ENQA	European Network of Quality Assurance Agencies
GVA	Gross Value Added
HEIs	Higher Education Institutions
HRD	Human Resource Department
ISCED	International Standard Classification of Education
ISCO	International Standard Classification of Occupations
JAR	Joint Annual Review
JAR	Joint Annual Review of MEST
KAA	Kosovo Accreditation Agency
KCF	Kosovo Curriculum Framework
LMIS	Labour Management Information System
MED	Municipal Education Department
MEST	Ministry of Education, Science and Technology
MLSW	Ministry of Labour and Social Welfare
NACE	Nomenclature of Economic Activities
NCF	National Curriculum Framework
NQA	National Qualification Authority
NQC	National Quality Council
NQF	National Qualification Framework
PES	Public Employment Office
TAK	Tax Administration of Kosovo
VET	Vocational Education and Training
VTC	Vocational Training Centers run by MLSW
TARIK	The Integrated Tariff of Kosovo (TARIK) consists of a Goods Nomenclature (codes and descriptions) based on the Harmonized System of the World Customs Organization (W.C.O.) and on the Combined Nomenclature of the European Communities, as applicable on 1 January 2015

This report complements the existing two surveys undertaken by UNDP in 2013 and 2015.

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extensive skills assessment report has been commissioned by EYE project that focused on formal VET system (forthcoming in 2016).

The added value of this study is that it analyses both the demand for labour in wood related area and the supply side i.e. the availability of skilled workforce for the sector. Based on Gross Value Added data, number of active enterprises, number of newly established enterprises, value of exports and the number of identified vacancies identified by Public Employment Offices indicate that the wood sector is growing. Although the sector mainly sells domestically there are expectations that exports will further increase in coming years. Recently undertaken reforms by the government (new fiscal package, the Law for Credit Guarantee, Law for Strategic Investments) and the signatory of the Stabilisation and Association Agreement with the EU are expected to improve opportunities for the wood sector.

According to data collected from UNDP survey in 2013 and based on interviews and discussions conducted during this research wood processors employ and opt for vocationally educated and trained workforce. However, very few wood processors are informed about the available skills providers and they have low expectations from skills providers and hence are preparing the skilled workforce through trainings. Although business associations and chambers of commerce are designed to serve as a bridge between education and training system and employers information collected within this research show that business representatives have mainly facilitated organisation of fairs and workshops and rarely engaged in promoting and supporting connection of the sector with education and training system.

Data collected during this research reveals that education and training system are preparing a limited supply of workforce and that with of inadequate quality which in turn hinders development of the sector. Currently there are two VET schools, five vocational training centres and one higher education provider preparing the workforce for the wood sector and there are no private training providers for the sector. Data also show that skills providers are underutilised and careful cost-benefit assessment particularly of VET providers is deemed necessary.



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The wood sector is an attractive sector for young people, as youth account for 40 percent of total employment of the sector (UNDP, 2014a). An interesting feature of the sector is the sustainable employment as almost all companies employ full-time staff, and the share of fulltime employment accounts for 90 percent of total employment in the sector. One-fourth of companies employ women and discrepancy on gender composition of employees is declining: in 2011 the average number of women (in companies employing women) was 2 whilst it was recorded to be 5 by 2012 (UNDP, 2014a). Although there is a perception that wood sector is a 'male sector' according to businesses the wood sector in other countries is an attractive for women specifically in positions related to sewing, painting, decorations, marketing, promotion, etc.

Main skilled providers for the wood processing are VET schools, higher education institutions and vocational training centres run by the Ministry of Labour and Social Welfare. However, as it will be assessed in this report it does seem that the education and training system is constrained in its supply and quality and therefore interventions are needed to facilitate the growth of the wood sector, utilization of resources of the education and VET system and improvement of employment prospects for youth.

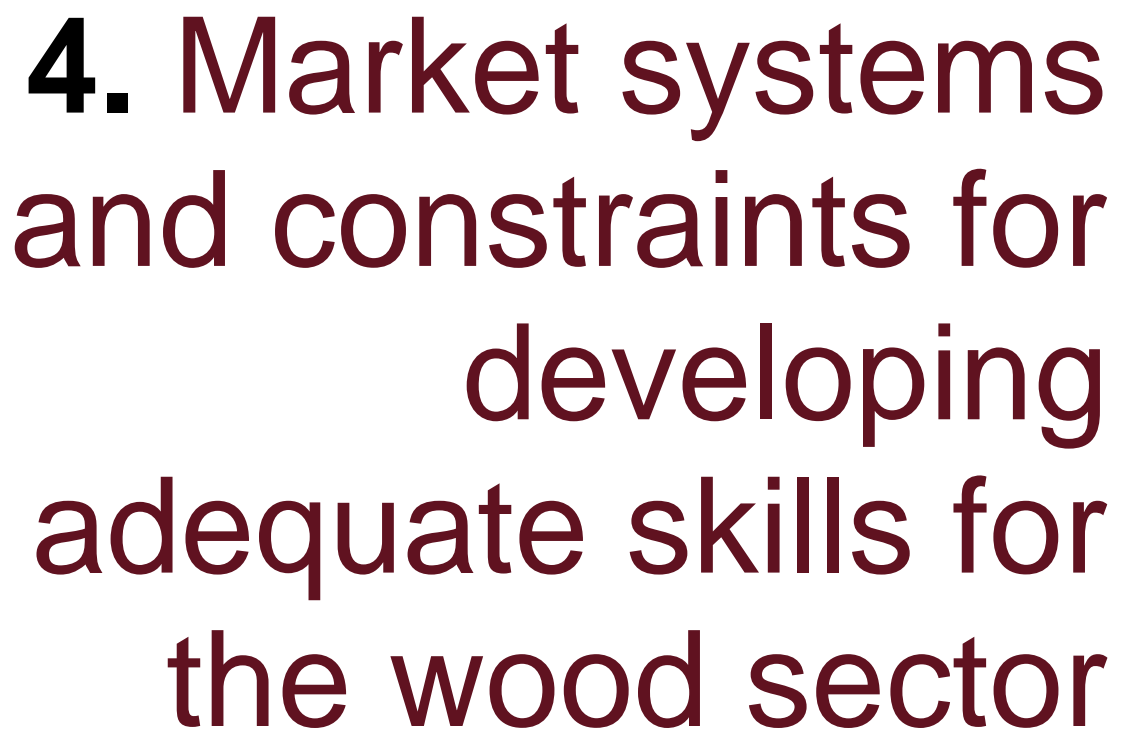
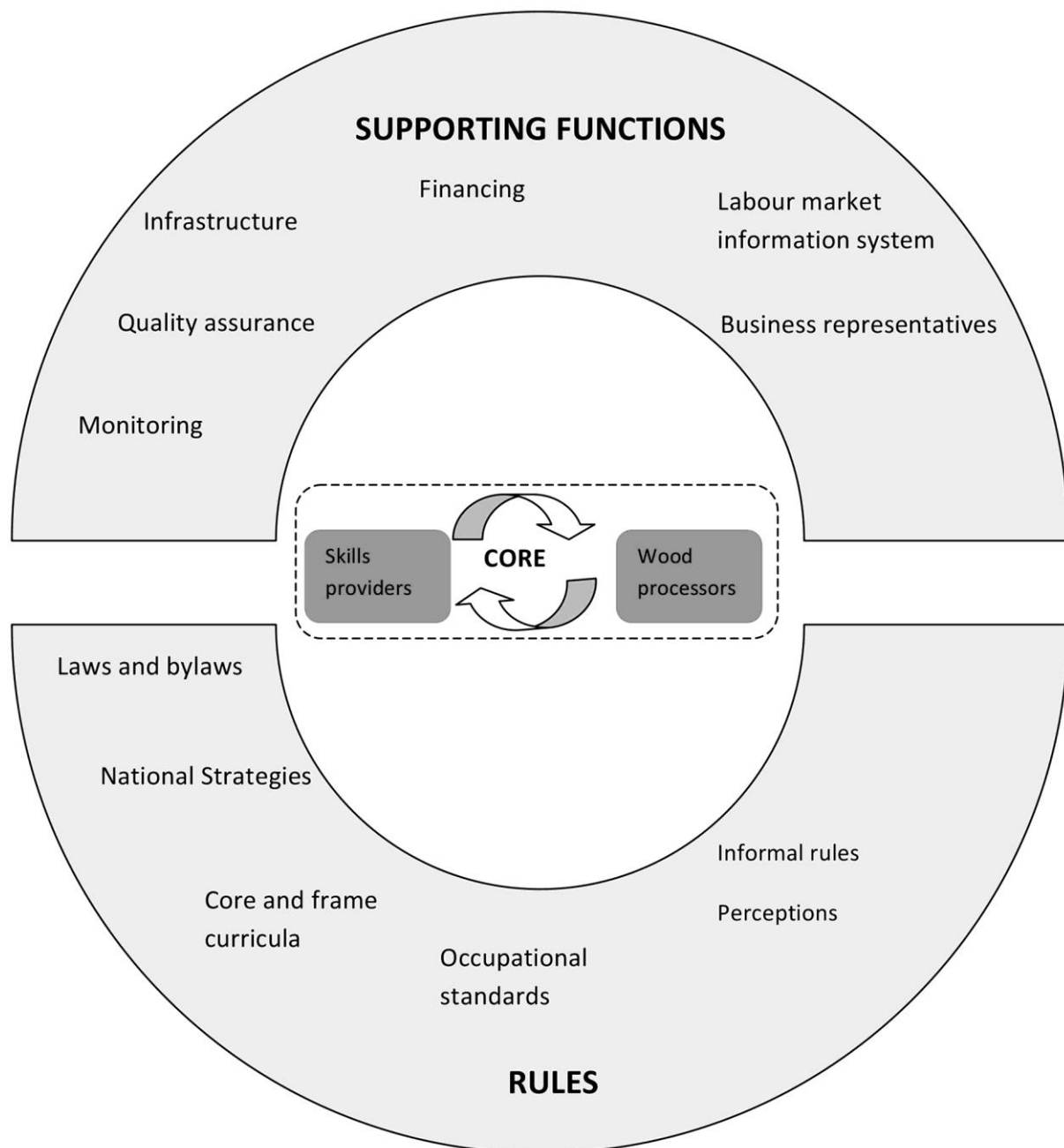


Figure 1 outlines the core market system of skills for the wood sector by indicating supporting functions and formal and informal rules. The core system for the skills supply for wood sector composes of higher and vocational education and training providers, the governing and advising bodies for the two sub-systems i.e. VET and higher education. The VET system consists of formal and non-formal provision. While MEST mainly focuses on formal general vocational education (situated at an upper-secondary level ISCED 3, lasting usually 3 years) the MLSW provisions non-formal vocational training primarily for jobseekers and re-trainees

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#### 4.1.1 Policy making

Within the **Ministry of Education, Science and Technology** the Division of Vocational Education and Adult Training is responsible to develop policies and run all the administrative work for VET system whilst the Department for Higher Education plans and monitors development of the higher education system. National Qualification Authority (NQA) is an independent public body whose main responsibility is to oversee the national.

**The** Division for Vocational Training at the **Ministry of Labour and Social Welfare** proposes, develops and ensures implementation of vocational training legislation, policies/strategies for unemployed and re-training of other individuals and monitors and coordinates Vocational Training Centres.

### 4.1.2 Agencies

The **Agency for Vocational Education and Training for Adults Education** (AVETAE) established by MEST in 2014 is in charge of administration and leadership of public vocational education and training institutions. **Employment Agency** (MLSW planned to be established in 2016) is the public provider of services in the labour market, which aims at the management of the labour market and the implementation of employment and vocational training policies. **The Kosovo Accreditation Agency** (KAA), established in 2004, is responsible for guaranteeing the quality of HEIs and study programs both for public and private providers. It defines the standards and accreditation procedures and makes recommendations to MEST for the licensing of HEIs.

### 4.1.3 Councils

**Social Economic Council** is a tri-partite national level body representing interests of Employees' Organizations, Employers' Organizations and Government. It provides counselling and guidance in developing and implementing of labour policy, social welfare and economic policies and promotes consultations between the parties, as well as the endorsement of contracts and collective agreements, at national level. **Council of Vocational Education and Training and for Adults-CVETA** advises the MEST on the general direction for vocational education and training and adults' education policy in Kosovo, *proposes changes needed in the legal framework and provides advice and recommends study profiles for VET*. **The National Quality Council (NQC)** is the governing body which has the overall responsibility for the functioning of the KAA.

### 4.1.4 Monitoring

*Municipal Education Directorates for VET education among others are in charge of inspection of the education process in accordance with guidelines established by the MEST.* Inspectorate Department of the Ministry of Education, Science and Technology (is in charge to monitor implementation of laws and legal acts by public and private education institutions. According to the Law on Higher Education, one mandate of Accreditation Agency is inspect licensed higher education institutions.

### 4.1.5 Skills providers

#### Network of public vocational schools

The formal VET sector comprises of 57 public vocational schools. There are 17 vocational fields and 141 profiles, 60 modular qualifications and about 30 occupational standards developed so far, though none of them verified by the NQA (S&D, forthcoming in 2016). Out of 57 schools currently only 2 schools provide study profiles in wood area and there are no private providers in wood related areas.

#### Vocational Training Centres (MLSW)

There are 8 vocational training centres, seven of which have been accredited by NQA, Currently VTC provide trainings in 28 professions but no occupational standards have been validated by NQA. Access to training centres have jobseekers registered at Employment Offices, students and employed persons which lack skills and competences in one or more modules of a specific professions (for the purpose of retraining).

## Higher education institutions

According to KAA in 2015 there were 8 public higher education institutions and 29 private ones. In 2015 higher education institutions offered around 500 study programs including BA, MA and Phd level. Currently there is only one Faculty located in Ferizaj offering study programs in wood area at BA and MA level.

According to AI on Accreditation of higher education institutions (Article 10: 9) HEIs are obliged to establish cooperation with employers and relevant stakeholders in order to tailor curricula in line with labour market needs and also facilitate employment of their graduates. The need to strengthen the link of higher education with labour market was strongly recommended in the 2014 JAR (MEST, 2015).

## 4.2 Key market rules and functions

### 4.2.1 Market rules

#### Laws and by-laws

The upper secondary and higher education system in Kosovo is regulated by a number of legal (discussed below) and sublegal acts (Annex 1). Vocational Education and Training is regulated by Law No.04/L –032 on Pre-University Education in the Republic of Kosovo regulate s pre-university education, Law No. 04/L-138 for Vocational Education and Training and Law No. **04-L-143**, Law on Adults Education and Training in the Republic of Kosovo. **Law No. 04/L-037 on Higher Education in Kosovo** provides a legal base for regulating, functioning, financing, providing the quality in higher education in compliance with European standards as well as the role of state and society in development of higher education.

**Law No. 03/L-060 Law on National Qualifications establishes National Qualifications System**, based on a National Qualifications Framework (NQF) regulated by a National Qualifications Authority (NQA). **Law No.2004/37 on Inspection of Education in Kosovo** This Law appoints rights, duties, authorizations, responsibilities and the working of the Inspection in Kosovo. **Law No. 03/L-018 on Final Exam and State Matura Exam** regulates the organizing procedure, content, conditions, criteria and procedures of the Final and State Matura Exam in Kosovo. **Law No. 03/L-068 on Education in the Municipalities** regulates the organization of public educational institutions and the provision of public education at the pre-primary, primary, lower secondary, upper secondary and higher education levels in the municipalities of Kosovo. From interviews and discussions organised during this research there are no weaknesses in the existing legal framework.

#### National Strategies

Relevant strategies for the wood sector are the following: National Development Strategy 2016-2021; FRAME Skills for Future 2015-2020; Kosovo Education Strategic Plan 2011-2016; Strategy for Development of the Professional Practice in Kosovo 2013-2020 (MEST); and Sectoral Strategy 2014-2020 of (MLSW).

#### Informal rules: Perceptions

During this research it has been found that there is a negative perception among businesses for education and training providers in wood area study and training programs. However, most of the interviewed wood sector businesses do not employ VET graduates, have no contacts with VET schools and Faculty in Ferizaj and according to INDEP (2016) a vast majority of businesses in Kosovo are not informed about the availability of training centres.

During focus group discussions a representative from MEST claimed that businesses are constantly complaining for the poor quality of education system but most of them are not informed about the content of VET curricula that implies that they are complaining for something that is now known to them. Despite attempts of MEST to actively consult and engage businesses in policy making they have failed to do so since businesses do not show an interest in becoming part of the processes (MEST official). It has also been stressed out that most of businesses in Kosovo do not have strategic plans and visions for the future which makes it very difficult for the education and training system to tailor curricula for future needs of the sector.

## 4.2.2 Supporting functions

### Financing

**Financing of VET schools:** Currently school budget is calculated based on the number of students and it does not take into account specific needs of VET schools. During focus group discussions and interviews with VET schools this was emphasised as a weakness of the system and it was recommended that financing should take into account school needs. Authorities are considering the establishment of a sub-sector budget at the central and municipal level, whereas MEST is considering the possibility to develop a separate formula for financing of VET schools depending on profiles (S&DC forthcoming in 2016).

### Infrastructure

The currently applied financing formula grants around EUR 24 per student at a **vocational school** and is the same for every profile, regardless of the needs of the different profiles. Wood sector requires equipment and material for practical training and the existing financial resources are far from being sufficient. Although some studies have revealed that VET schools are either poorly equipped or have outdated equipment (GIZ, Gashi and Serhati, 2014; Council of Europe, forthcoming study) there is no system in place to collect inventory records and identify school needs. This has also been noted in the 2014 JAR (MEST, 2015) whereby it is recommended that municipalities should improve the information gathering and reporting on the infrastructure situation and to link the software system "School Mapping" with EMIS. The 2014 JAR states that despite the need for a new funding formula, there are difficulties in establishing different funding levels and profiles, depending on the particular vocational education infrastructure needs.

A common finding for all skills suppliers is that due to financial constraints they are not adequately equipped. For VET schools and VTCs donors have been an important financing source, though schools stated that such support has not been available in last years.

## 4.3 Dynamics and performance of the core market system

### 4.3.1 Limited supply of skills providers and study profiles

#### Geographical dispersion of skills suppliers and wood producers

In Kosovo currently there are 2 vocational schools, 5 vocational training centres and one faculty offering studies and trainings in wood related areas (Figure 2). Vocational schools offering wood relate profiles are located in Ferizaj and Peja, VTCs are located in Peja,

According to 2015 data from TAK, 22% of enterprises are located in region of Prishtina but there are no skills providers in Prishtina, Prizren and Gjakova regions. Ferizaj is the only region having a Higher Education Institution (HEI) offering study programs in study area of wood.

Map of Kosovo showing the distribution of enterprises, VET schools, VTCs, and HEIs by municipality. The map includes labels for Mitrovica, Peja, Prishtina, Gjakovë, Ferizaj, Prizren, and Gjiilan. Data points are shown as colored circles with numbers inside. A legend at the bottom identifies the colors: blue for Number of enterprises, green for VET schools, red for VTCs, and orange for HEIs.

Municipality	Number of enterprises	VET schools	VTCs	HEIs
Mitrovica	143	0	1	0
Peja	208	1	1	0
Prishtina	347	0	0	0
Gjakovë	88	0	0	0
Ferizaj	340	1	1	1
Prizren	255	0	0	0
Gjiilan	203	0	1	0

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higher education graduates relevant for the wood sector. Similarly, the Director of Wood Processing Association stated that there is lack of VET schools in Kosovo. Specifically the Director pointed out that although the biggest number of wood processors is located in Prishtina there is no VET school.

All interviewed enterprises stated that they do not employ graduates from VET schools, VTCs or Faculty of Applied Science. Wood processors responded that they are actively reviewing the skills and training needs: nearly half of wood processing companies review skill and training needs of all employees, one fifth review skills and training needs of only specific groups of employees (UNDP, forthcoming in 2016). However, an interesting observation from discussions and interviews with wood processors is that they do not rely and do not have expectations from the education and training system in preparing the workforce for wood processing sector. All interviewed companies stated that they train their employees and consider this as the only way to get access to skilled workforce.

The (UNDP, 2014a) study with wood processors in 2013, found that in total nearly one-fifth of wood sector companies provided training to their employees (a similar share of companies that provided training was found in a 2016 survey done by UNDP, forthcoming), compared to three quarters (75%) of medium and all large companies. However, during interviews it was mentioned that having trained their workers businesses are challenged with potential loss of their investment in case trained employees leave the company (in the literature known as '*poaching risk*') hence there is under-investment in training. According to a recent UNDP survey (forthcoming in 2016) on-the-job training (defined as planned periods of training, instruction or practical experience in the workplace) is the most commonly used type of training as 15 percent of companies applied this type of training.

Schools propose to MEST profiles that are needed in the region where schools operate (MEST official) and this does imply that schools are expected to supply only the region where they reside. Given limited number of VET schools in the country, this approach should be changed-schools should opt to provide skilled workforce for wood processors in the country which requires that schools expand their research area by researching also nearby regions.

Limited offer of professions and study programs to meet labour market needs

The existing two VET schools offer profiles in Wood Design, Interior Design and Carpentry. According to MEST official, until now schools have had the discretion in undertaking labour market studies and based on that propose professions to be offered by VET schools. However, this may not be the best approach since schools may be more interested to run profiles with the purpose of safeguarding employment of the school staff instead of seeking for new profiles to match the labour demand.

VTCs offer training on the profession of carpentry which consists of following modules: a) basic knowledge on wood, application of tools and machinery, measurements, interpretation of drawings and safety at work; b) processing/manufacturing of doors; c) processing/manufacturing of windows; d) manufacture of furniture; e) manufacturing of wooden stairs; f) toration; and g) painting. Training lasts between 3 to 6 months depending on the number of modules that a trainee undertakes and the progress is makes in gaining competences.

Faculty of Applied Science in Ferizaj offers study programs in Wood Industry (BA and MA level) and Wood Design and Technology (BA level). According to the vice dean of the Faculty the following study programs are lacking in the market.

According to interviewed businesses within this research and representative of wood processors' association in Kosovo there is lack of labour for the following professions: workers in processing massive wooden and refined furniture; machine operators; employees for maintaining and repairing machines; operators of CNC machines; and painting. Limited supply of above mentioned skills in Kosovo force companies to engage international experts (most commonly noted origin of experts was mentioned to be Turkey) which are costly and not available whenever the company needs them.

Lack of attractiveness for the wood related education and training programs

Vocational schools in Kosovo suffer from bad image and low attractiveness to young people (Gashi and Serhati, 2013). Many students choose vocational schools after having failed to enrol in general education and so vocational education is seen as a less desirable choice. According to the MEST official interest on vocational schools is even lower for the so-called '*heavy professions*' like carpentry. As a consequence the VET school in Podujeva and Decan were forced to close the wood profiles, although the demand from wood processors for the profile has been persistent (interview with secretary of the VET school in Decan). All VET schools confirmed that wood profiles mainly accommodate students of poor performance and the same applies for the jobseekers registered at employment offices whereby only unskilled ones opt for carpentry courses.

A recent study by INDEP (2016) found that out of 259 surveyed enterprises in Kosovo 80% stated that they did not of any vocational training programs in Kosovo. As a consequence VTCs may not be fully utilized (lost resources of MLSW); businesses loose the opportunity to train their employers free of charge and finally VTCs trainees will face difficulties in finding employment since the employer does not recognise nor value a qualification that until then was non-existent from their point of view (INDEP, 2016).

### 4.3.2 Constraints for providing qualitative education and training for wood sector

#### Lack of capacities to implement the New Curriculum

The process of *piloting new curriculum and core curriculum* in vocational education is still under implementation (interview with MEST official). Piloting process was preceded by the teacher training in seminars for implementation in practice of Curriculum Framework, methodological and practical aspects of planning the implementation of new curriculum and teaching methodology, teaching materials and student achievement assessments.

To succeed with the new curriculum the 2014 JAR (MEST, 2015) emphasised the need for further capacity development of teachers. Specifically it was highlighted that teaching plan is still a challenge for schools, hence capacities of teachers have to be strengthened. The report also claimed that to contribute to curriculum implementation municipalities should enhance efforts to strengthen mentoring and monitoring the implementation mechanisms (MEST, JAR 2014). Finally, it was recommended that inspectors should be trained and provided with updated information in order to monitor the implementation of teaching and learning in accordance with the new curriculum provisions (MEST, 2015).

#### Mismatch between labour market needs and VET curricula

As outlined above there is a limited number of educations and training programs for the wood sector. Based on interviews and focus group discussions, wood processing companies opt for secondary school graduates and not for higher education ones. Companies that had experience with vocational education graduates were not content with the quality of graduates and lack of available skilled workforce was among commonly noted barriers for business development. The potential explanation for mismatch between education and training programs and needs of employers may be due to absence of informing mechanism for the education and training system and partly due to lack of occupational standards for running professions (the rationale for this statement is provided below).

As outlined in this report every year VET schools have to undertake labour market study that would inform about demanded professions in the region where the school is located. However, in practice as far as there is a sufficient number of enrolled students, schools continue running same study profiles and do not add new profiles. Despite the fact that education and training systems entail to prepare skilled workforce to meet employers' needs none of the education and training providers undertake tracer studies or maintain alumni to follow their graduates. As a result, there is no information whether skills gained by graduates and trainees match those required by employers. The same situation is found in MLSW as there is no information on employment status of VTC's trainees. According to the Vice Dean, the Faculty in Ferizaj maintains data on employment status of their graduates.

Occupational standards which are to be submitted for verification at NQA shall have to be drafted based on functions, key activities, performance criteria, necessary knowledge to perform the function, skills and key competences associated to the main function. During verification process experts engaged by NQA among others verify that the providing VET institution possesses equipment necessary for students/trainees to learn and be equipped with skills and competences as set in the occupation standard. This is an important component ensuring that students/trainees gain practical skills. In the 2014 JAR (MST, 2015) it was stressed out that due to financial constraints and lack of technical assistance, the Ministry was still far from achieving the target of drafting 60% of the occupational standards in 2014. The process should be completed with an additional estimated 119 occupational standards in accordance with Dublin Descriptors (S&DC, forthcoming in 2016). So far there are no occupational standards developed for the wood sector.

### Lack of equipments and tools

One of the barriers to implementing the New Curriculum in Vocational Schools is lack of equipment and tools (MEST official). Lack of equipment and tools was mentioned as the main reason for VET students lacking practical skills (Director of WPAK during focus group discussions). *'There is a school with machines just as a sample, stored in the basement of the school and not used, this is not a workshop'* stated the Director of WPA. Lacking practical skills employers are forced to invest money and time in training their employees. Similarly VTCs have access to limited supply of equipment and tools and are unable to follow with changes in machinery and tools (MLSW official).

The representative of the Faculty of Ferizaj stated that equipment for wood sector study programs are expensive. The workshops in the Faculty have to be better equipped and the estimated budget to properly equip workshops is about half million Euros, which budget is difficult to be secured from public funding.

### Constraints in placing students in professional practice

The National Development Strategy 2016-2021 reports that at least half of vocational schools do not provide any possibilities for practical work at schools and beyond and one of the explanations provided was lack of incentives from enterprises to hire interns (p.13). According to the new Kosovo Curriculum Framework (KCF), professional practice programs form part of the VET secondary school curriculum (starting from 40% of practice in Grade 10 and reaching 60% in Grade 12). VET secondary schools in Kosovo offer two main types of work-based learning programs – work-based learning in vocational schools own workshops and professional practice in enterprises (MEST, 2013).

Currently the EMIS system does not collect data on practical placements of VET students but such data are expected to be maintained by schools (though there is no system in place yet). Although by law responsibility to cooperate with employers is shared between schools, local and central level of governments on reality there is no mechanism in place that on regular and continuous basis establishes and maintains such links. Despite attempts made employers are reluctant to offer internship places for VET students (MEST official during focus group discussion). Moreover, even when some students engage in internships usually they are asked to perform tasks not related to their profession (MEST official during focus group discussion). This does point also to another deficiency that is lack of mentoring and monitoring during internship period.

Recognising limited placements on professional practice, MEST in its JAR of 2014 (MEST, 2015), recommended that immediate actions to promote and develop professional practice are needed. Pursuant to the Law on VET, the Council for Vocational Education and Training (CVET) has the responsibility to formalize the participation of institutional stakeholders, labour market and social partners in policy-making related to VET. Therefore, the functioning of the Council for Vocational Education Training was noted as a key step to advance this priority (MEST, 2014).

Although chambers of commerce and Wood Processing Association are expected to serve as a bridge between employers and education and training system in practice this is not implemented. According to responses from wood processors the main benefit from KCC and AWPK are facilitation in organising fairs. On the opposite, the Director of Wood Processing Association highlighted that they are currently implementing a project for internship placements and have problems to find interested and adequate students from VET schools. According to the Director, given availability of information for the sector the Association can be an important bridge between education and training system and wood processors. Kosovo Chamber of Commerce has not implemented any internship program in wood sector.

## 4.4 Main interconnected markets

### 4.4.1 Labour market

Currently there is no system and mechanism in place for assessing and forecasting the labour market demand in Kosovo. The MLSW for few years has sponsored the Labour Market Demand Study but findings from this study have not been used for policy making and the Ministry is not sponsoring the study anymore. Through employment advisors at the Public Employment Offices (PES) the MEST collects data on unemployed persons and records vacancies.

For jobseekers PES record data on their education, field of study and their profession. For the vacancies PES record data on the economic activity of the enterprise. These data provide valuable information on the supply of available jobseekers by profession and education and the demand from businesses by economic activity. However, it must be borne in mind that these administrative data underestimate the number of unemployed and number of available vacancies in labour market. The former one is due to the fact that in Kosovo there is no unemployment benefit *per se* hence not all unemployed people are registered at PES and secondly data on vacancies are based on the identified vacancies by employment advisors from the field work and understandably it is unlikely that they all available vacancies are identified.

Kosovo Agency of Statistics is in charge of publishing labour market indicators for the country and it provides information of employment according to economic activities (NACE Rev. 2) and professions (ISCO-88). The Kosovo Tax Administration maintains data on reported employed persons by employers and this number is most likely underestimated given that informal economy is considered to account for about one-third of the total output of enterprises (and a similar size of labour employment may be assumed) (Rinvest, 2013).

#### Demand

According to Kosovo Tax Administration in 2015 there were about 1,600 active enterprises operating in the wood sector (which include economic activities belonging to NACE Rev 2. Codes 16, 17 and 31; Table 1). By the end of 2015 the sector employed about 3,000 employees that represent just above one percent of total employment (TAK, 2016).

**Table 1. Number of enterprises and employees in the wood sector, 2012-2015**

	2012	2013	2014	2015
Number of taxpaying enterprises	1,061	1,207	1,377	1,584
Number of employees	2,246	2,431	2,510	2,963

Source: TAK, 216: data for enterprises for December 2015 and for employees for November 2015

TAK data show that by the end of 2015 nearly half of wood sector enterprises were located in region of Prishtina and Ferizaj and half of employees are employed in these two regions (Table 2). Gjakova is the region with the lowest number of enterprises and that employs only 3% of employment of the sector. Majority of wood processing enterprises are micro companies (91.7%); 7.8% are small and 0.5% are medium-sized enterprises (UNDP, 2014a<sup>2</sup>).

<sup>2</sup> The study did not include microenterprises operating under activity 'Manufacture builders' carpentry and joinery.





For the wood sector secondary education is the most relevant/demanded level of education whereby nearly three-fourth of employees has completed only secondary school. Just above 10% of employees are reported to have completed tertiary education, 1% of their employees have completed some type of professional education and remaining 14% have completed primary education only (Table 5).

**Table 5: Education level of employees**

Upper-secondary education	74%
Primary education	14%
Tertiary education	11%
Professional education	1%

Source: UNDP (2014a)

By ethnicity 94% of owners are Albanians, 3.4% are Turks, 1% Serbs and the remainder belong to the Bosniak, Goran and the Roma, Ashkali and Egyptian communities (UNDP, 2014a). An important finding is that the wood processing is attractive for young people, as youth account for 40% of the employee base of the sector.

## Supply

Currently only Faculty of Applied Science in Ferizaj (part of University of Prishtina) offers study programs at BA and MA level in the wood area. In the last three academic years the Faculty enrolled a total number of 339 students whilst only 71 students graduated over the same period (Table 6). From academic year 2010 to 2014-15 around 400 students were enrolled and only 40 graduates over period 2011-2014. In wood design and technology 216 students were enrolled during five academic years and 140 in wood industry study program. There is a very small number of students enrolled in master level (23).

**Table 6: Number of enrolled and graduated students in wood sector related study programs**

Number of enrolled students			Number of graduates		
2012-2013	2013-2014	2014-2015	2011-2012	2012-2013	2013-2014







**Table 9: Gross Value Added of the wood sector, 2008-2013**

NA CE - Rev . 2	Description	GVA 2008	GVA 2009	GVA 2010	GVA 2011	GVA 2012	GVA 2013
16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting material	4,157	10,386	21,404	9,940	12,030	12,038
17	Manufacture of paper and paper products	1,368	1,506	4,518	2,442	2,106	3,938
31	Manufacture of furniture	1,695	3,163	1,926	4,300	8,423	5,309
	<b>Total wood sector</b>	7,220	15,055	27,848	16,683	22,560	21,284
	<b>Total GDP</b>	3,292,140	3,458,881	3,978,625	3,944,864	4,167,015	4,435,509
	<b>Gross value added in %</b>	<b>0.2%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.5%</b>

Source: KAS, 2015

Data on the number of enterprises shown in Table 10 show that the average increase of number of enterprises in the wood sector was 15% and of employment was 10%. The biggest increase of both growth measures occurred in year 2015.

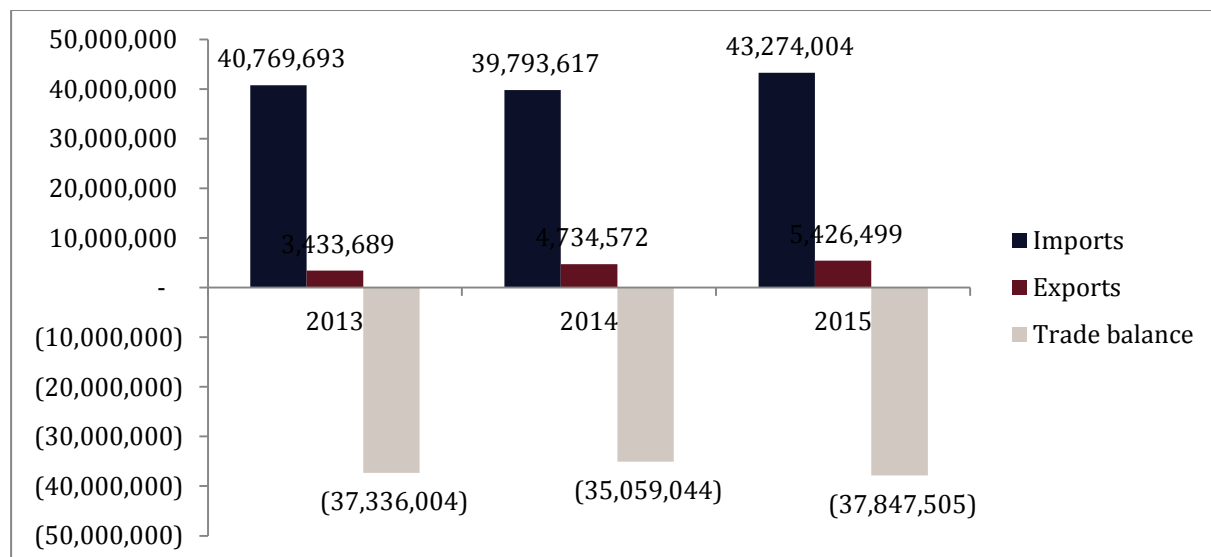
**Table 10: Increase in number of enterprises and number of employees (in %)**

	From 2012 to 2013	From 2013 to 2014	From 2014 to 2015
Number of enterprises	14%	14%	15%
Number of employees	8%	3%	18%

Source: TAK, 2016 (NACE 16, 17 and 31)

Export data for period 2013-2015 show a consistent increasing trend of exports (Figure 3). From 2013 to 2014 export value increased by 38 percent and from 2014 to 2015 it further increased by 16 percent. Whilst imports declined from 2013 to 2014 it was characterised by an increase from 2014 to 2015. This does imply that the demand for wood products is increasing over time and a large part of it could be fulfilled by domestic production.

**Figure 3: Exports and imports of wood products (in Euros)**



Source: KAS, 2016

In last three years the number of vacancies in the wood sector identified by the MLSW has been increased (Table 11). The number of vacancies is an indicator for the growth but it does not reveal the complete situation in the sector. This is because employment advisors of the MLSW may not capture all vacancies in the sector. On the other hand, the increased number of vacancies in 2015 partly may be driven by the increased efforts of employment advisors since in this year the performance assessment mechanism was introduced.

**Table 11: Number of identified vacancies**

Profession	2013	2014	2015
Carpenters	51	96	250
Wood processors	0	4	6
Furniture makers	19	92	128
Repairs of wood processing machinery	0	0	0
Operators of equipments for wood processing	0	10	1
Operators of machinery for wood processing	0	2	5



The Central Bank of Kosovo does not maintain data on loans by sectors hence no evidence on the structure of financial sources to the sector. From the UNDP survey in 2013 it was found that the vast majority of firms (91%) in the wood sector industry have only one owner, most of which are Kosovans and this does suggest that domestic financing source is key to the sector. The same study also revealed that remittances are an important source for investments in the wood sector since one-third of companies that invested in a new product used remittances as a financial source and the average amount of remittances used for investments €50,000.

Referring to the effective interest rate of 13 percent (it is the nominal interest rate, administrative expenses, and all other costs associated with the loan) UNDP study with wood processors found that one of the main barriers for the wood sector was the high interest rates on bank loans (UNDP, 2014a). Since then, effective interest rate on loans has decreased significantly, reaching single digits for the first time by the end of 2014 (Kosovo Banking Association, 2015). The decreasing trend continued in 2015: in September 2015 the effective interest rate for new loans was 7.90 percent whilst it was 7.45 percent for industrial sector.

The Law on Strategic Investments is another mechanism to contribute to private sector development. This Law will set up the legal base for encouraging and supporting foreign strategic investments in Kosovo, that represent a high developmental potential with the primary aim in encouraging and attracting foreign investments in Kosovo.

Although the Law for Vocational Education and Training (Law No. 04/L-138 - 2013) stipulates that Curricula for vocational education and training are developed in line with labour market demands and with active involvement of social partners in practice this has not been implemented. Similarly in the process of accreditation of study programs Agency of Accreditation requires that study programs are tailored in line with labour market needs, though evidence for this rarely is presented by higher education institutions.

Data for higher education reveal that majority of students enrol in social sciences where the supply is already overcrowded. This does imply that education system is not following developments in the economy and that young people are not making informed decisions. For the latter one, lack of career guidance and counselling of pupils and students is found as an important contributing factor.

### Demand

The VET institutions require information on labour market trends, skill requirements of the economy, technological changes and how they affect skills development, programs offered by other institutions, to be able to develop and run programs efficiently. The curricula and the types of programs VET institutions offer have to be adjusted on a regular basis so that graduates have the appropriate and relevant skills for an ever-changing marketplace.

Students and job seekers need labour market information to help them develop career plans, make career choices, obtain information about training opportunities and find jobs. Students can use labour market information to gain a better understanding of the current and future skill requirements of the labour markets so that they can make appropriate education and training decisions.

Majority of wood processing companies lack strategic development plans (Director of AWPK during focus group discussions) which makes it difficult for any forecasting mechanism to predict the labour market needs for the future.

### Supply

In Kosovo there are two main sources providing labour market information - the Labour Force Survey administered by KAS and the Labour and Demand Survey administered by the MLSW. Given different methodologies applied by two institutions number of unemployed from the two institutions differ. LFS considers unemployed persons that are aged 15-64 and that are actively looking for a job whilst MLSW records data on active job seekers. Given that in Kosovo there is no unemployment benefit in place, the number of job seekers is expected to be underestimated i.e. it is very likely that only jobless people that apply for social assistance (which is one condition to qualify for social assistance) and those that opt for training programs get registered at employment centres.

Neither LFS nor MLSW report data on unemployed for economic sectors and therefore it is not possible to analyse labour supply for each sector or profession, which in turn limits the decision making in the field of education for the Ministry and also education providers. As introduced earlier the MLSW has commissioned a labour market demand study for some years but which was not used for policy making, hence the support was terminated. To address the lack of labour market data, ad-hoc studies for specific sectors have been supported by the donor community (such as GIZ, UNDP, EYE, etc.) which have been used by MEST in revising VET school curricula (interview with MEST official).

### Key market functions and rules

There is a general lack of formal stakeholder systems to allow a dialogue between the demand side and supply side of the labour market. This is strongly emphasised in the National Development Agency 2016-2021. According to the Kosovo laws in force, the responsibility for collecting and analysing labour skills data is spread across actors of all levels.

The Law on Employment Agency stipulates that one of the responsibilities of the Agency is to collecting data and undertaking labour market needs analysis, surveys.

The same Law stipulates that the CVETA is responsible to formalize the participation of institutional stakeholders, labour market participants and social partners in policy making related to vocational education and strategic prioritisation within the MEST by establishing permanent professional committees and temporary working groups to undertake specific activities.

In addition, the Administrative Instruction No. 34/2013 states that the Steering Council of VET institution has task to work closely with companies and other partners in the labour market and to cooperate with partners in gathering of qualitative and quantitative information for current and future needs of the labour market.

According to MEST regulation, the VET Division within the Ministry shall investigate the needs of the labour economy with the aim to link the vocational education with the needs of the Kosovo economy.

Administrative Instruction on Accreditation among other criteria for accreditation of study programs obliges higher education institutions to report data on employment and unemployment in respective sectors of the industry relevant for the study program and evaluation of employment and future opportunities for its graduates. Moreover the HEIs have to demonstrate that employers and/or their representatives have been engaged in developing and implementing the study programs.









Stakeholder	Function	Most Important Governance Interests
Ministry of Education, Science and Technology/VET Division	Develop VET legislation Develop and facilitate implementation of VET sector policies and strategies	Improve the quality and relevance of the VET skills sector as a means to advance the socio-economic development
Ministry of Education, Science and Technology/HE Department	Develop legislation for HE Develop and facilitate implementation of HE sector and strategies	Improve the quality and relevance of the HE skills sector that would support socio-economic development
Ministry of Labour and Social Welfare/Division of Vocational Training	Proposes, develops and ensures implementation of vocational training legislation, policies/strategies for unemployed and re-training of other individuals	To prepare unemployed persons and other interested individuals for the labour market
National Qualification Authority	Define the types and levels of certificates and diplomas, Validate qualifications for inclusion	To oversee the national qualifications and ensure quality in the VET sector





Stakeholder	Function	Most Important Governance Interests
	Assessment of the functioning of the Labour Councils in private sector enterprises, public and other forms of statutory organization of enterprises.	
Agency of Employment: (not yet established)	<p>Proposing legislative initiatives in the field of employment and vocational training policies</p> <p>Implement MLSW policies in the field of employment and vocational training;</p> <p>Monitor and coordinate implementation of active labour market programs and measures</p> <p>Undertake labour market needs studies</p> <p>Develop training curricula</p>	Provide skilled labour force in accordance with market needs and requirements and support employment of unskilled persons
Business representatives (Chambers of Commerce and Wood Processing Associations)	<p>Advocate</p> <p>Lobby</p> <p>Organise fairs, B2B, trainings</p>	<p>Friendly business environment</p> <p>Growth of businesses</p>

## 5.2 Stakeholder capacities, incentives and interests

### 5.2.1 Private wood processing companies

According to TAK currently there are about 1,600 active companies operating in wood processing (including also manufacture of paper). All indicators at sector and firm level point to the sector growth. The number of newly established companies is increasing continuously: in 2015 there were about 200 new companies registered in the wood processing sector. A similar increasing trend is noticed in exports value (KAS, 2016), number of employees (TAK, 2016), Gross Value Added by the sector (KAS, 2015), and number of vacancies (MLSW, 2016).

Firm level data from the 2013 UNDP survey reveal that the average production value in 2011 was estimated to be €90,000 per firm, whereas the value in 2012 was €107,000 on average that is an 18% increase in average production value. The annual production value of businesses manufacturing kitchens and furniture is €2.5-5 million.



New Curriculum Framework is still under pilot phasing and challenges in implementation are noted. Further capacity building of teaching staff, there is a need to equip schools and training centres and what is most important for VET schools is to establish and maintain links with wood producers.

From interviews it was also found that VET schools and training centres are not very much known by employers indicating that schools and VTCs need to further promote their services and also convince employers to become active part of education system. Although vocational training centres run by MLSW can be used by employees for re-training purposes the evidence from a recent INDEP study (2016) reveals that employers are not aware of training centres. This does point to the need to disseminate information to employers and to establish and maintain links with employers.

## Interests

Wood related education and training program are not very attractive for youth. In general, VET students come from poor socio-economic background and schools are chosen for those that have failed to enrol in gymnasia. Wood profiles are not attractive for women since there is a perception that tasks in the sector are 'physically heavy' hence not adequate for women.

Given limited interests for the education and training in wood area it seems that VET schools and VTCs are underutilised and no working approaches have been identified so far.

The Faculty of Applied Science in Ferizaj is running profiles in Design of Wood Products and Interior Architecture and Furniture Design and since it is the only Faculty is prepares higher education graduates for wood processors in Kosovo. According to the representative of the Faculty there is an interest to enroll in the Faculty, though given the size of the wood processing sector the number of enrolled students and particularly of graduates seem insufficient for the sector.

### 5.2.3 Representatives of wood processors

## Capacities

Wood processors are members of Kosovo Chamber of Commerce and Association of Wood Producers. Established in 1962 Kosovo Chamber of Commerce is the only businesses representative operating based on the Law on Kosovo Chamber of Commerce approved by the Kosovo Assembly (Law No. 004/7). The Law regulates the establishment, membership, seat, statute, aim, bodies, working means, breaking off of role and the scope of Kosovo Chamber of Commerce. Membership to the Chamber is voluntary and its financing is mainly dependent on membership fees of businesses.

Besides the central activity, the office Kosovo Chamber of Commerce has six regional offices. The Chamber employs about 40 employees in charge of following services: advocacy, lobbying, information, networking organising fairs, workshops, training, B2B meetings and other activities and provides arbitration services. The Chamber operates a Department for Vocational training which has been working mainly with VET schools. So far the Department has not been working with VET schools running wood profiles but it does have an experience from other sectors that could be replicated to the wood sector.

Association of Wood Processors is active since 2002 and it is located in capital city with two employees. Main activities of the Association are lobbying and advocacy for the wood processors. The Association has been established by a USAID project and financially depends on the membership fees from wood processors.

## Incentives

The aim of the Kosovo Chamber of Commerce and Association of Wood Processors is to improve the business environment for businesses in Kosovo, which would foster business development and in turn contribute to economic growth of the country. Kosovo Chamber of Commerce operates a Department for Vocational Education and Training, whose main aim is to represent interests of business community in education and training institutions. Among other the Department has undertaken the following activities: intermediated in placing VET and HE students in companies for practical work; strengthening school boards with business representatives; development of occupational standards and advocacy and lobbying for interests of employers. The department has not been engaged in the wood processing sector but there are concrete plans to focus on the wood sector as well (Head of the Department).

During discussions and interviews with wood processors it was claimed that availability of skilled workforce is of central importance for business development the Chamber and Association are an important bridge between the education and training system and wood processors. However, this research found that neither the Chamber nor the Association played this function in practice for the wood processors. More interestingly businesses seem not to recognise this as a function of the two institutions as none of employers related the complaints for lack of skilled workforce in direction of their interests' representatives.

## Interests

Kosovo Chamber of Commerce is member of the Social Economic Council which is in charge of Counselling and guidance of the institutions of Republic of Kosovo, in development and implementation of labour policy, social welfare and economic policies and in promoting consultations between the parties. SEC consists of 5 representatives appointed by the Employees' Organizations; 5 representatives appointed by the Employers' Organizations; and 5 representatives appointed by the Government of Kosovo (MLSW; Ministry of Finance, MTI, MEST, and Ministry of Health). Since Kosovo Chamber of Commerce and MEST are members of the Council this is an advantageous position for the Chamber to lobby for the wood sector. However, the precondition is for wood processors individually or collectively through the Association of Wood Processors to communicate their needs and interest to the Chamber. Currently 149 wood processors are members of the association.

The wood processors should also join the Club of Producers established in 2016. This will be an important platform for advocacy and lobby in improving the business environment and conditions.







In the following section specific interventions are elaborated which could be implemented in the short run but if proved successful could be widely replicated.

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