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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

1. Executive Summary

Wood processing sector is among strategic sectors with growth potential and important sector for employment generation. Wood sector applies modern technologies and is intensive in innovations. For the sector to expand and to reap benefits from new technologies and innovations availability of skilled workforce is of central importance. This study aims to assess whether education and training system is producing sufficient and qualitative graduates and trainees for the wood processing sector, to examine barriers that impede the supply and propose concrete interventions that are deemed necessary to address deficiencies in the education and training system.

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

- 1. UNDP wood sector profile study (2014a) contains valuable basic data for the wood sector (size, output, inputs, imports and export data, employment profile, barrier to development including human capital barriers. Enterprises were asked if they consider lack of VET and/or higher education students as a barrier for business development. With regard to the quality of education and training system the questions was if there is lack of employees with adequate skills and as such does not enable to distinguish between workforce developed by vocational schools, vocational training centres and higher education institutions.
- 2. A recent UNDP study on 'Understanding skill needs of employers' (the report forthcoming in 2016) assesses skills needs of wood processors segregated at the tasks level. The study does not investigate the skill gaps for VET or higher education graduates/trainees but asks for professions held by employees who not necessarily have graduated/trained in wood fields of study/training programs. As such this study does not enable to examine the availability and quality of current skills suppliers. It is also important to note that an

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.



2. Methodology

To provide an overview of the wood processing sector and number of students and trainees in wood related area the following data sources have been used: data on the number of active enterprises and number of employees was provided by the Tax Administration of Kosovo; data from the Agency for Business Registration are used to assess the attractiveness of the sector i.e. the newly established businesses in last year's; export, import and Gross Value Added data are provided from the Kosovo Agency of Statistics; the Ministry of Labour and Social Welfare is the data source for information on vacancies identified in the wood sector, number of trainees in the sector related profiles and number of employment intermediations conducted by Public Employment Services of the Ministry; and finally data on the number of students enrolled in wood related VET profiles in VET schools are directly collected from VET schools.

This study also utilises some data from the two UNDP surveys (2014a and one forthcoming in 2016). The 2013 survey was conducted with 204 enterprises whereas the sample for the survey undertaken in 2015 consisted of 99 wood processors.

For this study valuable information for the sector and skills gaps were gathered through 15 in-depth interviews and 4 focus group discussions. Interviews were conducted with wood processors located in different locations in Kosovo. The primary aim of interviews was to understand the opinion of wood processors on availability and quality of workforce for the sector, satisfaction of enterprises with skills of their workforce, approaches applied to upskill their employees, cooperation of wood processors with skills providers, business representatives and policy makers in a area of education and training. Interviews were conducted with all VET schools and higher education institutions offering study programs in wood related area. During interviews data on enrollments were collected and information on following topics was gathered: attractiveness of these study profiles for the youth, employment of graduates, cooperation with wood processors, availability of equipment and tools, quality of teaching staff, availability of internship places for HE graduates and placement of VET students for professional practice in enterprises, etc.

Focus group discussions were organized with: 1) policy makers (MEST, MLSW) and skills providers (MLSW, VET schools); 2) wood processors; and 3) with end users i.e. wholesale and retail trade enterprises and interior designers. The focus of discussions was to

understand the development of the sector and future prospects, quality of domestic wood products, elaborate on skills availability and quality of skills of VET graduates and trainees, assessment of end users for the quality of domestic wood products, etc. Valuable information was extracted from the focus group held within the study of VET Market Assessment for the VET Skills Market System commissioned by EYE project.



3. Overview of the wood processing sector

The Ministry of Trade and Industry considers the wood processing sector among strategic sectors with great potential for employment, export and important for the economic development of the country. According to Kosovo Tax Administration in 2015 there were about 1,600 enterprises active in economic activity of manufacture of wood and of products of wood, manufacture of articles of straw and plaiting materials (NACE Rev. 2 code 16); manufacture of paper and paper products (NACE Rev.2 Code 17) and manufacture of furniture (NACE rev. 2 Code 31).

Kosovo has a long tradition in wood sector. In 2015 wood processing sector employed 1.2% of total registered employment (TAK, 2016) and accounts **for one percent of the GDPs** gross value added. Wood processing sector is a growing sector as positive changes are noted in turnover, production value, employment and exports. This was confirmed during discussions and interviews with wood processors and interior designers during this research project.

Although wood processors collect revenues mainly from the domestic market nearly 15% of the wood sector businesses export to international markets. It is important to note that all surveyed medium-sized companies claimed that they export their products. Main exported products are windows, doors, kitchens and furniture. During focus group discussions it was noted that Kosovo is the biggest producer of chairs in the region and it is well known for the high quality of chairs.

The National Development Strategy, the Law on Strategic Investments, the new fiscal package, the draft law on Credit Guarantees set a solid base and incentives for further

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development of the sector. Although for the sector domestic market is key, majority of medium and large sized enterprises export internationally. The main activity of wood sector businesses is the manufacturing of kitchens and furniture. Prishtina and Ferizaj are the two regions with the largest concentration of wood sector companies.

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.

Majority of employees in the wood sector have secondary education as their highest level of education and only 11 percent have completed tertiary education (UNDP, 2014a). This does imply that vocational education and training is an important education provider for the sector.

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.

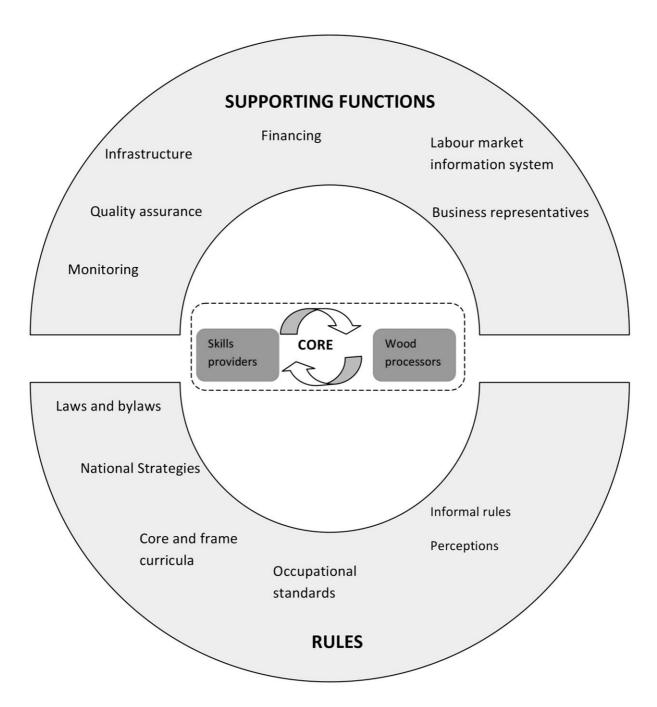


4. Market systems and constraints for developing adequate skills for the wood sector

4.1 Structure of the core market system

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

(constituting job-oriented training-ISCED 1-3, lasting in principle for 3 months¹ though in practice last between 3-6 months). Figure 1: Core market system of skills for the wood sector ¹ Based on Al No. 07/2009 For Organisation, Functioning and Scope of Vocational Training Centres



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 p**roposes, 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 advices* 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

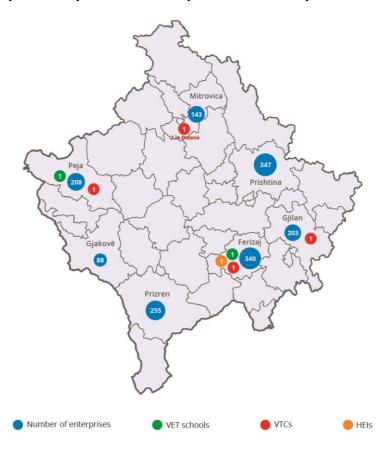
Geographical dispersion of skills suppliers and wood producers

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,

Dolane (in Northern Mitrovica), Gjilan and Ferizaj and the Faculty providing wood focused study programs is located in Ferizaj.

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.

Figure 2: Geographical dispersion of enterprises and skills providers



Limited number and distant location of skills providers may explain lack of information of wood sector enterprises bout availability of VET schools, VTCs and Faculty (from interviews). A same finding was also reported by UNDP survey with wood processors in 2013 (UNDP, 2014a) whereby 40 percent of wood processors stated that there is lack of VET students and

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) tornation; 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.

Based on a recent UNDP study 'Understanding skill needs of employers' conducted in 2015 (forthcoming in 2016) out of 100 wood processing companies one third of them identified carpentry as the main occupation, one fifth noted the cabinet maker as the main occupation and remaining ones noted: furniture makers, wood treaters and machine operators.

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.

According to 2015 UNDP study, about half of enterprises stated that in last two years they significantly improved processes, either for producing goods or supplying services; just above one fourth of companies improved goods or services (goods applicable for the wood sector given the activity of chosen companies in the study), nearly one-fifth stated that they have improved their sales and marketing methods. These changes further challenge the education and training system requiring continuous adjustments to curricula and study offer.

Lack of attractiveness for the wood related education and training programs

Although Faculty of Applied Sciences in Ferizaj is the only one providing study programs in wood field of study in Kosovo the average number of enrolled students in last five academic years is 80 and most of them come from region of Ferizaj.

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.

Data on the number of trained persons during 2015, show that the average number of trainees in VTCs was 30, ranging from 18 (in Dolane in Northern Mitrovica) to 50 (in Ferizaj). Based on AI on Organisation, Functioning and Scope of VTCs, the maximum number of trainees in one group is 16 and in principle training last for 3 months, though the MLSW official stated that usually training lasts between 3-6 months. Based on these indicators it seems that VTCs are underutilized (16 persons*4 groups a year (training last 3 months)=64 persons could be trained, taking into account that some trainees do not undergo the whole training program this is the smallest number that could be trained) and that there is a need to enhance utilization of the carpentry trainings.

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 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) (Riinvest, 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, 2014a²).

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

Table 2: Distribution of enterprises and employees by regions

Regions	Share of enterprises	Share of employees
Prishtina	22%	25%
Gjilan	13%	10%
Ferizaj	21%	25%
Prizren	16%	14%
Gjakova	6%	3%
Peja	13%	13%
Mitrovica	9%	9%

Source: TAK, 2016: data for enterprises for December 2015 and for employees for November 2015

In 2015, the MLSW identified 428 vacancies in professions related to wood sector (Table 3). On the other hand there were 181 registered unemployed holding professions relevant for the sector (Table 4).

Table 3: Identified vacancies by employment advisors at PES

Profession	2015
Carpenters	250
Wood processors	6
Furniture makers	128
Operators of equipment for wood processing	1
Operators of machinery for wood processing	5
Assembles of wood products	38
Total	428

Source: MLSW, 2016

Table 4: Number of registered unemployed in 2015

Profession	Total	Women	Men
Wood processors	16	0	16
Furniture makers	114	5	109
Repairs of wood processing machinery	22	0	22
Operators of equipment for wood processing	9	1	8
Operators of machinery for wood processing	2	0	2
Assembles of wood products	18	0	18
Total	181	6	175

Source: MLSW, 2016

According to UNDP study in 2013, wood sector is male dominated sector both with regard to the gender of the owner and also gender composition of employees. According to the same survey only 6% of wood processing companies are owned by women and only one-fourth of companies employ women. Among companies that employ women the average number of women is significantly lower than that of men.

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-	2014-		2012-	2013-
2013	2014	2015		2013	2014

Bachelor's degree (BA) in Industrial Wood Processing	40	0	0	14	12	8
Bachelor's degree (BA) in Wood Industry	21	9	3	20	9	8
Bachelor's degree (BA) in Wood Design and Technology	55	158	53			
Total	116	167	56	34	21	16

Source: Data collected from Faculty of Applied Science in Ferizaj, 2015

At secondary school level, out of 57 vocational schools in school year 2015-16 only two schools offer study programs in area of wood. In school year 2015-2016 in total there were 59 pupils enrolled in these areas (Table 7). Data presented in Table 8 reveal that the number of pupils enrolled in wood related profiles dropped significantly from school year 2013-14 to 2014-15. This was as a result of one school in Podujeva that closed down the profile. Another school in Decan (Tafil Kasumaj) closed the profile in school year 2012-13.

It is important to note that there are no wood related training programs taught in competence centres run by the Ministry of Education, Science and Technology.

Table 7: Number of pupils in vocational school in area of forestry and wood processing in school year 2013/14-2015/16

No.	School name	Profiles in wood	Municipality	Number of pupils 2013/14	Number of pupils 2014/15	Number of pupils 2015/16
1	Fan Stilian Noli	Carpenter	Podujeva	45	0	0
2	Shaban Spahija	Carpenter	Peja	50	46	38
3	Tafil Kasumaj	Carpenter	Decan	0	0	0
4	Zenel Hajdini	Wood design Interior Design	Ferizaj	10	10	21
	Total			105	56	59

Source: VET schools, 2015

Among 8 vocational training centres run by MLSW, five centres offer training program in carpentry located in region of Ferizaj, Gjilan, Mitrovica, Peja and Dolane (north Mitrovica),. Number of trainees in the carpentry by training centres is shown in Table 8. Trainings provided at VTCs are modular i.e. consist of one ore modules and trainees can undergo any of them (after being assessed by a trainer for those that the trainee considers that has competences and does not to be trained).

Table 8: Number of trainees in VTCs of MLSW

VTC	Number of trainees						
	2011 2012 2013 2014 2015						
Mitrovica	25	16	16	48	34		
Dolane	17	12	12	8	18		
Ferizaj	26	14	25	39	50		
Gjilan	12	17	28	23	18		

Peja	0	20	23	24	30
Total	80	79	104	142	140

Source: MLSW, 2016

There are no private training providers in area of wood processing sector. During interviews it was found that wood processors engage international experts mainly coming from Turkey. The idea of private training providers was not put forth as an option by businesses.

Key market functions and rules

Kosovo has a highly flexible labour market with a low tax wedge and low rigidities in terms of hiring and firing of workers. Law on Labour No. 2010/03-L-212 sets the fundamental principles of free labour market and economy. This Law is currently under revision and it is expected to be finalized during 2016. The legal framework that relates to the employees' rights and obligations are: Law No. 04/L-119 on Strikes, Law No. 04/L-011 on Trade Union Organizations in Kosovo, Law No. 04/L-161 on Safety and Health at Work, Law No. 03/L-017 on Labour Inspectorate, Law No. 04/L-008 on Social-Economic Council.

In 2014 the Government of Kosovo, employer and employee representatives signed the Collective Agreement, which clearly defines and regulates the rights, responsibilities and obligations of employees and employers in the private and public sector. However due to financial implications the Agreement has only been partially implemented.

Safety at work, lack of contracts (15% according to 2014 LFS), discrimination on employment for women due to long maternity leave (according to employers) and long working hours (according to 2014 LFS, on average 47 hours per week in the private sector) are considered as main problems related to employees' rights in Kosovo.

Extension of maternity leave up to 12 months, out of which 9 are paid leave (the first 6 months covered by the employer at 70 percent of the base salary and the other 3 months by the government at 50 percent of the average national salary) is considered to have negatively impacted the employment of women. Based on some qualitative research (Riinvest, 2011; AmCham, 2012; UNDP, 2013) this extended maternity leave entitlement has not been well received by the private sector and this aspect of the Labour law is expected to be amended in the new Law.

Introduction of minimum wage of 170 Euros in 2011 was another important development in labour area. This minimum wage is the highest minimum wage in the region when measured as a ratio of GDP per capita, and this may lead to lowering the demand for workers and/or lead to higher levels of informality (World Bank, 2014, mimeo).

Dynamics and performance of the market

According to KAS, in 2013 wood sector respectively enterprises operating under economic activities of Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting material, manufacture of paper and paper and manufacture of furniture contribute to GDP by 0.5% (Table 9). The highest gross value added was recorded in 2010 (0.7%) followed by a declined contribution by 0.3 percentage points and with a stable contribution of 0.5% in 2012 and 2013.

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
	Total wood sector	7,220	15,055	27,848	16,683	22,560	21,284
	Total GDP	3,292,14 0	3,458,88 1	3,978,62 5	3,944,86 4	4,167,01 5	4,435,50 9
	Gross value added in %	0.2%	0.4%	0.7%	0.4%	0.5%	0.5%

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.

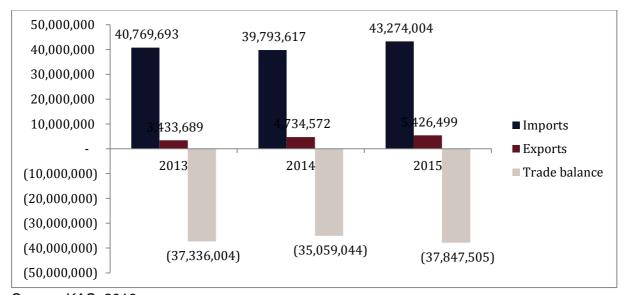
Table 10: Increase in number of enterprises and number of employees (in %)

	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

Assembles of wood products	2	42	38
Total	72	246	428
% change		242%	74%

Source: MLSW, 2016

Currently the MLSW does not record data on successful employment of all identified vacancies. Companies are provided with list of relevant jobseekers from which the company can select and employ the ones that match their needs. As a result, successful intermediation data outlined in Table 12 are very likely to be underestimated.

Table 12: Intermediations in wood specific professions in 2015

Profession	Total	Women	Men
Carpenters	39	0	39
Wood processors	2	0	2
Furniture makers	17	1	16
Assembles of wood products	9	0	9
Total	67	1	66

Source: MLSW, 2016

During focus group discussion and interviews all wood processors reported that wood processing sector is growing. Individually, all companies reported that their sales have increased in last three years and a further increase is forecasted. Similarly companies that export stated that export volume has increased with main destination being EU countries. Increasing trends were also observed from the survey with wood processors in a study commissioned by UNDP in 2013 (UNDP, 2014a). Based on the data provided by wood processors from 2011 to 2012 the average production increased by 18%, the average number of employees per firm increased from 7 to 15 (an increase of 112% from 2011 to 2012) and export volume over the two consecutive years increased by 19%. The survey found that 13% of enterprises exported with additional one-third of interviewed enterprises planning to engage in export activities (UNDP, 2014a).

From discussions with employers within this research it was highlighted that the demand for wood products is increasing significantly. The expansion of the residential constructions is an important contributing factor to the increased demand for wood products. Consumers' taste is changing whereby they are opting for unique and high quality products which points to the constant need of the education and training system to adjust to new labour market needs.

The number of new companies in the wood sector is increasing from one to another year. In 2015 nearly 200 new enterprises established a business in the wood sector compared to 124 in 2011 (Table 13).

Table 13: Newly established businesses

	2011	2012	2013	2014	2015
Number of new enterprises	124	136	143	154	198

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

Although so far the export value of the sector to the EU is low, European furniture manufacturing is considered to present great opportunities for Kosovo (UNDP, 2015).

According to UNDP study (2015) one particular area in which Kosovo businesses could be engaged is in the outsourcing of furniture components or semi-finished products to EU furniture manufacturers. Moreover, it is noted that Europe has the potential to be an important market for Kosovo hardwood exports, such as staircases, flooring, doors and frames (UNDP, 2015).

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.

The release of VAT on manufacturing machinery imports implemented since September 2015 as part of the new fiscal package is expected to lead to more investments. The Stabilisation and Association Agreement signed in 2015 marks also an important development from which manufacturing businesses can benefit. Exports of wood products are free of customs and their products domestically are protected i.e. EU imports are subject to custom duties.

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.

Acknowledging difficulties in accessing finances the Kosovo Government has prepared the draft Law on the Establishment of the Kosovo Credit Guarantee Fund which is expected to be approved by the Parliament in 2016. The aim of the Fund is to provide financing opportunities in supporting micro, small and medium-sized enterprises in accessing finance in order to create jobs, increase local production and value added services and to improve the trade balance. With the support of donors the Fund has already reached a value of 18 million Euros, which will be used as a credit guarantee to Registered Financial Institutions on selected loans to micro, small and medium-sized enterprises. This is an important opportunity for the wood producers to increase their finances and further expand their business activities.

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.

4.4.2 Labour market skills information system

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 Vocational Education and Training stipulates that the MLSW and other partners should conduct analyses of the labour market needs and support the MEST, in planning to meet the needs for vocational education and training (Article 11.4)

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.

Article 17 of the same Law states that the MEST with other ministries, other partners of VET, municipalities, and social partners, shall bind agreement of cooperation with enterprises, training centres, with purpose of realization of joint interests to create links between educational and training institutions and the labour market.

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.

Article 13 underlines the responsibilities of the AVETA stating that the Agency is responsible for institutionalised participation of private sector and social partners and engagement of social partners in vocational education and training. Article 20 gives the Office for Economic Cooperation with Vocational Education and Training the role to coordinate the cooperation between public and private economy in all issues of VET.

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.

The Administrative Instruction No.7/2014 on Advancement, Autonomy and Functioning of VET Institutions, Article 4 states that the Institutions for Vocational Education and Training (IVET) based on labour market analysis should propose new profiles and provision of trainings for special professional modules.

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.

The Law on Employment Agency (not yet established) states that one of the duties of the Agency is to prepare information, conduct labour market analysis, surveys and studies to assess the labour market needs and to disseminate collected information with relevant stakeholders at all levels. The same Law obliges the Agency to establish an Advisory Board with representatives of all relevant stakeholders and one of the tasks of the board is to provide advice and assists the Agency in increasing labour market system performance consistent with national and international economic developments.

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.

Dynamics and performance of the market

The Labour Market Analysis for VET and HE should be based on a comprehensive report that outlines trends in jobs-seekers from MLSW, labour force data and analysis from LFS, enterprise feedback on required skills and business creation trends by economic sectors (NACE) from Kosovo Tax Administration and Ministry of Trade and Industry through Agency of Business Registration.

Once the above mechanisms are fully operational, this is expected to impact positively on the creation of a more coherent approach in vocational and higher education. It should bring together all relevant stakeholders, researchers and providers of vocational and higher education with the common goal of linking education offering with labour market demand.



5. Stakeholders and their interest

5.1 Market players and stakeholders

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
	in the NQF Accredit providers to deliver validated qualifications Verify occupational standards	
Municipal Education Directorates	Local governance of the education system: budget distribution, statistics and legal issues, employment and payment of school staff, construction and maintenance of the school buildings	To ensure institutional and financial at school level
Inspectorate Department	Check and record compliance with the Kosovo Curriculum Framework, including the core and school-based curriculum	Quality assurance and compliance with rules and regulations
Council of Vocational Education and Training and for Adults	Provide advice and recommend profiles for vocational education and training; standards for each profile; professional content of the curriculum: textbooks and other teaching materials	Quality assurance and relevance of the VET sector to the needs of the labour market
Agency for Vocational Education and Training for Adult's Education	Administration and leadership of Institutions of Vocational Education Training and for Adults Supervision and coordination of the development of occupational standard Coordination of international projects	Quality assurance and relevance of the VET sector to the needs of the labour market
VET schools	Deliver quality educational programs in line with needs of the labour market	Provide skilled labour force in accordance with market needs and requirements
VET, HE students and trainees	To acquire knowledge, skills and competencies necessary to perform on the labour market	To ensure employment after graduation
Wood sector enterprises	Provide employment and contribute to the country's socio-economic development	Growth and expansion Profit maximization
VTC	Deliver quality training programs in line with needs of the labour market	Provide skilled labour force in accordance with market needs and requirements
HEs institutions	Deliver quality educational programs in line with needs of the labour market	Provide skilled labour force in accordance with market needs and requirements

Stakeholder	Function	Most Important Governance Interests
Donors	Support government in conducting labour market studies, developing policies, strategies and facilitate implementation of those.	Improve the quality and relevance of skills provided by education and training system that would support socio-economic development
Kosovo Agency of Accreditation	Develop accreditation standards and accreditation procedures Undertake periodic quality audit of licensed higher education providers and their study programs Inspect licensing of HEIs Advise the MEST A on the results of quality assessment and its consequences for the funding of	Quality assurance in Higher Education
	public providers of higher education	
State Council of Quality	Define the objectives of the higher education institutions' evaluation process Approve the procedures and the external evaluation criteria which are compiled by the KAA Make decisions for the accreditation	Quality assurance
Kosovo Economic Council	Establish and develop social dialogue; Takes initiative in issuing or supplementing and amending and review of legal and sub-legal acts in the field of labour and employment Develop policies promoting employment, reducing unemployment, competitiveness, labor productivity, prices, wages and minimal wage of employees Provide the assessments and opinions for the responsible bodies regarding the implementation of primary and secondary legislation in the field of employment	Adequate and informed policy making that would contribute to socio-economic development

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)	Proposing legislative initiatives in the field of employment and vocational training policies Implement MLSW policies in the field of employment and vocational training; Monitor and coordinate implementation of active labour market programs and measures Undertake labour market needs studies Develop training curricula	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)	Advocate Lobby Organise fairs, B2B, trainings	Friendly business environment Growth of businesses

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.

The increasing trend of the sector is also reported during focus group discussions and interviews with companies during this research. Wood processors state that the demand for wood products is increasing.

Incentives

The two main aspects governing the wood processing companies is the return to investment and profit maximisation. To achieve these aims the wood processors need to produce qualitative products with an affordable price.

According to responses during interviews the wood processing sector is a profitable sector with opportunities for further expansion. The demand for wood sector is growing and with reforms undertaken in fiscal area, the Stabilisation and Association Agreement, reduced interest rate and improved access to finance the prospects for the wood sector will be further improved.

Interests

Vast majority of wood processors sell products only in the domestic market (more than 80% of companies) which implies that currently the domestic market is key for the sector. UNDP study in 2013 found that wood processors stand well in terms of ownership of buildings and machinery (majority of them own buildings and machinery) but at the time of the survey one-third of capital was not utilized. This may imply that domestic market is not sufficient and companies should opt to engage in export activities and this is confirmed from the survey whereby one-third of companies stated that they plan to sell their products internationally.

During discussions with employers it was emphasized that consumers' taste is changing in a direction of more unique products which requires creativity and innovative ideas and skills. This means that availability of skilled workforce is key to develop the sector and to improve the trade balance of Kosovo.

5.2.2 VET and higher education providers

Capacities

Currently there are only two VET schools, 5 vocational training centres and one Faculty preparing the workforce for the wood processing sector. There are no private training providers relevant for the sector. In 2015 there were 59 students in VET schools, 140 trained persons in vocational training centres of MLSW and 56 students enrolled in Faculty of Applied Science in Ferizaj.

As elaborated in this report location of skills providers does not correspond with location of wood processors. Moreover, there is limited offer of education and training programs, limited number of interested youth to enrol and be trained in wood related study/training programs, lack of equipment and tools and also capacity constraints among teaching staff to implement the core and frame curriculum framework.

Incentives

Main incentive of education and training providers is to prepare skilled workforce that would facilitate employment of graduates and support business development of wood processors in Kosovo. Based on discussions with employers the education and training system has failed to meet its incentive i.e. VET students and trainees lack skills demanded by employers.

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 equipment 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.



6. Sector Strategy

6.1 Overall sector strategy

All indicators show that the wood sector is expanding measured by the number of active businesses, employment and export value. The following reforms are expected to further expand the sector: the new fiscal package introduced in 2015, the Stabilisation and Association Agreement signed in 2015, the Law on Strategic Investments and that of Credit Bank Guarantee (expected to be approved in 2016) are all an important developments from which wood processors can benefit that will be translated into increased production and exports.

Wood processing sector is a profitable sector and hence it is becoming an attractive sector for new entrepreneurs. Currently, majority of revenues of wood processors is collected from the domestic market. On average about 15 percent of wood processors trade internationally but nearly all medium and large size companies do so. Kitchens, windows and doors and furniture are the main products of wood processors. During discussions with wood processors it has been stated that consumers are becoming very focused on quality of products, which implies that wood processors are forced to use qualitative inputs and employ skilled workforce. Whilst wood processors easily get access to qualitative raw material (almost entirely through imports) lack of access to skilled workforce remains a pressing obstacle for the sector.

The sector operates modern technologies and it is innovative with new products, services and marketing strategies. Vast majority of wood processors are not informed about the skills providers and their offer, hence their strategy to filling the gap is through provision of on-the-job training and by engaging expensive international wood experts. Main occupations missing in the labour market are: workers in processing massive wooden and refined furniture; machine operators; employees for maintaining and repairing machines; operators of CNC machines; and painting.

Evidence from this and previous studies conclude that there is mismatch between education and training system and labour market demand. Preparing skilled workforce for the sector would enable the sector to grow and improve the quality of products and services; it would ensure employability of graduates and trainees, which in turn would provide incentives for the youngsters in enrolling in wood related study and training programs. To achieve this, the primary prerequisite is to establish sustainable relationship between education and training system and wood processors. Strengthening the role of business representatives would be an adequate strategy. From the evidence it can also be concluded that there is a need to adequately equip VET schools, VTCs and higher education providers. Training of teaching staff and trainers is another area where additional capacity development is needed. A recent study commissioned by Council of Europe (forthcoming in 2016) found that VET schools do not cooperate with parents and local community. Working with parents would be an important step as it would facilitate decision making of students whereby benefits from joining VET schools would be disclosed. Currently in Kosovo there is an extensive interest for higher education and very limited interest for VET schools.

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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Annex I

No.	Company name	Place	Interviewed person	Position
1	Lesna	Peje	Albinot Mahmuti	Production Manager
2	Gacaferri	Peje	Fjolla Loxha	Administrative Assistant
3	Mebelstil	Gjakove	Erblin Tabaku	Owner
4	Brovina	Gjakove	Afrim Brovina	Owner
5	Mobildekor	Peje	Brahim Zeka	Owner
6	Ahikos	Ferizaj	Shaip Ahmeti	Director
7	Binni	Vushtrri	Bedri Fazlija	Head of Finance/ Co-owner
8	Ciao Berto	Shkabaj, Prishtine	Blerim Gashi & Ejup Gashi	Head of Design & Owner
9	Tefik Canga	Ferizaj	Valon Gashi	Head of Product Development and Marketing
10	Sharra	Prizren	Jonuz Fejzullahu	Foreman
11	VefaDekor	Prizren	Sener Cibo	Co-owner
12	University of Applied Sciences	Ferizaj	Agron Bajraktari	Dean of the Faculty
13	Zenel Hajdini, Agricultural school,	Ferizaj	Muharrem Sejdiu	Professor of Wood Processing
14	Fan Noli, Electrical Engineering,	Podujeve	Vlora Hajdini	Head of the school
15	Tafil Kasumaj, Technical,	Decan	Zenel Kasumaj	Head of the school

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