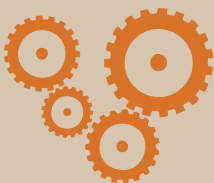
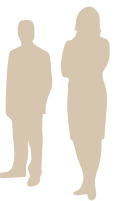




Skills Gap Analysis



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Preface

This Skills Gap Analysis for the Manufacturing, Trade and Services sectors has been prepared by the American Chamber of Commerce in Kosovo, as part of a joint project with the Enhancing Youth Employment (EYE) Project. The study seeks to shed light to one of the most pressing issues affecting the private sector's competitiveness in Kosovo. Skills gap limits the competitive potential of private businesses in Kosovo vis-à-vis competitors in the region, and decreases the employability of the available work force.

The main input for the preparation of this skills gap is the survey questionnaire conducted with 200 businesses from the selected sectors in 7 regions of Kosovo, as well as the in-depth interviews conducted with a selected number of companies and stakeholders in the process. We wish to use this opportunity to thank all companies that agreed to spare some moments of their time for providing their valuable contribution to this study.

AmCham thanks Enhancing Youth Employment Project for their support and precious contribution, without whom this project would have not been possible.



Disclaimer: The issues presented in this document are presented by various businesses and do not necessarily present the stance of the American Chamber of Commerce and/or the Enhancing Youth Employment (EYE) Project.



Executive Summary

This study provides an analysis and evaluation of the skill gaps found in the labor market in three key sectors in Kosovo, namely Manufacturing, Trade and Services Sectors. Skills gap refers to the mismatch between skills needed in the workplace and asked for by employers, and the skills available in the labor market. The study draws attention to the cause of the existing situation, its impact on the business community, the role of education institutions in the process, as well as possible reforms that can be undertaken to address this phenomenon. The analysis is primarily based on a survey questionnaire conducted with 200 companies across 7 regions of Kosovo, as well as in-depth interviews conducted with a number of selected businesses.

In order to assess the level of the skills gap, respondent companies were asked to evaluate the importance of a number of skills for their businesses vis-à-vis their ability to find those skills in the labor market. The results enabled the creation of sector-specific indices for quantifying and evaluating the skills gap. Some of the key findings of the Skills Gap Analysis include:

Skills gap in the private sector is existent and tangible. To a large extent, businesses from the manufacturing and services sectors report greater difficulties in finding employees with the desired skill sets, compared to the trade sector. This is because companies in these sectors tend to look after more specialized skills applicable to the industry, as opposed to general skills which are applicable across industries. Also, the value added by activities in these sectors is usually higher compared to the trade sector. Manufacturing companies in particular report difficulties in finding labor with technical qualifications which are needed in manufacturing processes.

Skills Gap Analysis for the Manufacturing sector results in an index of 1.33. A regional breakdown of data reveals that the skills gap in the manufacturing sector is particularly worrisome for the region of Prizren, Prishtina, and Gjilan. The largest gaps are reported for the following profiles: Production Engineering, Technologists, and Production Safety Control. All of these profiles are very specific to the manufacturing sector, highlighting the need to invest more and place an increased emphasis on technical profiles related to the industry. Companies in this sector reveal that the most significant impact of the skills gap is the increased operational costs, as a result of specialized trainings which need to be organized for new workers in order to get them up to speed with job requirements. In terms of skills that respondent companies ask among new employees, the three highest ranking skills are: advanced technical skills, manual/physical skills and soft skills. To a large extent manufacturing companies will be requiring vocational education degrees and professional certifications for filling vacancies in the next two years.

Responses from the survey with Trade sector companies provide an index of 0.91. Prizren, Prishtina and Ferizaj region respondents have reported the largest skill gaps in this sector. The largest gaps are reported for the following profiles: Sales, Time Management, and Brand Management. Perhaps with the exception of the latter, these skills are more general and applicable throughout industries. The lower index suggests that the skills gap is less of a problem to this sector compared to others. Perhaps due to the lower degree of skill specialization required, trade companies seem more prone to using “informal” mechanisms such as recommendations from friends and family, for filling their vacancies. Paradoxically, trade companies seem more likely to request degrees from higher education institutions as a qualification for new employees, despite the fact that a number of profiles might be more fitting to graduates from vocational schools. That being said, trade sector respondents list the following skills as the most sought after in upcoming vacancies: soft skills, administrative skills, and self-management skills.

The corresponding Skills Gap index for the Services sector is 1.41, representing the largest index among all sectors. Time management, innovation skills, and planning and forecasting are listed as the most lacking skills in this sector in Kosovo based on respondents’ feedback. Prishtina, Gjakova and Prizren have reported the largest gaps in the sector. For the purpose of this study, companies in the ICT sector have been omitted from the analysis. Compared to other sectors, companies in this sector are also concerned about the decreased quality of services as a result of the skills gap, reflecting the fact that the value added provided by employees in this sector is the largest. Also, companies in this sector seem more likely to offer internship programs to students. In terms of formal qualification requirements, respondents have selected bachelor degrees and professional certificates as the most common options. Lastly, some of the skills that are the most



sought-after by employers in this sector for upcoming vacancies are: soft skills, administrative skills, and analytical skills.

Skills gap impacts businesses' competitiveness, be it domestically or internationally, due to the loss in efficiency and higher operational costs. There are statistically significant differences among results from different sectors with regards to the cause and the impact of the skills gap. While higher operational costs are a result in all sectors, loss in quality is a more common concern for manufacturing and service sector companies. Businesses mainly organize on-the-job trainings to address the skill gaps after new employees are recruited. This is the most common solution across all sectors. However, service sector companies are also more flexible in rearranging and modifying work processes to better reflect the skills and knowledge possessed by their staff. Manufacturing companies are more likely to develop a separate fund for employee trainings compared to other sectors.

Time-to-full-competency is the longest in the manufacturing and services sectors, pointing out that these sectors will face larger costs for training their employees. This addresses the time it takes for employees to become fully competent in their new jobs. Responses from service sector companies suggest that roughly 72% of employees will require more than 3 months to become competent in their new jobs, while the corresponding figure for the manufacturing sector is 63%. On the other hand, only 44% of employees will need more than 3 months to become fully competent in their jobs in the trade sector. This is largely in line with other observations depicted in this skills gap analysis.

A major portion of the blame regarding the skills gap is attributed to education institutions and policy makers in this field, given the lack of a coordinated strategy for education and employment. A large proportion of respondents to the survey feel that education institutions are not being able to keep the pace with the private sector in the country. This finding is applicable throughout the sectors analyzed in this SGA. The number of respondents attributing the blame for the situation to other factors (such as low salaries or inability to keep up with technological innovations) is significantly lower. Respondents suggest building a sound partnership between education institutions and private sector is a must. Building a cooperation for the internship programs is seen as a solution to this problem by a majority of respondents to the survey from all sectors.

Businesses largely feel that education curricula is developed without considering their labor needs. Very few respondent businesses feel that they are consulted appropriately regarding their need for skills at present or in the future. Manufacturing companies are slightly more inclined to have established a cooperation with education institutions. Additionally, there are significant differences in this aspect in regional terms. Proper dialogue mechanisms can go a long way to addressing skills gap in all sectors, by laying the foundations for the development of education curricula in line with labor market needs. Vocational Education and Training institutions in particular need to pay more attention to developing curricula in line with private sector needs.

Respondents are generally optimistic for the future, with the majority of respondents pointing out their plans to increase employment within the next two years. The outlook is particularly encouraging in the manufacturing sector, whereby 80% of respondents claim that the number of employees at their organizations will increase. If this data is looked in parallel with the needs of the industry in the next 10 years, it becomes clear that employees with technical skills (mostly acquired through VETs and VTCs) will be greatly needed in the future as well. A number of companies in the textile processing sub-sector, reveal encouraging plans for increasing the number of employees at their organizations. Despite this potential, the same companies are reporting major obstacles for finding qualified labor.

The vocational education system is in dire need of reform. The most gaps across sectors are reported in terms of skills which traditionally should be acquired in these institutions, while at the same time, the most jobs are expected to be created for profiles of vocational nature, further highlighting the need to give more emphasis to this pillar of the education system. Particularly, policy makers need to develop alternatives for the financing of these institutions and for creating links between them and prospective employers. The German/Swiss dual system of education has proven to be an excellent model for school-workplace transition. However, whether or not such a



model would be a success in Kosovo would largely depend on the willingness of businesses to cooperate with institutions, be it in terms of providing apprenticeship opportunities to students, or by participating in industrial boards. An encouraging finding is that the private sector is increasingly looking at the opportunity for developing education programs themselves in the 4th and 5th pillar of the National Qualifications Framework, perhaps driven by the difficulties they have encountered in finding qualified labor.

The awareness for the importance of vocational education needs to be raised among lower middle school students and their parents, given that the most employment potentials are in vocational profiles. For the moment, vocational schools are only seen as an alternative to gymnasiums, as opposed to a career choice. Changing this mentality certainly requires a lot of time and effort, but the process should necessarily begin. Vocational education institutions should serve as the backbone of the industry in terms of the provision of qualified labor for private sector needs. Functionalizing career guidance and counseling centers throughout all education institutions (including lower middle schools), could potentially help in this regard. Despite being a much more developed country, Germany has a significantly larger proportion of students opting for vocational profiles, compared to Kosovo.

Developing occupational standards can facilitate employment processes and significantly help in reducing the current skills gap. Secondary research on this topic reveals how the involvement of the industry in drafting and adopting occupational standards can bring many benefits to employers and jobseekers alike. Occupational standards are intended to serve as a verification that a given person possesses the necessary skills for carrying out a specific role in the company. Thus, if this process which is under the auspices of the National Qualifications Authority is implemented properly, employers will have an additional “insurance” that the person being hired is able to complete the assigned functions.

Sector specific skills will be relevant and sought-after after 10 years as well. Manufacturing companies state that technical qualifications related to the industry and assembly line skills will continue to be important to their operations after 10 years as well. This finding is important, particularly considering the fact that any potential reform in the education sector takes a long time to complete. On the other hand companies in the trade and services sector state that customer service/relations and creativity & problem solving skills will be very important in the next 10 years.

Addressing the existing skills gap will require a comprehensive and multi-dimensional effort. Change in education and labor-market trends will be difficult and costly, but will bring long-term benefits to Kosovo as a whole. Labor is an important input across sectors, and it makes a great difference in the competitiveness of firms in a broader context. Having a readily available workforce can go a long way in improving this competitiveness, and recommendations contained within this document are intended to pave the way towards this goal.



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List of Acronyms

KSA	Kosovo Agency of Statistics
EU	European Union
MESP	Ministry of Education, Science and Technology
MTI	Ministry of Trade and Industry
MLSW	Ministry of Labor and Social Welfare
VET	Vocational Education and Training
VTC	Vocational Training Center
SAA	Stabilization and Association Agreement
GDP	Gross Domestic Product
VAT	Value Added Tax
TAK	Tax Administration of Kosovo
WB	World Bank
KESP	Kosovo Education Strategic Plan
KCSAA	Kosovo Curriculum, Standards and Assessment Agency
ISCED	International Standards for the Classification of Education
KCF	Kosovo Curriculum Framework
NCF	National Curriculum Framework
IVET	Institutions of Vocational Education and Training
NGO	Non-Governmental Organization
NQF	National Qualifications Framework
NQA	National Qualifications Authority
AET	Adult Education and Training
ECTS	European Credit Transfer and Accumulation System
HIE	Higher Education Institutions
MED	Municipal Education Directorates
SGA	Skills Gap Analysis
NOS	National Occupational Standards
QP	Qualification Pack
SSC	Sector Skills Council
NSDC	National Skill Development Corporation
EQF	European Qualifications Framework



I. Introduction

Skills Gap, which refers to the mismatch of skills available in the labor market with those demanded by employers, has been often discussed as a pressing issue in many countries worldwide, both in the developing world and the developed one. The topic is certainly of interest to Kosovo as well, given that the private sector has highlighted it as one of the key challenges for the further growth of the economy of the country. Employers report difficulties in finding personnel with the adequate talent and skills across many sectors, despite the abundance of available labor. This explores in depth the issue of skills gap in the Kosovo economy, with a specific focus on manufacturing, trade and services sectors, with the aim of quantifying the problem, identifying sector specific skill gaps in the labor market and compiling a list of recommendations for bridging this gap.

a) Problem Description and Impact to the Private Sector

Considering the limited financial resources in the country, foreign direct investments have been touted as an important source for stimulating an accelerated economic development in Kosovo. Institutions in Kosovo have made great strides in improving the doing business environment, particularly bureaucracy-wise, and by doing so, the aim was to make the country an attractive destination for foreign investors¹. Among the benefits advertised to potential investors for moving their operations to Kosovo, is the cost savings associated with their investments due to lower operational costs for the business. In many (if not most) industries, labor represents the most important input in a given business's operations. In this regard, labor costs in Kosovo are significantly lower compared to the vast majority of European Union countries, and in general, by moving the production activities from EU to Kosovo, one would expect to incur lower operational costs.

Due to the significant unemployment rate, which varies around 25-35 percent- depending on the source of information- it is safe to conclude that there is an abundance of labor in the market. According to the Labor Force Survey conducted by Kosovo Agency of Statistics, the unemployment rate in the 1st quarter of 2017 was 30.5%, while this figure hits a staggering 50.5% among young people². However, whether or not that available labor force possesses the necessary skills needed in the labor market is a topic of debate. In fact, regardless of the high unemployment rate, in general employers struggle to find qualified personnel for positions in almost every sector and industry in Kosovo. The labor market is oversupplied in a number of industries or professions, while significant shortages can be noted in other professions. For example, 52% of students in higher education study social sciences, business and law, while only 2% study agriculture.³ On the other hand, agriculture accounts for roughly 10 percent of Kosovo's Gross Domestic Product.

What is more concerning, is the fact that the private sector reports a lack of skills relevant for the labor market even for the occupations which are oversupplied. For example, the number of graduates in social sciences (e.g. economics) is much greater than the absorption capacity in the private sector. Despite this, gaps are reported also in skills which are primarily acquired in these fields. Furthermore, the current linkages between education, vocational training and labor market needs are very weak, contributing to high unemployment rate which delays the economic development of the country.

This skills gap affects the overall productivity of firms, and decreases their competitiveness in a regional and broader context. From the perspective of foreign investors, the decreased productivity minimizes cost savings from moving the production operations in Kosovo. The lack of skilled labor entails additional costs for businesses, in the form of trainings that employees need to undergo before gaining the necessary competencies for carrying out their responsibilities. This implies that others things held equal, employees will require a longer time before they become competent in carrying out their responsibilities in firms. Skills gap also translates to less product and business development stemming from the inefficient allocation of resources. In such conditions, a business will face more difficulties in competing in today's global market, where employee talent can make a huge difference.

¹ World Bank, *Doing Business Report 2017*, 2016

² Kosovo Agency of Statistics, *Labor Force Survey Q1 2017*, p.23 & 24

³ Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan 2017-2021*, p.27



From the perspective of employees in general, and jobseekers in particular, this issue may seem even more paradoxical. Results from the Labor Force Survey for the 1st quarter of 2017, conducted by the Kosovo Agency of Statistics, reveal that a large number of unemployed have substantial educational background. To be exact, the unemployment rate among those that have finished vocational education and gymnasiums is 34.1% and 30.9% respectively. Furthermore, the unemployment rate among those with tertiary education is 21.2%⁴. These statistics alone should be concerning, and if data on women unemployment are looked at separately, the picture is much gloomier. Jobseekers justifiably will be disappointed and aggravated by the fact that they are unable to find a job despite their formal education. In the long run, a number of the unemployed will cease their efforts for finding a job due to their discouragement, and consequently exit the labor force altogether, resulting in a very low labor force participation rate (41.7% in 1st quarter of 2017 according to KAS). Additionally, due to employees lacking the required skills in the labor market, logical thinking dictates that they will generally expect to receive lower wages in case of employment⁵.

While detailing the impact of the current skills gap is a less demanding task, identifying the root of the problem and developing policy alternatives for addressing the issue is more complex. The education system in Kosovo has been constantly criticized by various groups of the society, with many stakeholders claiming that the reform which was undertaken has not produced the necessary results and education institutions have been unable to keep up to speed with labor demands in the private sector. We have often seen a tendency from institutions of higher education and vocational training centers to organize and promote education programs based on the number of people interested for the specific program, as opposed to analyzing market demand for those programs and the absorption capacity of Kosovo's labor market. Furthermore, a lack of a career guidance and counseling system is also contributing to the problem, and compiles jobseekers to base their career choices based on the advice provided by friends and parents.



⁴ Kosovo Agency of Statistics, *Labor Force Survey Q1 2017*, p. 24

⁵ *ibid*, p.27

II. Industry Background

This section provides an overview of some of the main challenges faced by the private sector in the country, not necessarily linked to the issue of skills gap. While some issues may be applicable across sectors, the issues have been elaborated separately for the Manufacturing, Trade and Services sector. This overview is provided in order to understand the context and to possibly analyze how addressing skills gap can affect competitiveness of these sectors.

a) Manufacturing Sector Background

Faced with the devastation of its industry as a result of violent measures put in place after the abolition of autonomy in 1989, as well as during the war period 1998-1999, Kosovo emerged from the war in June 1999 with a devastated economy in general, and with an extremely weak manufacturing/industrial base in particular. The overall fragility of the private sector, problems with the privatization process, as well as unfavorable fiscal policies adopted initially by the United Nations Interim Administration Mission in Kosovo, and then by the self-government institutions, has put the manufacturing sector at an unfavorable position, and consequently the trade sector has dominated the economic activity of the country ever since. Unfortunately, even after all responsibilities were transferred to domestic institutions, especially in terms of economic development, there has not been any significant change that would stimulate the manufacturing sector drastically. The picture is best portrayed by having a look at Kosovo's trade balance in terms of products, which on annual basis records a deficit of roughly 2 billion euro, with exports covering a mere 12-14 percent of total imports. In 2016, the trade deficit reached a new high of roughly 2.5 billion euro⁶. Kosovo imports a wide variety of products, starting from basic food products, to luxury products and other commodities with a high value added. This implies that financial resources are being drawn out of the economy, and the current account deficit is mainly balanced thanks to the remittances of the Diaspora Community.

Kosovo's industrial prospects remain particularly weak, especially in industries with a high value added. Kosovo companies operating in this sector should double their efforts in order to increase the quality of their products in one side, and to compete with an increased competition from abroad, both from countries which are members of the Central European Free Trade Agreement, and from EU countries as a result of the Stabilization and Association Agreement. If in the mid-term institutions decide to ratify the FTA with Turkey as well, the competition will be increased even further. However, it must be noted that for the time being both the SAA and the FTA with Turkey potentially, are asymmetrical and guarantee a transitional period for the protection of domestic industries in Kosovo.⁷

However, especially after entrance into force of the SAA, institutions have increased their efforts to address issues related to the manufacturing sector. One of the biggest concerns of the manufacturing sector in the post war period, which also continued after the declaration of independence, has been the unreliable and low quality **electricity supply**. Untimely, unannounced, and frequent electricity cuts used to damage manufacturing processes to a great extent, and many manufacturers have reported that this unreliability of electricity supply has caused major damages to their production machinery.⁸ It must be noted that the situation in electricity supply for producers has improved considerably, especially for those belonging to the "A+" category. The situation continues to remain worrying in this regard, particularly in more remote locations and municipalities other than Prishtina. Furthermore, the industry continues to subsidize a portion of electricity costs for individual consumers, which increases the burden on the private sector in the country. Such a practice should necessarily be changed in the near future.⁹

As stated earlier, unfavorable fiscal policies have been a major concern for the manufacturing sector. There have been paradoxical cases when imported products received a more favorable tax treatment compared to the same products which were manufactured within Kosovo. A great number of concerns related to the fiscal environment have been addressed thanks to the tax legislation which entered into force beginning in September 2015. Among these reforms, the most notable one is the fact that manufacturers are not required to pay VAT in advance for imported

⁶ Kosovo Agency of Statistics, *External Trade Statistics – April 2017*, 2017, p.9

⁷ *Stabilization and Association Agreement*, Annex I and Annex II

⁸ American Chamber of Commerce in Kosovo, *Kosovo Business Agenda 2011*, p.32

⁹ DHInfrastructure, *Development and Evaluation of electricity supply options for Kosovo*, p.4



raw material anymore (upon import), but only after final products have been sold.¹⁰ However, additional reforms are needed to improve the doing business prospects for the manufacturing sector. Manufacturers continue to pay custom duties for a large number of imported raw materials which are used in manufacturing processes. This directly impacts their competitiveness in a regional context, given that manufacturers in surrounding countries do not pay custom duties on raw materials. The excise on the import of heavy oil (mazut), is levied also on manufacturers, and is reimbursable after the payment has been made. This might not affect the price of commodities produced, but impacts firms' cash flow position, and manufacturers have requested to be exempt from this excise duty in advance. Kosovo is also lagging behind regional countries in terms of providing tax holidays for investments, which are primarily designed to stimulate production activities.

Last but not least, a major concern raised by manufacturing sector companies is the difficulties they face in finding qualified labor, particularly in occupations needed for technical manufacturing processes. The survey questionnaire is intended to shed some light with regards to the degree of the skills gap and the type of skills gap faced in this sector.

<i>Number of people employed by the Manufacturing Sector in Kosovo</i>					
Male		Female		Total	
41,100	89.93%	4,600	10.07%	45,700	100%

Figure 1 Number of people employed by the manufacturing sector based on gender¹¹

b) Trade Sector Background

Trade sector, which for the purpose of this study includes wholesale & retail of consumer goods, the automotive sales industry, home products industry, pharmaceutical sales and other related industries, is certainly in a more advantageous position in the overall economic framework in the country. This is a direct result of the huge trade deficit which the country faces, which has been depicted in the section above. Across the sector, there are many challenges which firms face that can hinder development, and a number of these issues will be elaborated.

First and foremost, a major concern of the economy overall, and the trade sector in particular, is the prevalence of informal economy ("grey" economy), both in the labor market, as well as in terms of taxes and regulatory compliance. Data regarding this topic vary depending on the source of information. Recent media declarations by the Minister of Finance suggests that this phenomenon comprises around 30% of the GDP.¹² This phenomenon makes it impossible for law-abiding firms to compete in an equal footing with those that for one reason or another have decided to operate in the grey economy. The business community believes that public institutions have done little to address this major concern or to address regulatory barriers to stimulate businesses to move away from informality. Kosovo Customs has made significant progress in creating better oversight and control mechanisms upon the import of products, but internal mechanisms of the Tax Administration of Kosovo and other inspection bodies need to be strengthened with an increased dynamism.

Improving rule of law is critical to enhance private sector development. Improper and narrow interpretation of the existing legislation by executive agencies has also been a frequent issue raised by companies operating in the trade sector. For example, companies operating in the oil industry complain that Kosovo Customs and the Tax Administration of Kosovo fail to recognize the losses incurred during the transportation of the fuel (as a result of evaporation), and obliging them to pay duties on the evaporated amounts, justifying their actions through a very narrow interpretation of the legislation in place. On the other hand, companies that have disputes either of the above said organizations complain about slow procedures for solving their disputes through the judicial system in the country, emphasizing the need for the creation of another level of appeal before disputes are sent to courts.

¹⁰ Kosovo Assembly, *Law on Value Added Tax*, Article 29- Exemptions on Importation

¹¹ Kosovo Agency of Statistics, *Labor Force Survey, Q4 2016, 2017*, p.18

¹² Telegrafi.com, *31% e ekonomisë në Kosovë është jo formale*, news portal article: <http://telegrafi.com/31-e-ekonomise-ne-kosove-eshte-jo-formale/>

<i>Number of people employed by the Wholesale and Retail Trade Sector in Kosovo</i>					
Male		Female		Total	
37,000	74.60%	12,600	25.40%	49,600	100%

Figure 2 Number of people employed by the Wholesale and Retail Trade sector based on gender¹³

c) Services Sector Background

The service sector is among the sectors which has shown the greatest potential in Kosovo, due to competitive advantages that Kosovo possesses in this field. For 2016 alone, the export of services in Kosovo amounted to over 1 billion euro, providing a substantial coverage for the huge trade deficit in products¹⁴. Tourism and the export of professional business services are the main contributors to the export of services, and overall the contribution of services in the overall GDP is estimated to be roughly 74%, according to World Bank.

Having said this, there is room for further growth in the services sector. Similar to other industries, weak rule of law and contract enforcement is a major concern to the industry overall. Late payments for services rendered (both within the private sector and in public-private transactions) is causing cash flow problems to companies operating in this sector. These are some of issues which may be applicable to a wider range of companies composing the service industry. However, in order to fully understand the situation, one would have to look in depth at each specific industry. For a number of sub-sectors, the lack of VISA liberalization with European Union has been reported as a major concern (e.g. construction industry and international transport). Construction companies report concerns related to the implementation of laws in their industry by municipal authorities.

However, what is relevant the most for the purpose of this study is that across sectors, difficulties finding qualified individuals is also an issue for a number of service sub-sectors, particularly for those services that are export-oriented.

<i>Subsector</i>	<i>Number of people employed by a number of Service Sectors in Kosovo</i>					
	Male		Female		Total	
Transport and Storage	9,900	90.00%	1,100	10.00%	11,000	100%
Accommodation & food service	19,900	88.44%	2,600	11.56%	22,500	100%
Financial and insurance activities	4,200	68.85%	1,900	31.15%	6,100	100%
Professional, scientific & technical activities	5,200	75.36%	1,700	24.64%	6,900	100%
Administrative & support service activities	9,600	83.93%	1,800	16.07%	11,200	100%
TOTAL	48,600	84.23%	9,100	15.77%	57,700	100%

Figure 3 Number of people employed by a number of Service Sectors sector based on gender¹⁵

¹³ Kosovo Agency of Statistics, *Labor Force Survey, Q4 2016*, 2017, p.18

¹⁴ Ministry of Trade and Industry, *Trade in Services in Kosovo: A Brief Summary*, 2016

¹⁵ Kosovo Agency of Statistics, *Labor Force Survey, Q4 2016*, 2017, p.18



III. Education system framework

In order to tackle the root of the problem in terms of the existing skills gap in the labor market, a detailed analysis of the education system in place is required. We will briefly elaborate on the overall structure of the education system in Kosovo, despite the fact that not all will be subject of this study. First and foremost, we will provide an overview of the existing legal infrastructure in education, highlighting some of the most important issues that each law addresses.

Despite substantive efforts for reforming the education sector in the country, many challenges remain in increasing the quality of education and creating a well-functioning system which will contribute to Kosovo's overall development. A particular concern which is relevant for the purpose of this study is the weak linkages of education institutions with the labor market, in terms of the system being able to equip students with relevant and sought-after skills in the labor market.

a) Kosovo Education Strategic Plan 2017-2021

In July 2016, the Government of Kosovo adopted the Kosovo Education Strategic Plan (KESP) 2017-2021, a comprehensive plan for the development of the education sector in the country for this period. This strategic plan succeeds the strategic plan for the period of 2011-2016 and builds upon it. It must be noted that while there has been progress in achieving objectives outlined in the 2011-2016 strategy, institutions faced many challenges in quality assurance and accountability across the sector.

KESP 2017-2021 includes 7 strategic objectives, which have been outlined below:

SO1- Participation and Inclusion: *Increasing participation and providing equal opportunities for the development, training, and education of every individual in pre-university education.*

SO 2- Management of the Education System: *Improving the quality and efficient management of the education system, based on transparency and accountability*

SO 3- Quality Assurance: *Developing a functioning quality assurance system, in accordance with international standards.*

SO 4- Teacher development: *Enhancing teaching quality through an effective and sustainable system for teacher professional development and preparation*

SO 5- Teaching and Learning: *Maximizing learning through quality teaching, implementing competency-based curricula, and by using high-quality teaching resources.*

SO 6- Vocational Education and Training and Adult Education: *Harmonizing vocational education and training with labor market requirements in the country and abroad, and creating an open system for adult education.*

SO 7- Higher Education: *Upgrading the quality and competitiveness of higher education through the promotion of excellence in teaching, scientific research, artistic creation, innovation, and internationalization.¹⁶*

Each of these strategic objectives have a number of expected outcomes and tentative actions for achieving them. Given that SO6 is directly related to skills gap, it is worth mentioning the expected results within the objective:

- alignment of vocational profiles in VET schools with labor market needs,
- increased enrollment of students in deficient profiles,
- development of teaching and learning material for at least two vocational subjects,
- VET and adult education curricula aligned with Pre-University Curriculum Framework and NQF,
- students carrying out practical experience in schools and in the private sector,
- developing a functional career guidance,
- gaining a full financial autonomy for VETs,
- Developing human and infrastructure capacities for adult education, and

¹⁶ Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan*, p.5 & 6



- Increased education offer for post-VET.

According to the KESP 2017-2021, the total spending anticipated for achieving the objectives outlined in the program for 5 years amount to € 176,941,537. Out of this, only € 6,772,946 are foreseen to be allocated for the 6th strategic objective, amounting to a mere 3.9% of the entire budget. If a better linkage between the education and labor market is to be considered a high priority, one would certainly expect a larger proportion of the budget to be allocated.¹⁷ Having said this, a proactive approach of the private sector for the implementation of this strategy is necessary for its success, be it in terms of providing financial resources for particular activities within objectives, or by providing input and feedback to institutions.

b) Legislation in place

Law on Pre-university Education

The purpose of this law is to regulate pre-university learning for pupils and individuals belonging to levels 0 through 4 according to the International Standard Classification of Education, adopted by UNESCO. In addition to the overall objectives and the definition of roles and responsibilities for respective institutions, the law also foresees the development of Kosovo Curriculum Framework by the Ministry of Education, Science and Technology, through the Kosovo Curriculum, Standards and Assessment Agency (KCSAA). The law also foresees for the creation of several inspection and accreditation mechanism for the pre-university level of education.

According to the Law on Pre-University Education in the Republic of Kosovo, "Pre-school and pre-university education shall be organized within a national framework for lifelong learning according to the following ISCED levels and corresponding Key Stages in the Kosovo Curriculum Framework (KCF)"¹⁸. As such, the law provides for the following pre-university levels of education:

- Level 0: Pre-primary education
- Level 1: Primary education for 5 years
- Level 2: Lower secondary education for 4 years
- Level 3: Upper secondary education for 3 years, depending on the curricula
- Level 4: Post-secondary vocational education for 1 or 2 years, depending on the curricula
- Life-long learning programs for adults

According to the law, levels 1 and 2 as provided by ISCED are compulsory for every individual and free of charge in public schools. Level 3 encompasses both gymnasiums and vocational schools, while level 4 covers secondary vocational education, which will be elaborated throughout this document.

Law for Vocational Education and Training

Article 1 of the law stipulates that "the Purpose of this Law is to regulate the national vocational education and training system in accordance with the needs of the economic and social development of the Republic of Kosovo, including economic and technological changes, demands of the labor market and the needs of individuals during the transition towards a market human and infrastructure resources."¹⁹

The law provides that Institutions of Vocational Education and Training (IVET) can be public, private, public-private or NGO held. The law also establishes two institutions working in the field of vocational education, namely (1) the Agency for Vocational Education and Training and for Adults, and (2) Council for Vocational Education and Training and for Adults'. Furthermore, the law foresees the creation of the Office for Economic Cooperation with Vocational Education and Training (OECVET), which to date has not been functionalized yet.

¹⁷ *ibid*, p.103

¹⁸ Kosovo Assembly, *Law on Pre-University Education in the Republic of Kosovo*, Article 9 – The organization of pre-university education

¹⁹ Kosovo Assembly, *Law for Vocational Education and Training*, Article 1 – Purpose



As a crucial component of the VET system, the law provides for the development of curricula and occupational standards, briefly describing the duties and responsibilities of key institutions. These two processes will be discussed in depth in following sections.

Law on National Qualifications

The Law on National Qualifications is aimed at establishing a “National Qualifications System, based on a National Qualifications Framework (NQF) regulated by a National Qualifications Authority (NQA).”²⁰ Basically, the law establishes the National Qualifications Framework, a very important component in the overall education and labor reform program in Kosovo. According to article 4 of the Law, NQF includes “Qualifications awarded at all levels of the education and training system...” and “Certification of the outcomes of non-formal and informal learning, including the recognition of the prior learning and achievements of candidates”. The operational responsibility over NQF is shared between the National Qualifications Authority (on vocational education issues), the Ministry of Education (on general education qualifications), and Kosovo Accreditation Agency (on accreditation of higher education institutions).

NQA maintains and updates a register of qualifications within the NQF, and which are published in the official website of NQA and are accessible to all interested parties. The NQF also includes a list of occupational standards verified by the NQA (also available on the website). In a nutshell, the National Qualifications Framework is intended to provide the link between education institutions and the private sector for the development of education programs that reflect the needs in the private sector. This objective is also emphasized throughout the Law on National Qualifications.

Law on Education in Municipalities of the Republic of Kosovo

As part of the decentralization process in the education system, Municipalities were provided substantial responsibilities. Their competencies are related to levels 0-3 of education (pre-primary through upper secondary). Some of the responsibilities given to Municipalities through this law include: construction of education facilities, registration and admission of students, employment of teachers and other personnel, appointing school directors, payment of managerial staff, training of educators, supervision and evaluation of education process etc.²¹

It must be noted that according to Kosovo Education Strategic Plan 2017-2021 (KESP), “despite the fact that the transfer of authority in the field of education from central to local level took place in 2008 and 2009, not all municipalities have managed to date to build their adequate capacities to meet their obligations in this area”²². This is particularly worrying due to the fact that it might have a significant impact on the quality of education services offered in different regions and municipalities. Additionally, KESP foresees many objectives and activities whereby the inclusion and cooperation of municipalities is of crucial importance.

Law on Adults Education and Training in the Republic of Kosovo

This law which was published in 2013 is intended to serve as the main framework for policies on the development of adult education and training, as part of lifelong learning concept. The law provides for the establishment of institutions providing Adult Education and Training, the licensing of these institutions, and the registration of respective programs. Currently there are a number of competency centers offering AET, which will be discussed in more detail throughout the document.²³

Law on Higher Education in the Republic of Kosovo

The Law on Higher Education, which was approved in 2011, establishes the “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 in the Republic of Kosovo”²⁴. It is worth noting that this law has been subject of debate among education providers for a number of years due to specific provisions regulating the functioning

²⁰ Kosovo Assembly, *Law on National Qualifications*, Article 1 – Purpose

²¹ Kosovo Assembly, *Law on Education in Municipalities of the Republic of Kosovo*

²² Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan 2017-2021*, p.27

²³ Kosovo Assembly, *Law on Adults Education and Training in the Republic of Kosovo*

²⁴ Kosovo Assembly, *Law on Higher Education in the Republic of Kosovo*, Article 1- Purpose



and accreditation of universities and programs. In fact, in 2016 the government prepared a draft law for amending the current law to address a number of concerns, but the law has not been sent to the parliament yet.

The law foresees 4 categories of higher education based on ECTS (The European Credit Transfer and Accumulation System), namely:

- Level 1: Bachelor studies of 3-4 years, accumulating 180 or 240 ECTS respectively
- Level 2: Master studies of 1-2 years, accumulating 60 or 120 ECTS respectively
- Level 3: Doctorate studies with academic and independent research-scientific character
- Other post-secondary education corresponding to levels 5-8 of the European Qualifications for Lifelong Learning²⁵

The law establishes the functioning of the public universities as well as provides for the functioning and licensing of education providers in the private sector. Additionally, the law foresees the functioning of Kosovo Accreditation Agency and its duties and responsibilities. Criteria for licensing of universities are also foreseen in the law, and it is worth noting that these criteria have been subject of much of the debate among private sector education providers.

Law on Registration and Providing of the Services for Unemployed, Jobseekers and Employers

While this law might not be directly related to the education framework in the country, it is included in this study due to its relevance to the topic of skills mismatch. In addition to establishing procedures and criteria for the registration of unemployed and jobseekers, the law foresees a number of services to be rendered to those registered through the Employment office within the Ministry of Labor and Social Welfare, namely: providing information on available jobs, providing information on available vocational training programs etc. Based on the provisions of the law, this office can serve as an important bridge to link potential employees with employers needing certain sets of skills.²⁶

c) Education System

Understanding the existing framework in the education ecosystem in Kosovo might be a complex exercise, particularly for those that do not have a significant background in this topic. However, for simplification purposes, the flowchart below extracted from Kosovo Education Sector Plan 2017-2021 reveals the overall education structure and how it is interlinked with the labor market.

KESP provides details on the number of education institutions operating in each level, both in the public education system, as well as private education institutions. Data on pre-school institutions have been omitted from the following table

Education Level	Public Institutions	Private Institutions
Primary and lower secondary schools	985	10
Upper Secondary schools	119	19
Higher education Institutions	9	30

Figure 4 Number of Education Institutions in Kosovo²⁷

²⁵ ibid, Article 4- Objectives and Organization of Higher Education

²⁶ Kosovo Assembly, *Law on Registration and Providing of the Services for Unemployed, Jobseekers and Employers*

²⁷ Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan 2017-2021*, p.18



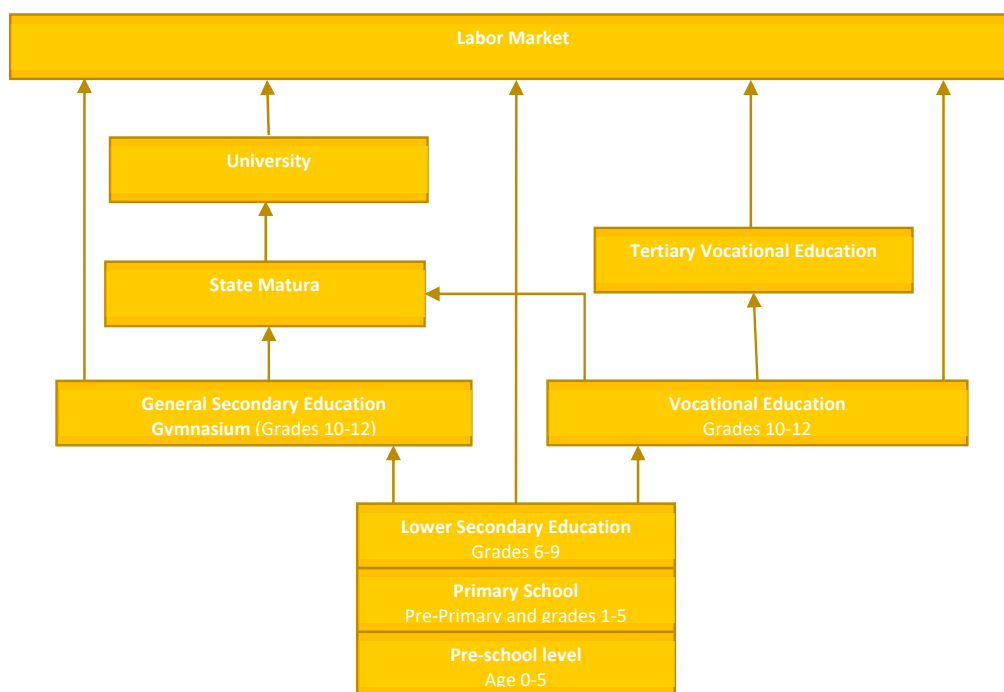


Figure 5 Education Structure in Kosovo²⁸

Education Level	Public Institutions	Private Institutions	Total
Pre-school Level	26,154	1,354	27,508
Primary School and Lower Secondary School	261,136	2,643	263,779
Higher Secondary School	85,337 ²⁹	2,470	43,776
Professional Schools	42,600	No data	42,600
Adult Education and Training	1,794	No data	1,794
Higher education (2015 data)	73,111	47,318	120,429

Figure 6 Number of students in the education system (2015)³⁰

Higher Education Institutions

Higher Education Institutions include: universities, universities of applied sciences, academies, university colleges, colleges, higher professional schools and higher technical schools. In order for a high education institution to have the status of a university, that institution should offer programs at three cycles of higher education (bachelor, master and doctorate studies)³¹. As per the legislation in place, higher education institution can offer programs both in the academic and professional track. Higher education institutions are licensed by the Ministry of Education, Science and Technology, whereby the external assessment of applications is conducted by Kosovo Accreditation Agency.

The total number of students enrolled in higher education institutions was 122,000 in 2015, according to data published in KESP. To put the data into context, Kosovo has 20 higher education institutions per 1 million inhabitants, and 6,669 students in higher education per 100,000 inhabitants, which is double the EU average.³² This might also be a reflection of the overall attitude

²⁸ *ibid*, p.20

²⁹ *Out of which roughly 42,600 in professional schools*

³⁰ Data extracted from the electronic platform of Kosovo Agency of Statistics; please see: <http://askdata.rks-gov.net>

³¹ Kosovo Assembly, *Law on Higher Education in the Republic of Kosovo*, Article 10- Universities

³² Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan 2017-2021*, p.27

of Kosovo citizens towards education, whereby pursuing a university-course as opposed to a VET-course is much more desirable. According to Muhamer Hamzaj, President of Students' Parliament at the University of Prishtina, the student-to-professor ratio continues to remain a problem for a large number of departments, particularly in Social Sciences. Hamzaj points out that this jeopardizes the quality of education at the institution. Particularly, the Faculty of Economics and the Faculty of Law have a vast number of students which greatly exceeds the capacity of the institution, be it facility-wise or staff-wise.³³

The KESP points out that the total public spending on higher education is near European standards (as a percentage to GDP), but due to the increasing number of students enrolled, the per capita spending per student are below the required levels. Unfortunately, the increased number of students has not been supported by an increased quality of education in higher education institutions in the public sector. Hamzaj explains that the quality of education at the University of Prishtina for example, differs from one faculty to the other, and from one subject course to the other. Professors play a key role in the success of a course, depending on the degree to which he/she is able to engage students in discussion and transmit the knowledge to them.

Some of the main challenges of the Higher Education System as outlined by KESP are:

- Non-compliance with the quality standards in higher education institutions
- Non-alignment of study programs with labor market requirements
- Insufficient scientific research work in higher education institutions
- Incomplete legal framework in higher education
- Inefficient international cooperation in higher education
- Unsatisfactory staff-to-student ratio
- Weak administration capacities and inadequate infrastructure
- Lack of a funding plan based on efficiency and accountability³⁴

The private sector notes a lack of planning in central level with regards to profiles needed in the labor market which can be supplied by higher education institutions. Around half of students enrolled in HIEs study in the field of social sciences, business and law. The absorption capacity in the private sector for these profiles is certainly lower than the supply.

From the students' point of view, one of the main concerns is the weak links between private sector and academia. According to Hamzaj, there is a need to introduce career counseling/career development as classes on all faculties of the university. This would enable students to build a better prospect for future employment. Such courses in fact can be introduced also at gymnasium levels in order to teach students the basics for seeking employment (compiling a CV, writing a motivation letter, writing an autobiography etc.). At the university level, there is no active program for engaging students in internships at the private sector. Some faculties (such as the Faculty of Philology), have created such policies that are greatly appreciated by students.³⁵ Arion Rizaj, founder and CEO of HumanPower, a recruitment company specialized in finding jobseekers with the required skills on behalf of their clients, echoes these statements. Rizaj explains that the skills gap can be noticed even before the workplace. The majority of candidates rank poorly in terms of soft skills, and often face enormous challenges in the application process itself. Many of them do not know how to create a proper CV, lack basic business communication and presentation skills, and do not know how to prepare and behave in an interview.³⁶

On the other hand, it should be noted that there are success stories on creating a good interlink between education institutions and the private sector, particularly among private education institutions. Visar Jasiqi, Chief Operation and Outreach Officer at RIT Kosovo, explains that the goal of RIT Kosovo, as a complementary institution to the public university, is to provide its students first and foremost a number of key skills and abilities which are applicable and usable across different sectors and economy. As such, a particular importance is also dedicated to business communications, which increases the employability of its students. RIT Kosovo has a functioning Career Office, whose role is to help students seek employment, and organize and supervise Co-op

³³ Hamzaj, Muhamer. *Interviewed on June 28, 2017*

³⁴ Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan 2017-2021*, p.89-91

³⁵ Hamzaj, Muhamer. *Interviewed on June 28, 2017*

³⁶ Rizaj, Arion. *Interviewed on June 29, 2017*



programs (internships). RIT Kosovo students on their bachelor studies are required to complete two internships (400 hours each), as a prerequisite to graduation. Students are encouraged to find companies for completing the internships, but the Career Office can also help in this regard. Jasiqi takes pride to the fact that more than 90 percent of students and alumni are employed, and a great number of them run their own business (thus becoming employers).³⁷

Vocational Education and Training

VET system consists of formal and non-formal provision, offering qualifications in levels 3-5 of the National Qualifications Framework³⁸ (for formal provision of VET) and 2-5 (for non-formal provision of VET). Formal VET education includes upper secondary vocational education and post-secondary vocational education. VET providers (both formal and non-formal) can be:

- Vocational Education Schools, public and private
- Public Centers of Competence,
- Post-secondary VET
- Training Centers under the Ministry of Labor
- Other public and private VET institutions providing non-formal education and training³⁹

Currently there are roughly 60 secondary vocational schools in the Kosovo and 4 centers of competence. Currently, the website of the National Qualifications Agency lists 33 approved occupational standards, roughly 140 profiles and 60 modular qualifications.

Approximately 50% of those enrolled in upper secondary education choose the VET track. However, in general enrollment in VET schools is seen as a back-up option to gymnasiums, due to the mentality that gymnasiums are superior and lead to white-collar jobs. However, at least in overall terms, the private sector reports a skills gap mainly in blue-collar jobs. As with many other sectors, the VET sector in the country is faced with a number of issues and concerns that need to be tackled systematically. KESP lists a number of these challenges:

- Weak linkage of vocational education with the labor market- at least 30% of vocational schools offer services in profiles with a very low demand in the market
- Underdeveloped quality assurance mechanisms
- Weak career orientation and counseling
- Incomplete occupational standards framework
- Serious budgetary insufficiencies (especially in public IVETs)
- Low number of internships
- Teaching staff with inadequate trainings and background
- Difficulties in provision of teaching materials for VET
- Lack of VET core curriculum
- Problem of sustainability of Centers of Competence and their further development
- Lack of an efficient and quality adult education system⁴⁰

A particular effort should be placed in the third element listed above, namely the weak career orientation and counseling system. Institutions should do more in informing students about labor market trends and needs in the private sector. In fact, Rizaj lists the enormous mismatch in education and weak career orientation services in education institutions as a primary source of the existing skills gap, based on their experience in this topic.⁴¹ Students in VETs are often at crossroads on their careers, and having a sound system in place which would facilitate their decision making would be beneficial not only to them, but also in terms of having a labor market reflecting the needs of the private sector.

³⁷ Jasiqi, Visar. *Interviewed on June 28, 2017.*

³⁸ See Annex A of the document for the National Qualifications Framework Table

³⁹ National Qualification Authority, *EQF Referencing Report of Kosovo*, p.16

⁴⁰ Ministry of Education, Science and Technology, *Kosovo Education Strategic Plan 2017-2021*, p.81-82

⁴¹ Rizaj, Arion. *Interviewed by Visar Hapçiu, June 29, 2017*



Curricula Development

The Kosovo Curriculum Framework for pre-university education, which was initially adopted in 2011 (and revised in 2016), is the primary policy document for curricula development in pre-university education in Kosovo. Having a competency-based approach, the National Curriculum Framework has defined 6 competencies that students should master after the completion of pre-university studies, and respective learning outcomes:

	Competencies	Learning Outcome
1	Communication and expression competencies	Effective communicator
2	Thinking competencies	Creative thinker
3	Learning competencies	Successful learner
4	Life, work and environment-related competencies	Productive contributor
5	Personal competencies	Healthy Individual
6	Civic competencies	Responsible citizen

Figure 7 Key competencies and learning outcomes of the Curriculum Framework⁴²

The NCF is categorized in 7 subject (curriculum) areas, which “constitute the basis for organizing the educational process across formal levels of education and curriculum key stages”.⁴³ Additionally, each curriculum area have different learning outcome, which contribute to the development of competencies.

In the VET sector, “due the specific nature of vocational schools, the hierarchy of curricula documents for the VET education system is as follows: (1) The National Curriculum Framework; (2) Core Curriculum for each VET sector; (3) Frame Curricula for each VET profile; (4) Subject Syllabus.”⁴⁴ The core curricula have not been developed for VETs yet.

Developing Curricula in line with private sector needs is crucial to bridging the skills gap in the labor market and to increase the employability of students. The National Qualifications Agency is responsible for accrediting VET institutions and validating qualifications.

“The process for developing new curricula in upper secondary VET schools is supply driven and does not correlate with the needs of the labor market. The Municipal Education Directorates (MED) generally refuse to endorse profiles, which would require new teachers so as to avoid the burden of additional wages to be paid from the municipal budget. Therefore, the MED decision to accept or reject a request is done based on the availability of teachers, and the new profiles/qualifications introduced by the schools are tailored to correspond to the profiles of existing teachers.”⁴⁵

⁴² Ministry of Education, Science and Technology, *Curriculum Framework For Pre-University Education in Kosovo (revisited)* p.16-18

⁴³ *ibid*, p.38

⁴⁴ Enhancing Youth Employment Project, *Market Assessment for the VET Skills Market System*, p.35

⁴⁵ *ibid*, p.16



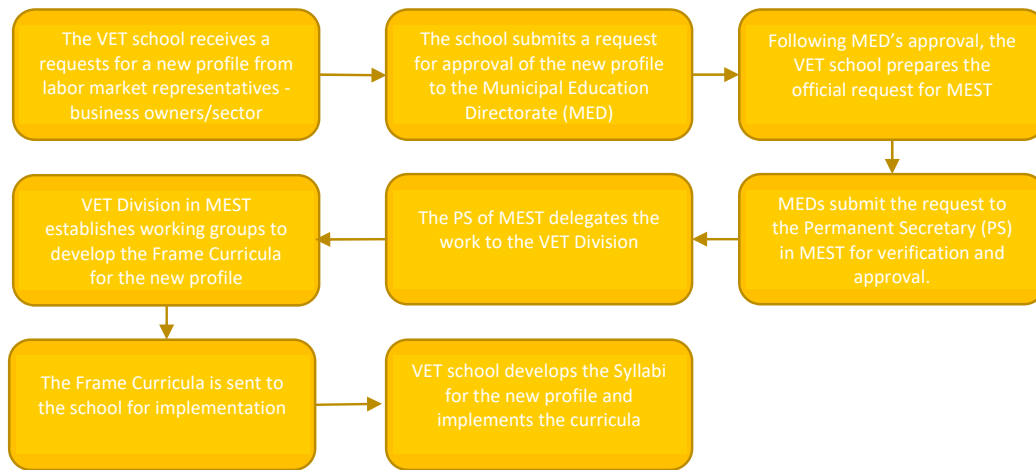


Figure 8 System for Curricula Development in the VET Sector

There is an enormous potential for the private sector to be more engaged in the process of drafting new curricula and requesting new qualifications from VET Institutions. An improved and dynamic dialogue is the best means to resolve the existing skills gap. Please note that the figure above is only illustrative, and unfortunately the process for the development of curricula does not follow this path specifically.



IV. Survey results

a) Survey Sample

For the purpose of analyzing the existing skills gap in the labor market and in order to generate primary quantitative data on this phenomenon, a survey questionnaire was conducted with business representatives in 7 regions of Kosovo. Surveys were primarily collected in person and consequently inputted manually in a statistical software in order to facilitate data input and processing. This is arguably the most important component of the Skills Gap Analysis, given that the data reflect the overall evaluation of the private sector, based on their experience in the topic. A total of 200 companies have provided their input on the survey. The regional distribution of the sample is provided in the graph below:

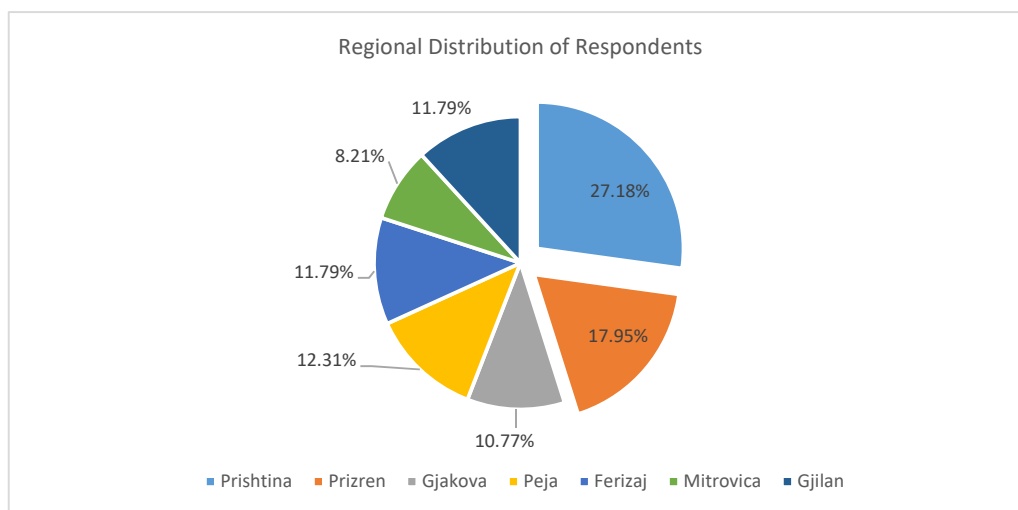


Figure 9 Regional Distribution of Survey Respondents

As seen from the graph above, Prishtina and Prizren compose the largest portion of the sample (roughly 45% in total). The decision to include more respondents from these regions was made based on data received by the Tax Administration of Kosovo, which reveal that these two regions have the largest number of active and taxpaying businesses. Thus, the survey sample was designed to reflect the actual composition:

Region	Number of active businesses in 2016	Percentage to total
Prishtina	33,201	37.74%
Gjilan	8,776	9.98%
Ferizaj	9,918	11.27%
Prizren	13,993	15.90%
Gjakova	4,739	5.39%
Peja	9,291	10.56%
Mitrovica	8,061	9.16%

Figure 10 Number of active businesses based on regions⁴⁶

As far as the industry is concerned, the composition of survey sample has been designed based on the number of employees working in the selected industries: manufacturing, trade, and non-ICT services. According to the Labor Force Survey conducted by Kosovo Agency of Statistics, the manufacturing sector employs roughly 45,700 employees, wholesale and retail sector 49,600, while professional services (excluding ICT) account for roughly 57,000 employees. Adding construction in the fold of services, one would get a much higher figure with regards to the number of employees in the service sector (roughly 90,000). Thus, the composition of the survey in general reflects this situation, whereby the sample based on categories provides the following picture:

⁴⁶ Based on primary data received by the Tax Administration of Kosovo



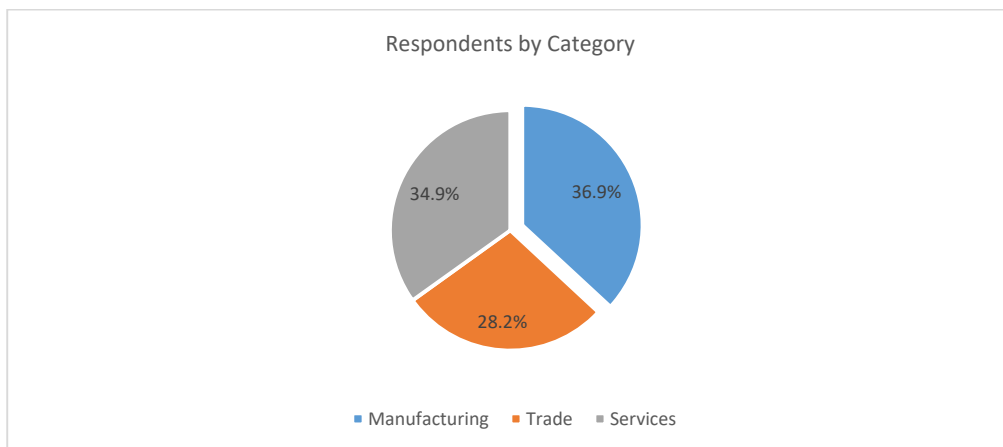


Figure 11 Industrial Distribution of Survey Respondents

The manufacturing sector is slightly more represented in the sample, given the strategic importance that the sector has in the economy, particularly as a result of the overwhelming trade deficit.

Some of the subsectors within manufacturing companies include: food and beverage production, wood processing, textile, plastics industry, metal processing and production etc. In terms of services, some of the sub-sectors include legal services, tax & accounting, business consultancy services, financial services, hotels and restaurants etc. The trade sector includes respondents from the food retail and wholesale industry, office and electronic equipment, home furniture and equipment, oil industry etc.

The vast majority of questions contained in the survey were the same across sectors, with the exception of questions aimed at quantifying the skills gap, which will be discussed in more detail in the sections to come. From 179 companies that have agreed to share information on the number of employees, the total number of workers at these organizations is as follows:

- 10,163 full time employees,
- 451 part time employees, and
- 1,021 seasonal employees.

In terms of company size, 35.75% of respondents have reported having 1-10 employees, 33.52% have 10-50 employees, 27.37% have between 50 and 250 employees, while only 3.35% of respondents employ more than 250 employees.

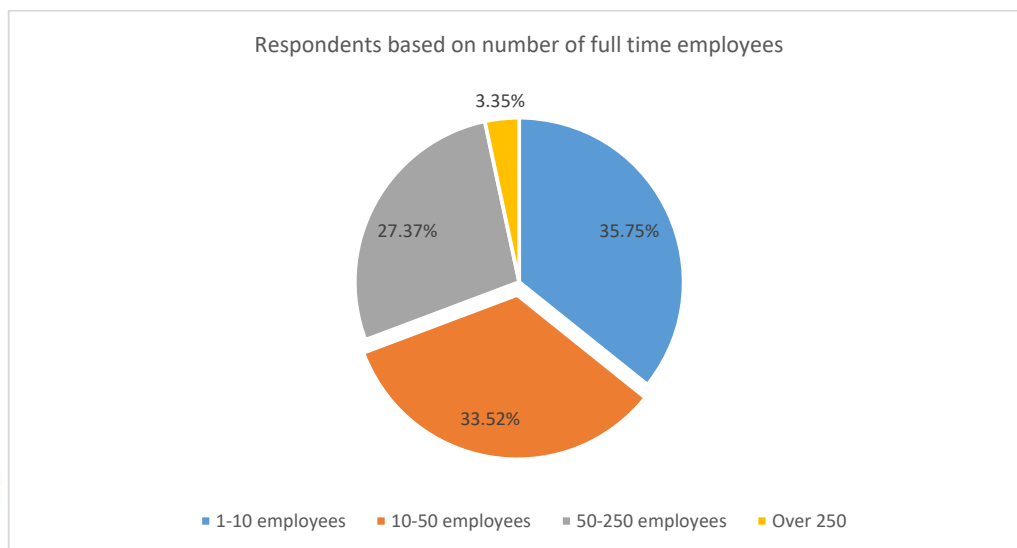


Figure 12 Respondents based on number of employees



From those companies that have agreed to share information on salary levels, the average monthly salary turns out to be €362. However, users of this information must note that this is an average of averages, as opposed to a simple mean. For example, if the sample is made of Company A: employing 10 people at a rate of €1,000, and Company B employing 2 people at a rate of €500, at a company level the average monthly salary in our calculations would be € 750, despite the fact that in reality the average salary level for these two companies making up the sample would actually be in the region of €915.

Additionally, data from respondents result in an average salary of € 880 for top management level, €585 for middle management positions, and 268 for entry level positions.

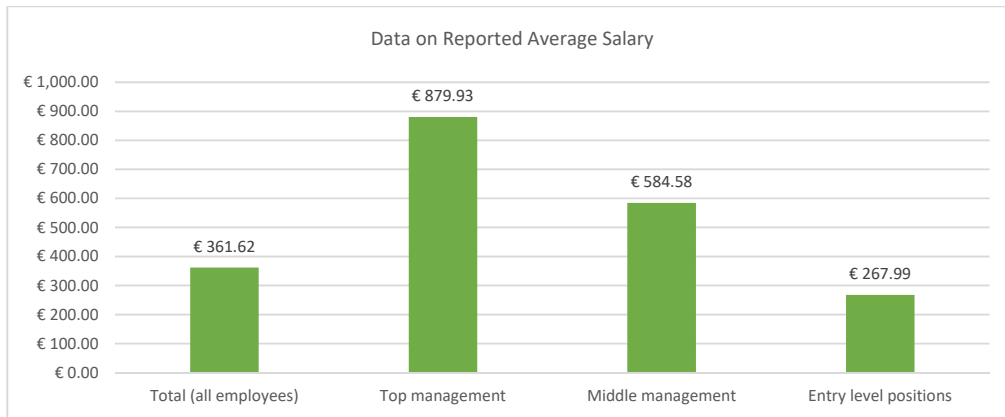


Figure 13 Average Monthly Salary (based on 135 responses)

The data on average monthly salaries has been further broke down based on sectors. There is a statistically significant difference on the average wage between the sectors at a confidence interval of 95%. According to results, the average wage in the services sector is slightly higher compared to manufacturing and trade sectors.

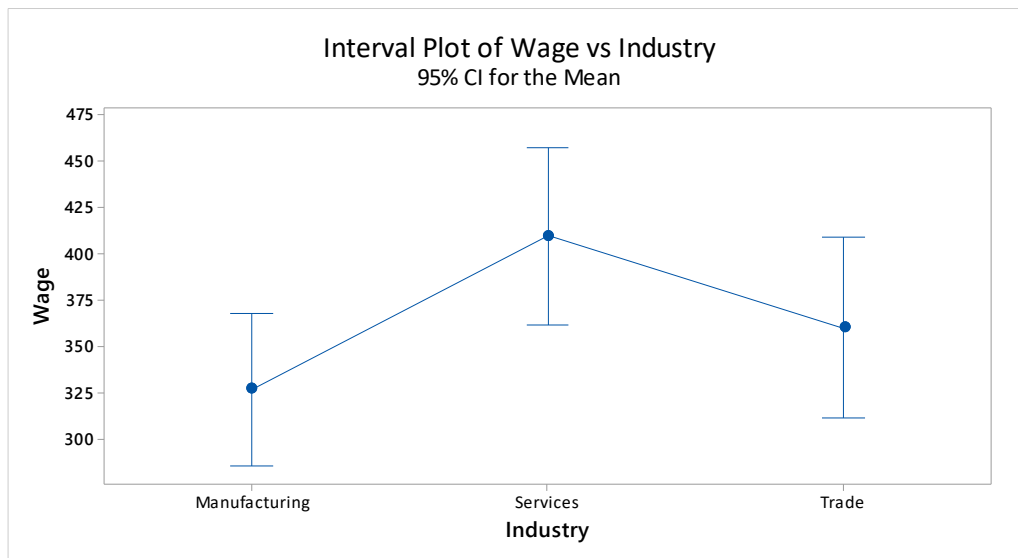


Figure 14 Average monthly wage based on sectors

As far as the education level of respondents' workforce is concerned, the average count reveals that the biggest number of employees are from vocational schools and/or high schools, followed by those that have finished the primary school only. Individuals that have an undergraduate degree are also found frequently within respondent companies, while only a minority of employees have completed graduate or post-graduate studies.



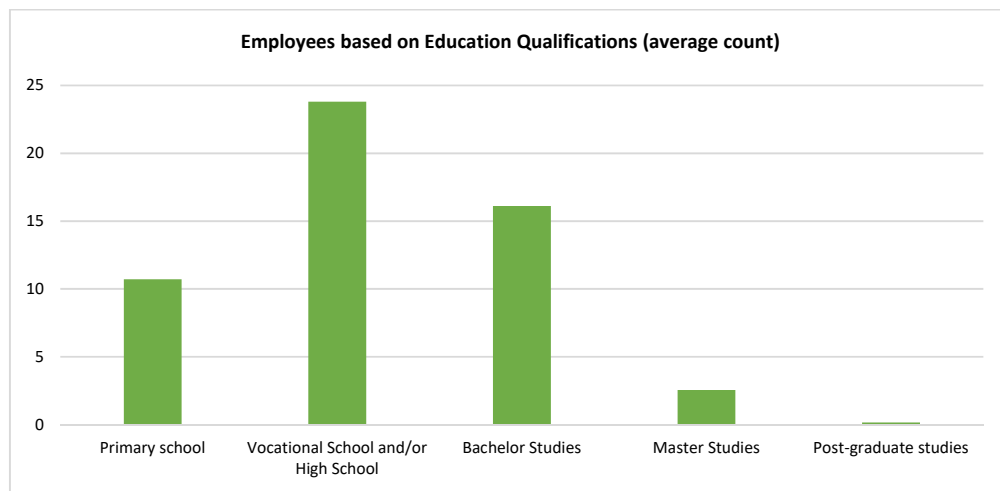


Figure 15 Employees based on educational level

If the data is consequently analyzed on a sectorial approach, the education qualification preference of potential employers become evident.

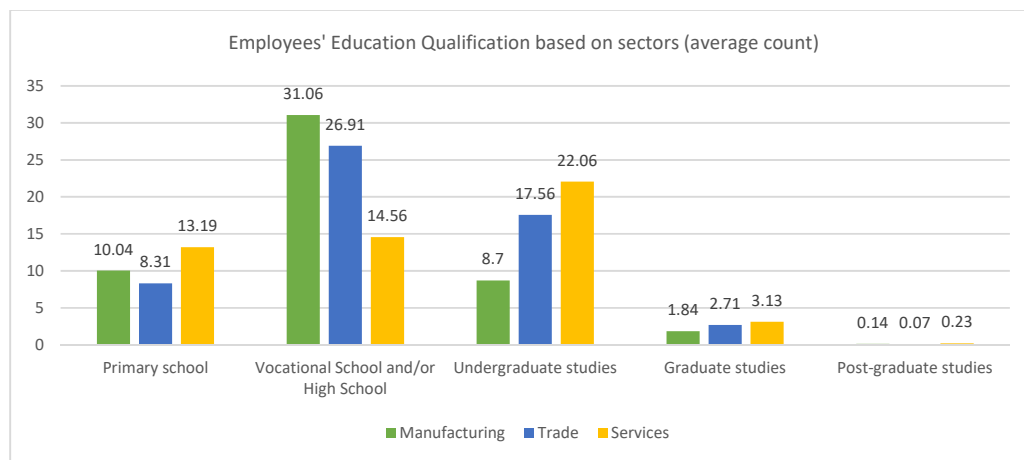


Figure 16 Employees' Education Qualifications based on sectors

Manufacturing sector companies place a much bigger importance to vocational schools compared to the other sectors, especially in comparison to service sector companies. Here the average count for manufacturing companies is 31.06, while corresponding figures for the trade sector and the service sector are 26.91 and 14.56 respectively. As will be explained later on, the manufacturing sector is the most optimistic one with regards to the anticipated number of new jobs to be created in 2017 and 2018. This fact alone might suggest the need to place an increased emphasis in vocational schools and technical education.

An interesting trend is also revealed in terms of higher education, whereby it can be noticed that enterprises from the services sector place have a larger average number of employees with bachelor or master degrees, compared to the other sectors. This difference is particularly evident in terms of number of employees with bachelor studies, depicted in the figure below, whereby the services sector leads the way with an average count of 22.06, followed by the trade sector (17.56) and manufacturing sector (8.7). Again, it is easy to conclude that having a large pool of available workforce with completed higher education is less important to the manufacturing sector.

The number of employees with post-graduate studies is extremely low (thus not at all visible at the corresponding figure). Perhaps, this goes to show that pursuing a post-graduate degree is usually more suitable those seeking an academic track as their career choice.

b) Satisfaction with skills possessed by job-seekers

First, respondents were requested to rate their degree of satisfaction with regards to those seeking employment in entry-level and managerial level positions in order to get a picture for the overall opinion on this subject. Graphs below provide a summary of responses.

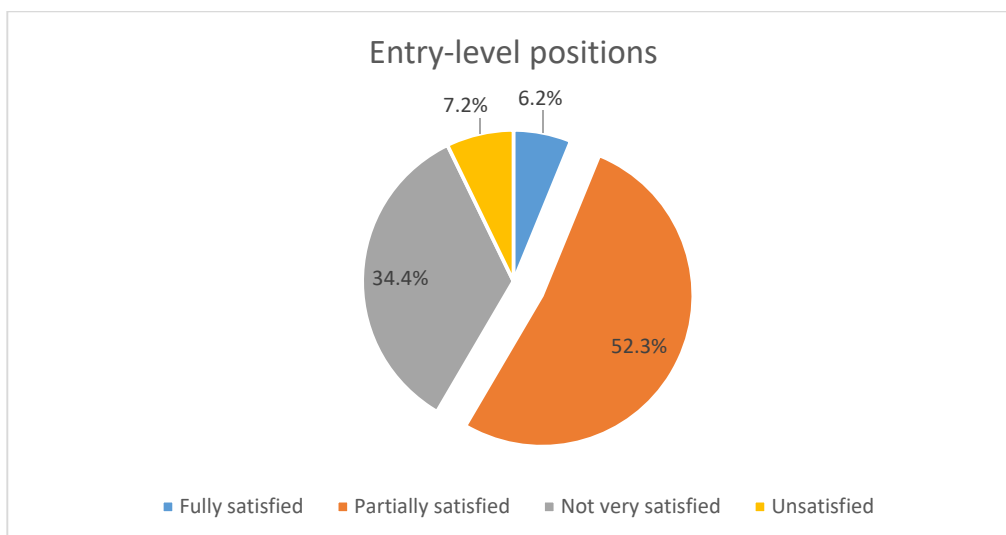


Figure 17 Overall satisfaction with skills of those seeking employment in entry level positions

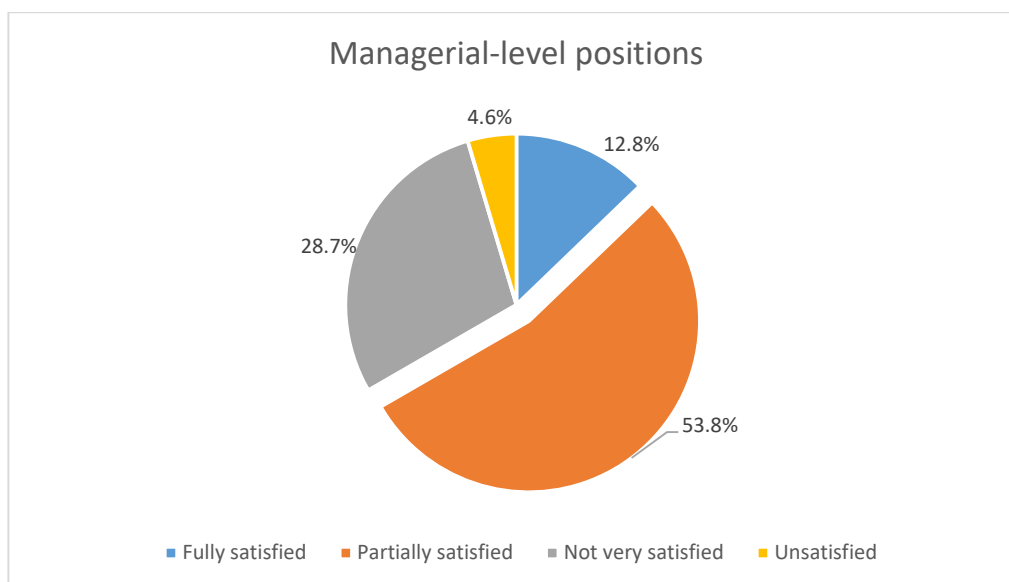


Figure 18 Overall satisfaction with skills of those seeking employment in managerial level positions

As depicted in the graphs above, the experience that employees have had is similar both in terms of entry-level positions, as well as managerial level positions. However, in general terms the degree of respondents that have selected either fully satisfied or partially satisfied is greater in managerial level positions (66.6% of respondents) compared to entry level positions (58.5% of respondents). Furthermore, 7.2% of respondents claim to be totally unsatisfied with skills possessed by job-seekers in entry level positions, while the corresponding figure for managerial positions is only 4.2%.

Graphs below provide for disaggregated data based on sector for the two questions explained above.



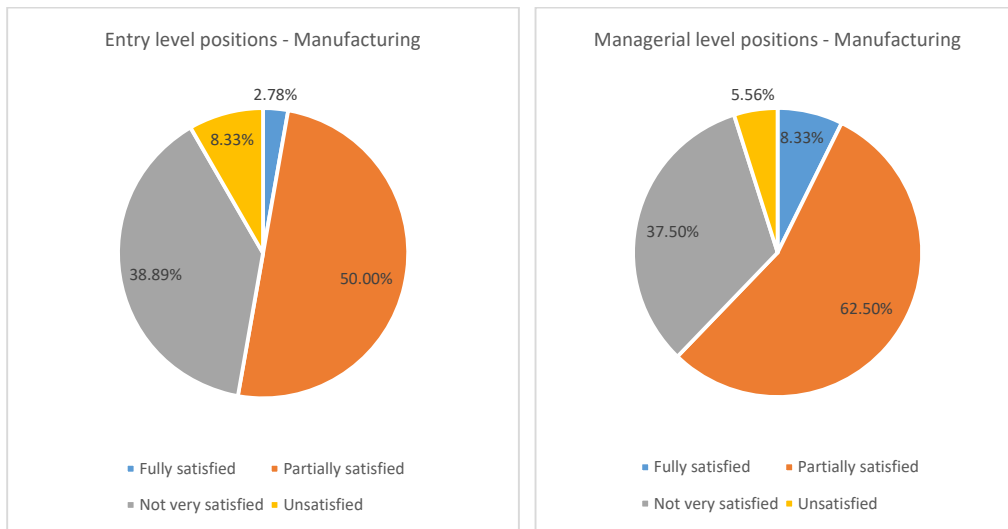


Figure 19 & 20 Satisfaction skills possessed by job-seekers in Manufacturing Sector

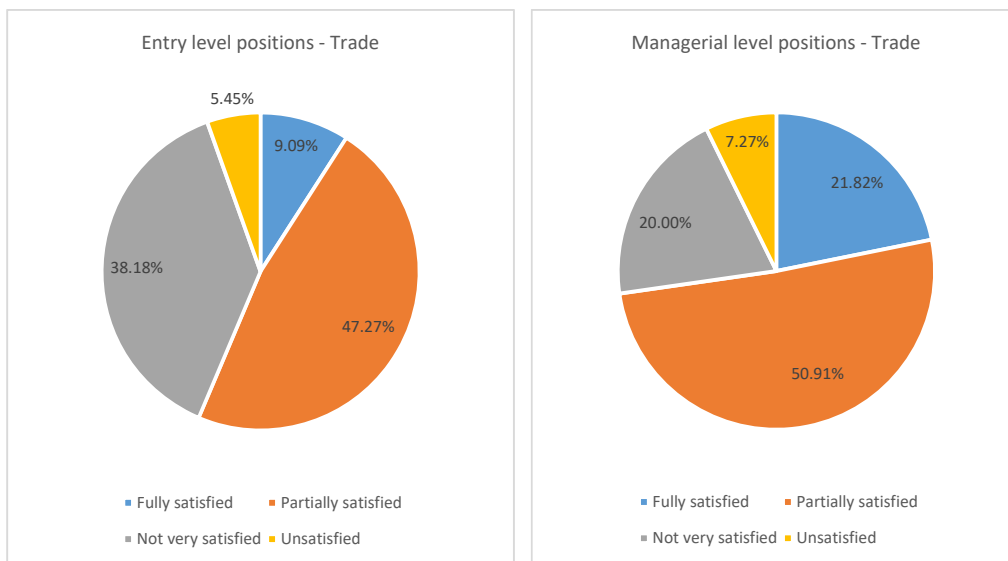


Figure 21 & 22 Satisfaction skills possessed by job-seekers in Trade Sector

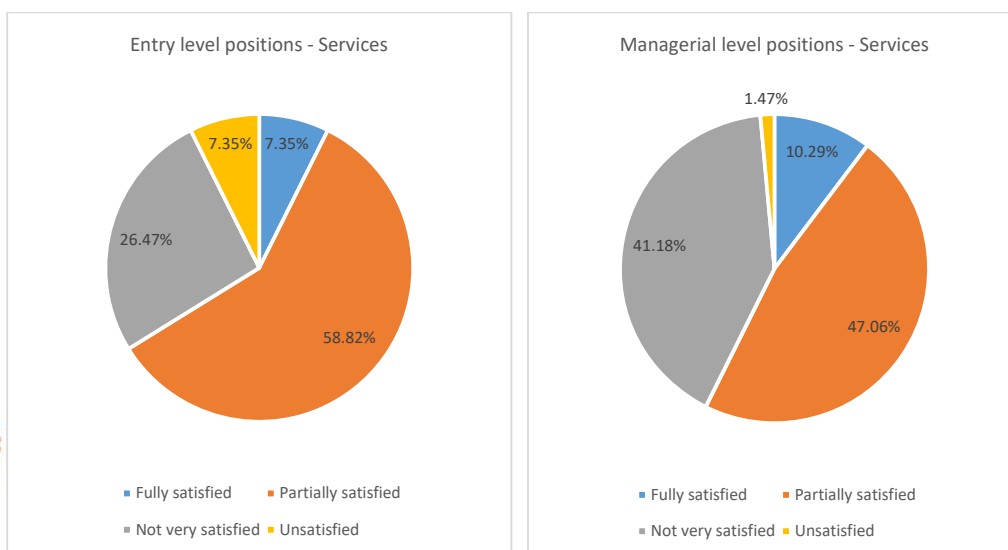


Figure 23 & 13 Satisfaction skills possessed by job-seekers in Services Sector



Disaggregated data do not reveal any significant difference in terms of the overall employer satisfaction with skills possessed by job-seekers. It is evident that the level of satisfaction across all sectors is not particularly encouraging, be it in terms of those seeking entry-level employment, or those seeking managerial level employment.

An exception to this is that for managerial level positions, trade sector companies report a greater degree of satisfaction with skills possessed by job-seekers. 21.82% of respondents from this sector report to be fully satisfied with job-seekers seeking employment at managerial level, as opposed to 8.33% in the manufacturing sector and 10.29% at the service sector. On the other hand, 58.82% of respondents from the services sector reports that they are partially satisfied with those seeking employment at entry level positions, while corresponding figures for manufacturing and trade sectors are 50% and 47.27% respectively. This figure might suggest that on average, it is easier for service sector companies to find employees for entry level positions.

c) Skills Gap

Description of the methodology

In the skills gap section, respondents were asked to rate a number of skills in terms of their importance to their companies, and in terms of the availability of those skills in the labor market and within their companies. Respondents have ranked each skill in a 1-10 scale. Consequently, by subtracting the ratings concerning the availability of skills from ratings regarding the importance of skills, we have built an index which enables the identification of potential skill gaps. The results of the indices are solely based on respondents' self-evaluation, as opposed to a detailed and thorough third-party analysis.

For example, manufacturing companies were first asked to rate the importance of a given skill to their company, and afterwards, they were asked to rate the availability of the same skill in the labor market. For example, if a company ranks "production quality control" as a "9" in terms of importance, and a "7" in terms of the abundance of that skill, the resulting skills gap for that skill in the company is "2".

Example SGA	Importance of skill for the company										Abundance of skill in the company and labor market										Skill Gap (1-2)
Production engineering	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	7	8	9	10	2

With regards to the skills listed, the survey contained 3 different tables which were an integral part of the survey and were given to respondents depending on the industry. Each set of table contained 9 skills which are more general in nature and are applicable throughout sectors, and a number of skills that were more unique to respective sectors. For example, skills such as "sales" or "knowledge of foreign languages" were listed in tables for each sector, while skills such as "production engineering" or "machinery maintenance" were only listed in surveys for the manufacturing sector.

The following section of the document depicts and elaborates results in national level based on sectors, while disaggregated data on this issue based on regions can be found at the end of the survey results.



Manufacturing Sector

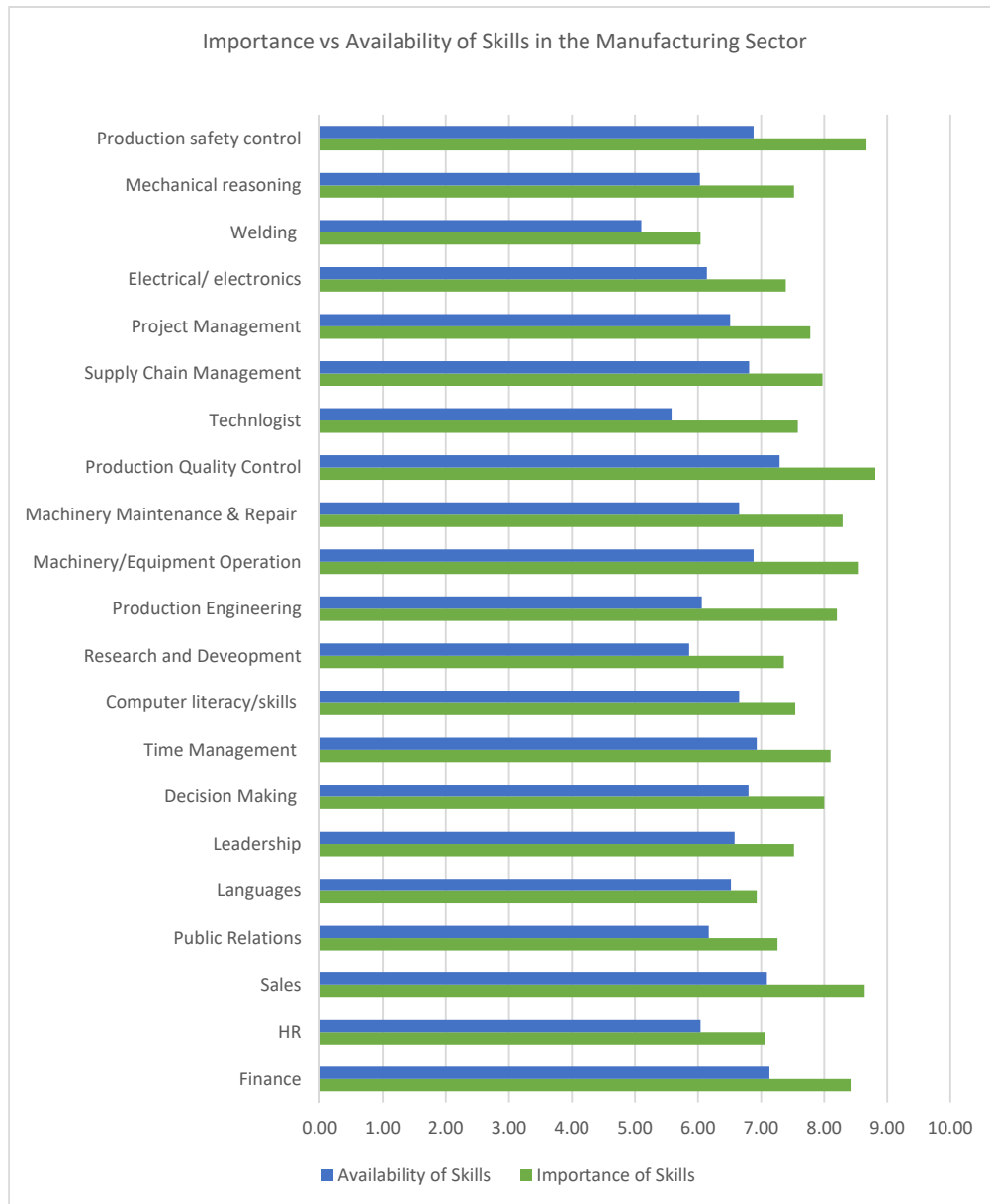


Figure 24 Importance VS Availability of skills in the Manufacturing Sector

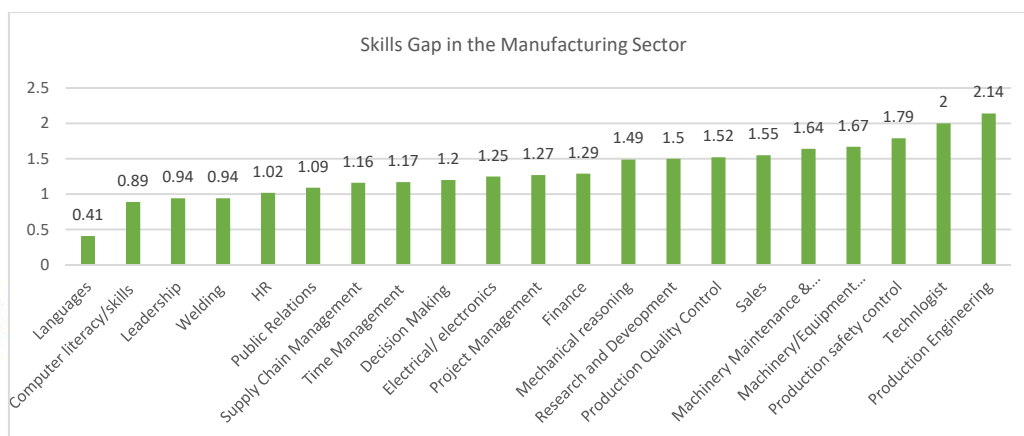


Figure 25 Skills Gap in the Manufacturing Sector

The table above illustrates best what employers in the manufacturing sector are struggling to find in the labor market. The largest gaps are found in terms of skills which to some extent can be considered as being very specific to the manufacturing sector. Production engineers, technologists and other occupations that are traditionally found in manufacturing companies seem to be a major concern for manufacturing companies.

Production Quality Control (8.81), Production Safety Control (8.67), and Sales (8.64) have received the highest average rating by respondents from the manufacturing sector in terms of their importance to their operations and success. While the first two are directly linked to the manufacturing process of goods, it is interesting to note the high relevance or importance that manufacturing companies place on Sales (more so than on skills related to Research and Development or Supply Chain Management).

It is worth noting that for some companies, a number of skills were to a degree not very relevant on a regular basis. For example, while some companies report a shortage of skilled labor for welding, the process in itself does not represent a core business activity for the large majority of companies. That being said, it does not mean that the supply of skilled labor in that industry is satisfactory. For example, welding might be much more important in the construction industry, which in general employs roughly 40 thousand employees.

As expected, a number of skills in the labor market can be found in abundance compared to other –perhaps, more task specific- skills. For example, the average importance manufacturing respondents have placed on foreign languages is more or less equal to the availability of those skills in the market. In terms of other relevant skills important to the manufacturing sector, some respondents have provided responses which are very narrow to their industry, such as tailoring in the apparel industry.

As a total, the sum of averages of the existing skills gap in the manufacturing industry is 27.93 for a total of 21 skills. This implies that the average skills gap in the industry (for all skills) is 1.33.



Trade Sector

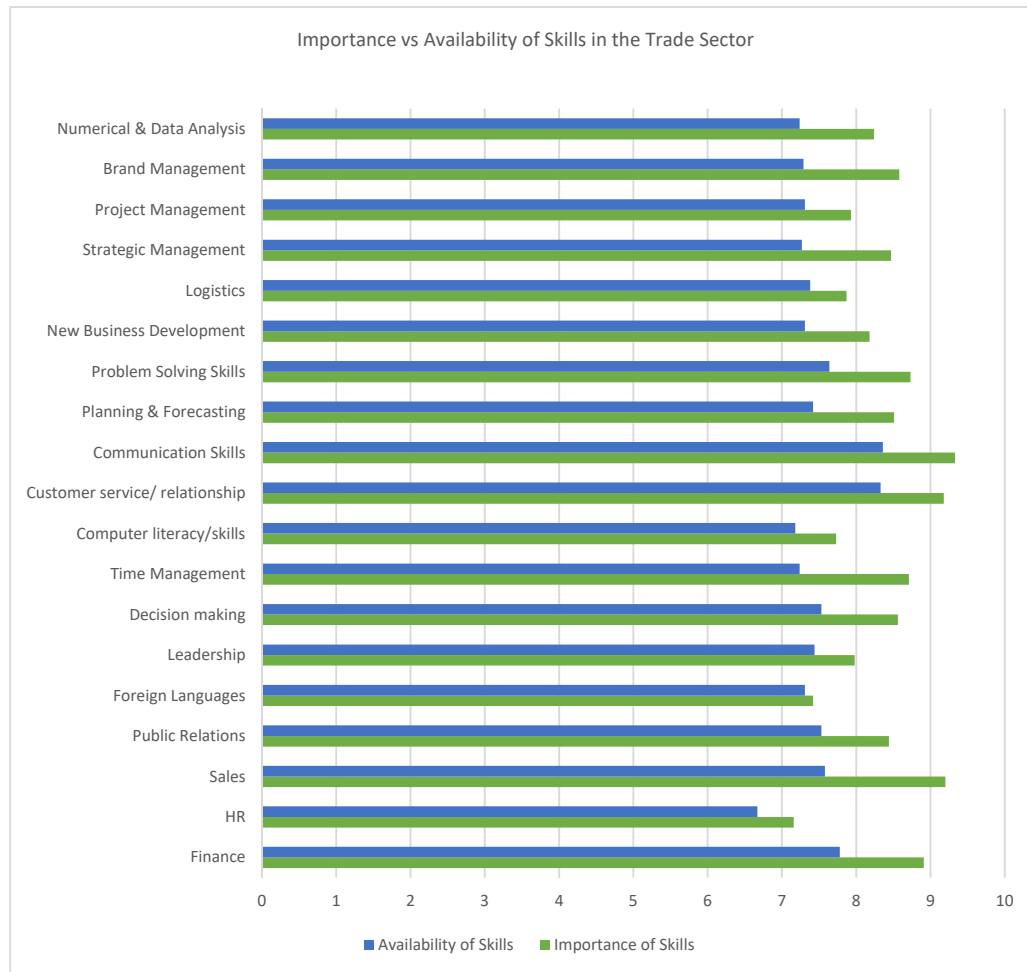


Figure 26 Importance VS Availability of skills in the Trade Sector

The skills gap analysis in the trade sector reveals different information compared to the manufacturing sector. As figure above depicts, Communication skills (9.33), Sales (9.20), and Customer Relationship (9.18) are the most sought-after skills in the trade sector. On the other hand, the least importance is given to skills such as Human Resources (6.67), Foreign Languages (7.42) or Computer Literacy (7.73).

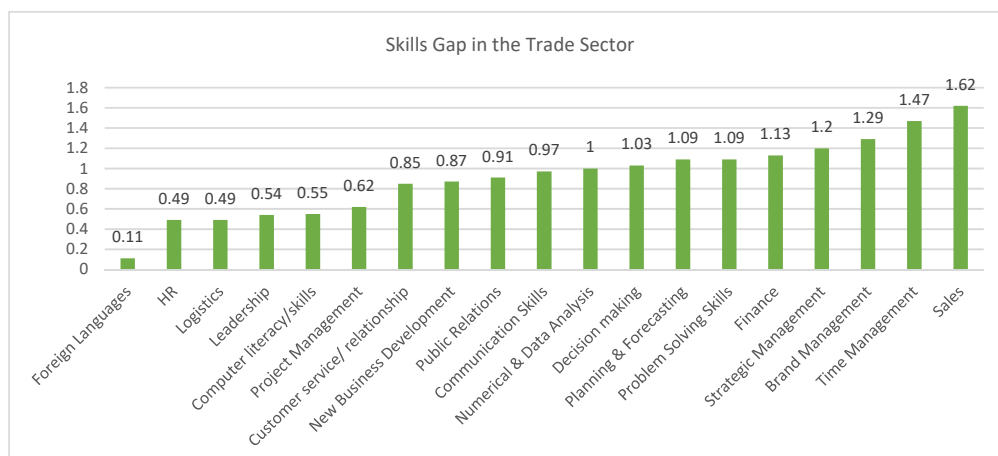


Figure 27 Skills Gap in the Trade Sector

From the three skills which have been identified as the most relevant to the trade sector, sales skills appear to be in shortage in the labor market (1.62). Similarly, a significant shortage of skill supply is reported in “time management”, “brand management” and “strategic management”. On the other hand, the skills gap reported in foreign languages is insignificant, similarly to HR, logistics and a number of skills provided in the left side the figure above. Under other, a respondent has named “building a sense of ownership in the company” as a skill greatly lacking in that particular company.

It is interesting to note that sales skills have been identified as significantly problematic in all the three sectors. The gap in Sales skills in the trade sector provides an index of 1.62, followed by manufacturing (1.55) and services (1.34). Perhaps this data is understandable considering the fact that sales represent a core business activity across sectors, in some more important than others.

The overall skills gap reported in the trade sector is considerably smaller in the trade sector, compared to manufacturing. The sum of averages of the existing skills gap in the trade industry is 17.32 for a total of 19 skills. This implies that the average skills gap in the industry (for all skills) is 0.91. The corresponding figure in the Manufacturing Sector is 1.33.



Services Sector

Readers should note that for the purpose of this study, ICT has not been subject of analysis, due to the fact that other organizations have covered the sector through other studies and reports. In this study, the following services have been subject of analysis: tax and accounting services, auditing, business support services, legal services etc.

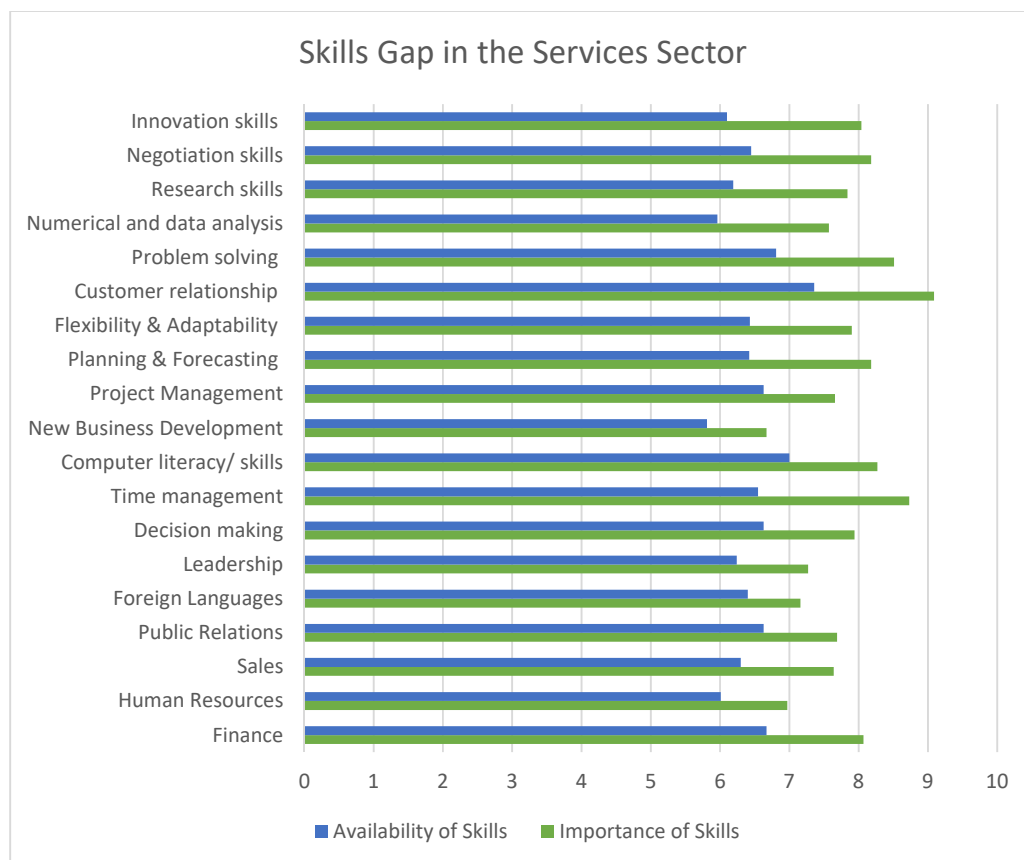


Figure 28 Importance VS Availability of skills in the Services Sector

Customer Relations (9.09), Time Management (8.73) and Problem Solving (8.51) have emerged as key skills in the services sector. Again the picture reveals a completely different situation compared to manufacturing and trade sector.

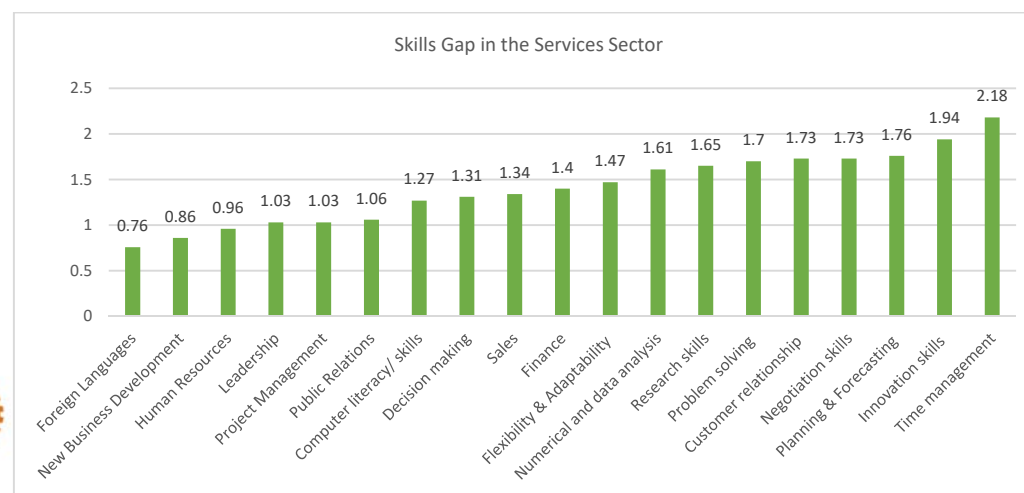


Figure 29 Skills Gap in the Services Sector

On the other hand, New Business Development (6.67), Foreign Languages (7.16) and Human Resources (6.97) are less relevant to the service sector compared to other sets of skills, based on respondents' feedback. Perhaps this is due to the fact that there is a satisfactory supply of employees possessing those skills (especially in the case of foreign languages or human resources). All of the three skills produce satisfactory results with regards to the existing skills gap.

Time management (2.18), innovation (1.94), and planning and forecasting (1.76) top the list of skill gaps. This is perhaps self-explanatory given the fact that time in itself is a very significant input in the service sector, whereby certain companies invoice their clients based on the time spent on a particular activity (such as lawyers, tax consultants etc.). Among other relevant skills listed by respondents include representation skills, environment protection experts etc.

The overall skills gap reported in the service sector is comparable to manufacturing and larger than the trade sector. The sum of averages of the existing skills gap in the service sector industry is 26.79 for a total of 19 skills. **This implies that the average skills gap in the industry (for all skills) is 1.41. The corresponding figure in the Manufacturing Sector is 1.33, and 0.91 in the Trade Sector.**

d) Impact of the existing skills gap

In the following part of the survey, companies were asked to provide their opinion on a variety of issues, ranging from their opinion on the cause of the existing skills gap, to the role of education institutions and the skills that will be in high demand in the future. The objective of these questions was to create a sound foundation for the development of recommendations and policy alternatives.

First and foremost, companies were asked what they attribute to be the main cause of the existing skills gaps at their company. They were provided with a number of options and were asked to select all responses that apply.

Cause of existing skills gap

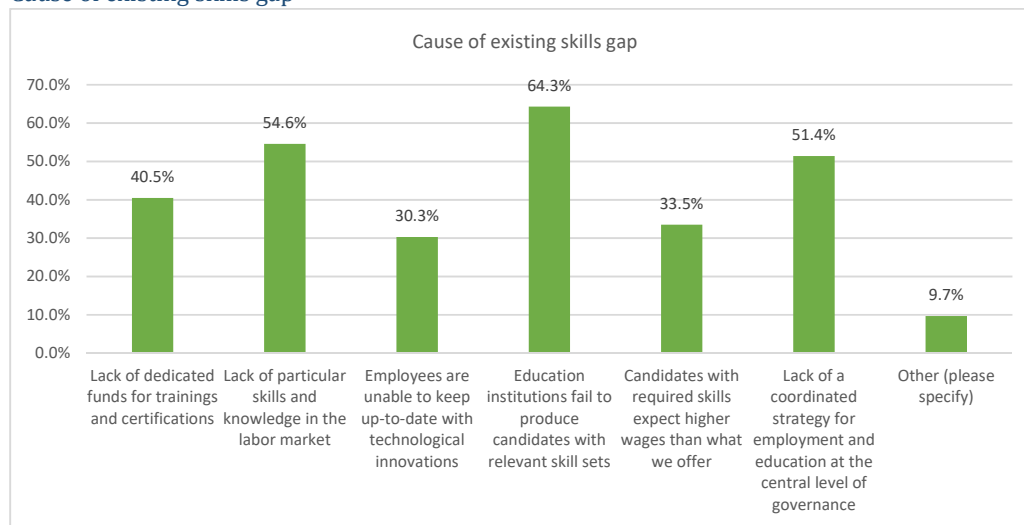


Figure 30 Cause of existing skills gap according to respondents

As pointed out, the most common response in this question was that education institutions are at fault for failing to supply the labor market with jobseekers with the required skill set. They point that there is a lack of particular skills in the labor market altogether, and that the lack of a coordinated strategy for employment and education is not helping the situation. A smaller percentage of companies report lack of funds for training and low wage offers as the source of the problem. Under other, some of the responses provided by respondents include:

- lack of schools for professional education,
- lack of internship opportunities



- academic institutions should include the completion of internships as prerequisite to graduation
- low standards of living is urging skilled employees to migrate and find employment in other countries,
- lack of specific training programs in education institutions (such as processing of galvanized steel or railway operator),
- weak link between what is taught in schools and what the labor market needs
- weak rule of law

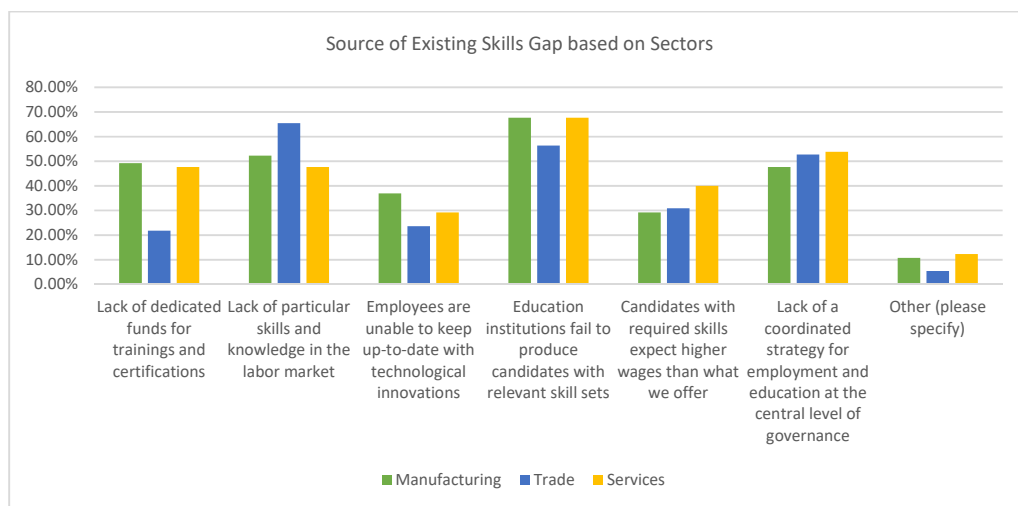


Figure 31 Cause of existing skills gap according to sectors

If looked closely, disaggregated data on the opinion of the respondents regarding the source of existing skill gaps can provide for a number of differences across sectors. It is worth noting that respondents from manufacturing and service sector identify lack of dedicated funds as a cause of skills gap to a larger degree compared to respondents from the trade sector. While this might seem a causality at first, it may not be so, considering that trainings in manufacturing industry and service industry, where the value added is greatest, can be more costly compared to trainings for the trade sector. Often, employees at a manufacturing company will need tailored trainings for operating a certain machinery or carrying a vital function in processing the final product, and companies need to hire experts or external trainers for conducting such a trainer. Alternatively, employees in the trade sector are inclined to need or have more “transferable skills”, which does not represent any financial constraint.

Also, inability to offer higher wages seems to be more problematic in the services sector compared to the other sectors. This is also a reflection of the fact on average, this sector seems to employ more people with completed higher education (as shown in previous graphs). Interestingly, an equal number of respondents from the manufacturing and services sector attribute the failure of education institutions to equip candidates with relevant skill sets as a cause to the existing skills gap.

Respondents rate other factors (such as the lack of a coordinated strategy for employment) similarly and no significant differences can be noted.



Impact of the existing skills gap

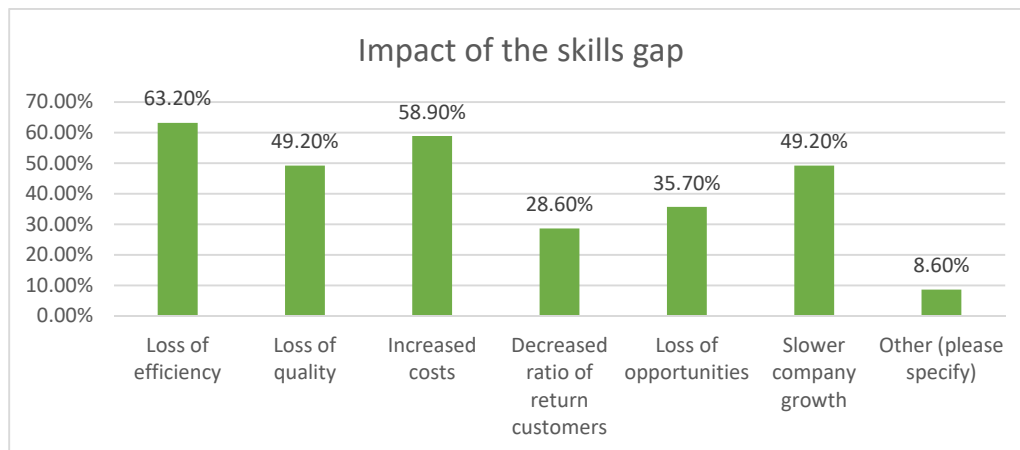


Figure 32 Impact of the Existing Skills Gap

Considering the above, respondents were asked to explain how the existing skills gap is impacting their operations. Similar to the previous question, respondents were given a list of possible responses and were asked to select all that apply. They were also given the option to provide other possible impacts which were not pre-listed.

As the figure reveals, loss of efficiency, increased costs, slower business growth and loss in quality are the most common responses among the survey sample. Decreased ratio of return customers has been selected less frequently by the respondents. Among responses provided in “other”, companies provide the following responses:

- Increased stress as a result of inefficiency
- Loss of a partnership opportunity with a company in EU
- Loss of professionals in specific fields (such as healthcare sector)
- Delay of investment plans
- Possible bankruptcy (and increased number of unemployed as a result)
- Loss of competitiveness
- Increased safety risks at the workplace
- Foregone opportunities for earning a higher salary

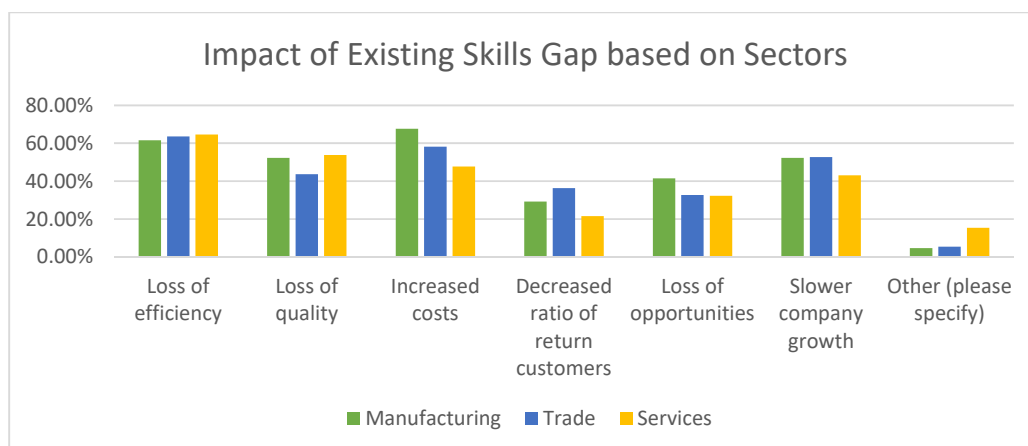


Figure 33 Impact of existing skill gaps according to sectors

Increased costs appear to be the most significant impact of the existing skills gap according to respondents from the manufacturing sector compared to respondents from the two remaining sectors. This might be as a result of increased funds needed for training employees, or to other related factors that cause inefficiencies in operations. For example, if the staff does not have sufficient knowledge to operate with a given machinery, the productivity level will fall, and the probability of damaging the equipment is certainly larger.



Also, understandably the “loss of quality” factor is more prevalent among manufacturing and service sector respondents, given that the created value added is usually larger in these sectors compared to trade. In view of increased competition stemming from other markets, this factor becomes a crucial one in improving Kosovo’s competitiveness.

The concern for a decreased ratio of return consumers is most prevalent among trade sector respondents, albeit not among the most common problems reported by the sector itself. Data on the rest of potential impacts do not reveal any significant information with regards to sectorial differences.

Addressing Skills Gap

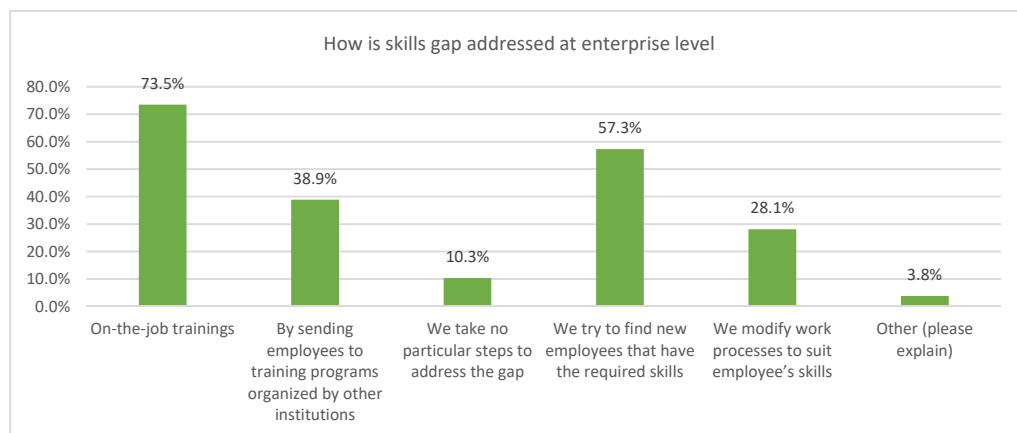


Figure 34 Respondents' approach to solving their skill gaps

Respondents were consequently asked to explain how they tackle (if they do so altogether) the skills gap at enterprise level. The figure below explains that most respondents organize on-the-job trainings, while roughly half of them also try to address the skills mismatch by looking at the labor market and finding new employees. Roughly 10% of enterprises surveyed claim that they do not undertake any specific steps for addressing the skills gap. Under “other”, respondents have provided the following responses:

- We hire external advisors (experts) for particular activities
- We have created an academy within the company
- We organize professional training programs

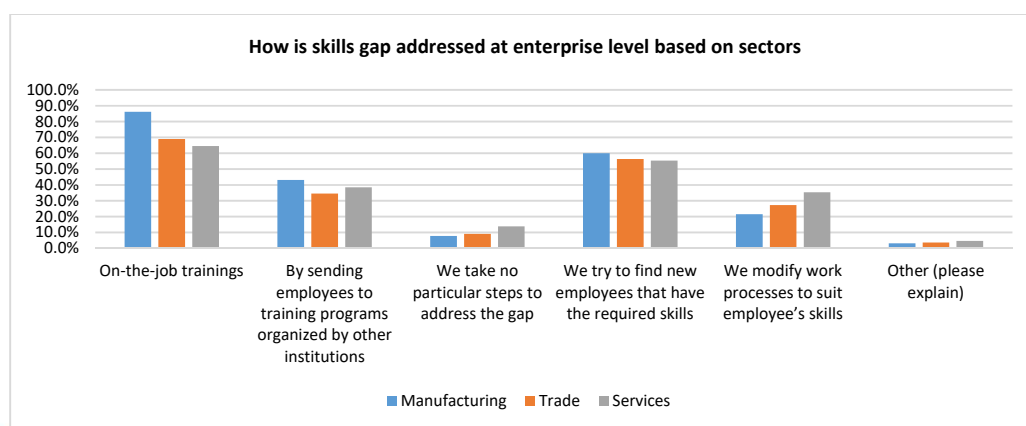


Figure 35 how respondents from the different sectors address skill gaps

On-the-job trainings are the most common practice for addressing skills gap across all the three sectors, but is even more prevalent among manufacturing companies, whereby a large majority of 86.2 respondents report to using this approach to addressing skills gap. In manufacturing sector,

processes and practices can vary significantly from one company to the other. This makes on the job trainings a reasonable approach to handling the existing skills gap. Respondents from the manufacturing sector also use trainings provided by other institutions more often compared to the other sectors.

On the other hand, service sector companies are considerably more flexible in modifying work processes for better suiting employee skills and abilities. 35.4% of respondents state that they modify their work process to suit employee skills. Understandably, this is a less common occurrence in the manufacturing or trade sectors whereby the level of flexibility is lower. Similarly, a slightly bigger number of respondents in the services sector reveal that they do not take particular steps to address the skills gap.

A similar percentage of respondents from each sector have selected that they try to find new employees with the desired skills as a response to the existing skills gap.

Employee Trainings

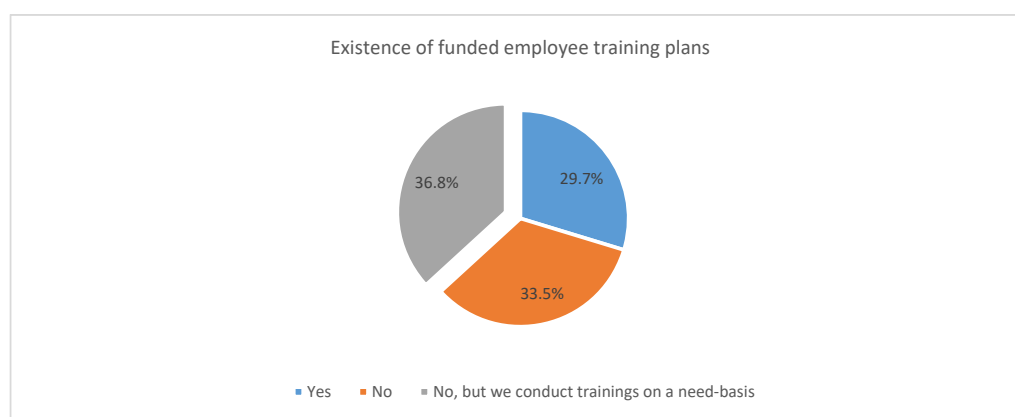


Figure 36 Existence of funded employee training plans within the company

Respondents were also asked to explain whether or not they have a specific, funded new employee training plan. Here, 29.7% of respondents claim that they do, while 36.8% of respondents state that they conduct trainings on a need-basis. Similarly, businesses were asked whether they provide funding for mid-career skill development, whereby 56.2% of respondents claim that they do not, while the remaining 43.8% say that have a specific fund for that purpose.

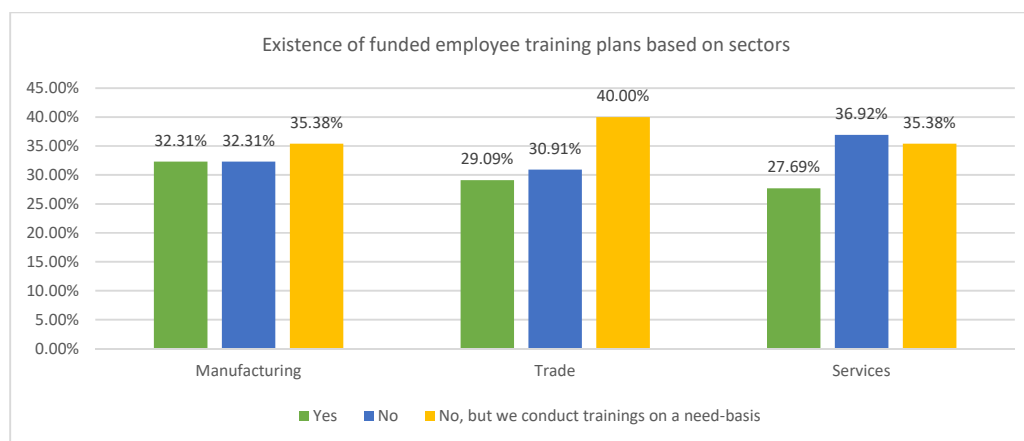


Figure 37 Funded employee training plans based on sectors

No significant difference can be noted in this factor across selected sectors. Manufacturing companies are slightly more inclined to have a funded employee training plan compared to the other sectors. However, after coding responses with numerical values, an ANOVA test verifies that this difference is statistically insignificant at a confidence interval of 95%.



Gaining full capacities

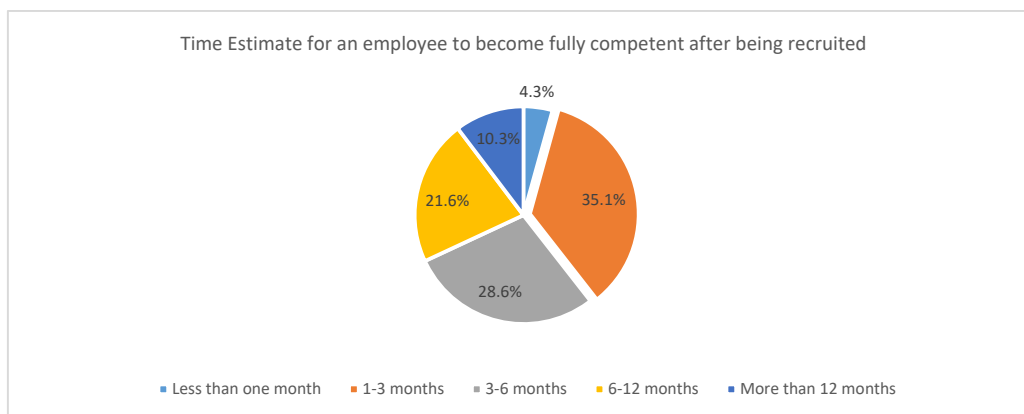


Figure 38 Time Estimate for an employee to become fully competent after being recruited

Considering that the lack of skills in the labor market is a general concern among participants, one of the questions in the survey aimed at finding out how long does it take on average for a new employee to become fully competent in their new job. Only 4.3% of respondents state that employees become fully competent within a month, while most of respondents provide 1-3 months and 3-6 months as the best estimate, while 10.3%, state that it takes longer than 12 months for employees to learn all the processes.

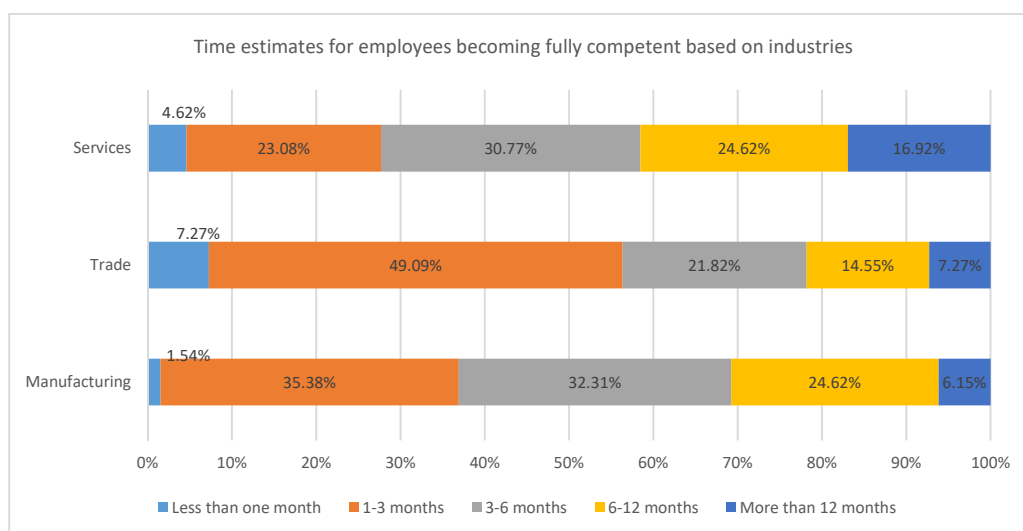


Figure 39 Time estimates for employees becoming fully competent based on industries

The disaggregated data reveal that on average, employees in the trade sector need less time to become fully competent in their work compared to the other sectors. In total, more than 56% of respondents that employees need either less than one month, or 1-3 month to learn their assigned roles and related responsibilities. This arguably supports the perception that the trade sector has a greater need for transferable skills, as opposed to technical skills that are required by other sectors.

In comparison, this figure drops to 37% among respondents from manufacturing sector, and to 27% in the services sector. Only 1.54% of respondents from the manufacturing sector state that their employees become fully competent within a month, while this figure for the trade sector is considerably higher (7.27%).

Other things held equal, it appears that the time estimate for gaining full work competency is the largest in the services sector, whereby 17% of respondents claim that the time needed is more than 12 months. It is very difficult to benchmark these results with similar data from other countries, given that this factor changes from one company to the other, and from one sub-sector to the other.

In order to verify these assumptions, an ANOVA test has been conducted with numerically codified data, which enables us to conclude that based on the survey sample, there is a statistically significant difference in the average time-to-full-competency on respective sectors. Note that the numbers in the y axis in the graph below do not address any specific time limit (months or weeks), but rather are a reflection of the coding system used to test for statistical significance in results.

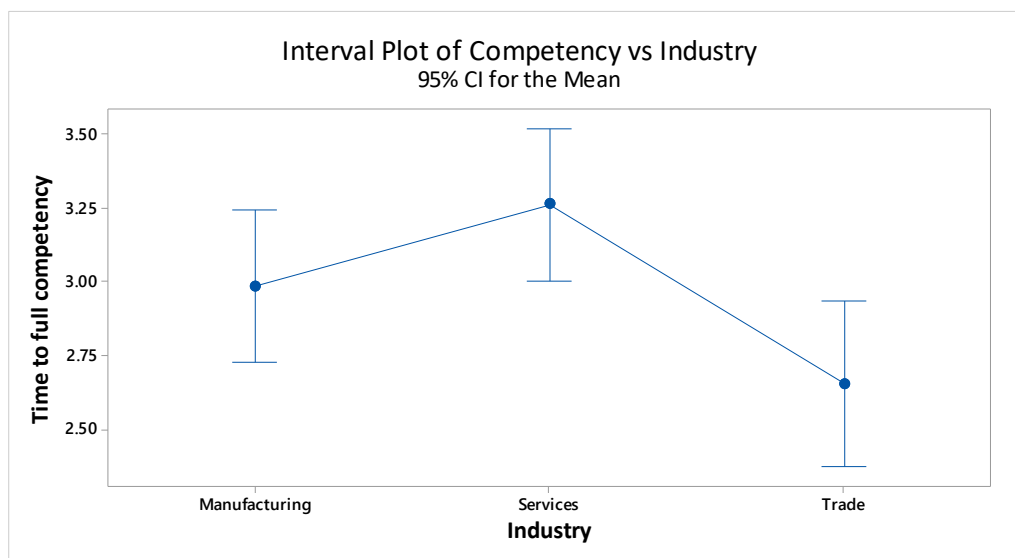


Figure 40 Statistical differences in time to full competency (codified data)

Employment plans for 2017 and 2018

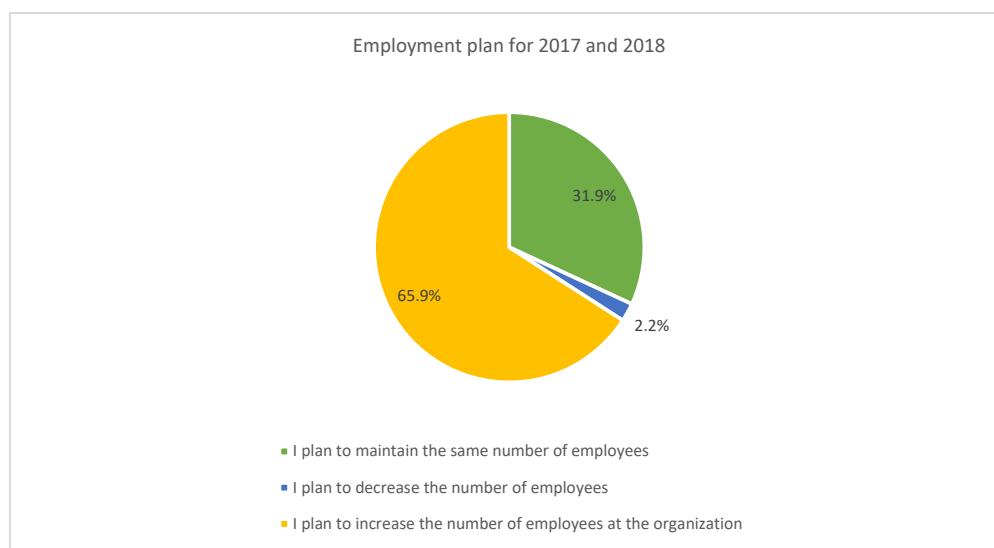


Figure 41 Employment plan for 2017 & 2018

A very encouraging finding from the survey questionnaire is that roughly 66% of respondents state that they plan to increase the number of employees within the next two years. Only 2.2 percent of respondents claim that they plan to decrease the number of employees at their organizations. 32% of respondents do not expect the number of employees at their organizations to change in the coming 2 years. As to the degree to which they plan to increase their number of employees, responses vary from 1 to 150-200 employees in some cases (such as textile).



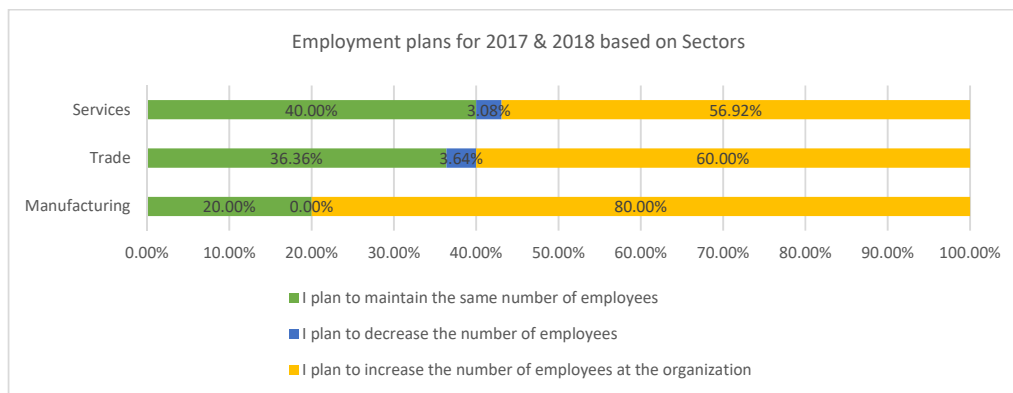


Figure 42 Employment plans for 2017 & 2018 based on Sectors

As the figure reveals, the most promising sector with regards to new jobs being created is certainly manufacturing, not only in terms of the percentage of respondents claiming such, but also in terms of absolute numbers. 80% of respondents in the manufacturing sector claim to expect increasing employment in 2017 and 2018, while none of the respondents expects the number of their employees to drop. In addition, 57% of respondents in the service sector, and 60% of respondents in the trade sector expect their company to grow in the near future. This is arguably the most promising finding from this study.

Recruitment channels utilized



Figure 43 Main recruitment channels used by respondents

Respondents were also asked to let us know about the methods they use for advertising their vacancies, whereby job portals emerge as the most common option.

It is worth noting that family and friends continues to represent a significant channel of recruitment in the private sector. This perhaps goes against the efforts to address skills gap, given that in order to find employees with the required skill sets, other mechanisms should be followed. Under other, two of the most common methods mentioned were Social Media (e.g. Facebook) and Employment Agency (mostly in manufacturing sector).



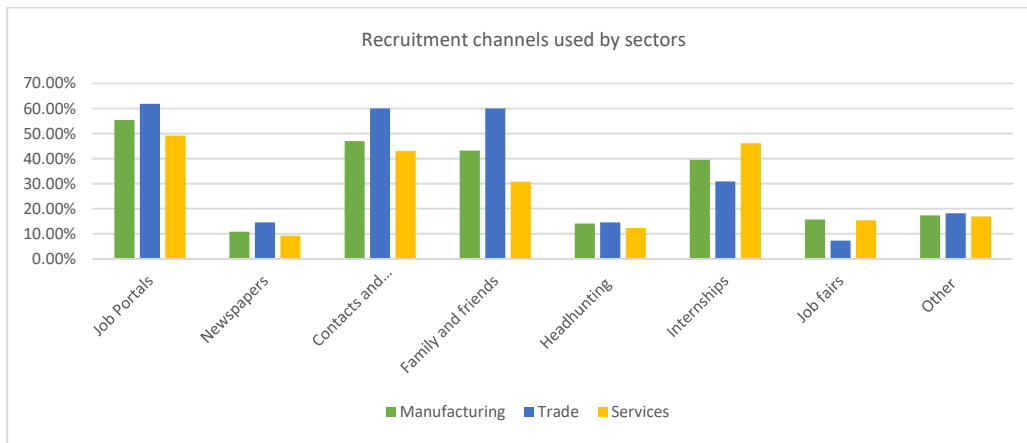


Figure 44 Recruitment channels used by sectors

Disaggregated data do not reveal any significant information based on sectors, perhaps with the exception that trade companies tend to use “informal” mechanisms more frequently than the other two sectors. For example, recommendations from friends and family appears as a response in 60% of respondents from trade sector, and only in 30.77% of responses in the services sector. Again, arguably the reason here might be that companies in the service sector require more highly skilled individuals, as opposed to other sectors such as trade.

According to the survey response, internships are more commonly used by companies pertaining to the services and manufacturing sector, whereas this practice is less common among trade companies. A similar trend is also applicable to hiring through job fairs. No significant differences can be noted in other recruitment mechanisms.

Time for filling a vacancy

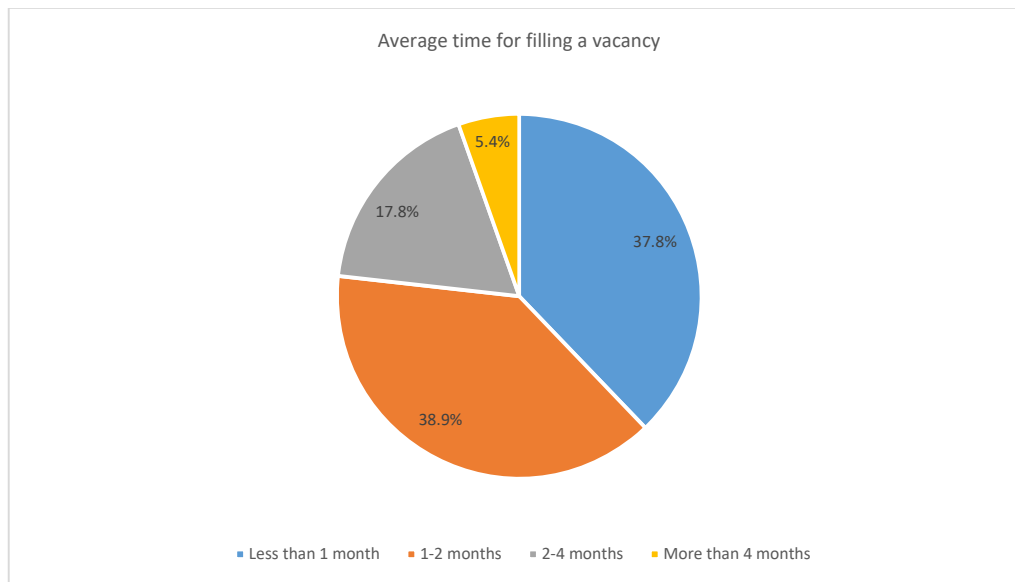


Figure 45 Average time needed to fill a vacancy

While according to respondents it takes significant time for employees to become fully competent in their jobs, on the other hand this is not the case when trying to find a new employee. In roughly 77% of cases the vacancy is filled within the first two months, and in only 5.4% of cases employees need more than 4 months to find a new worker.



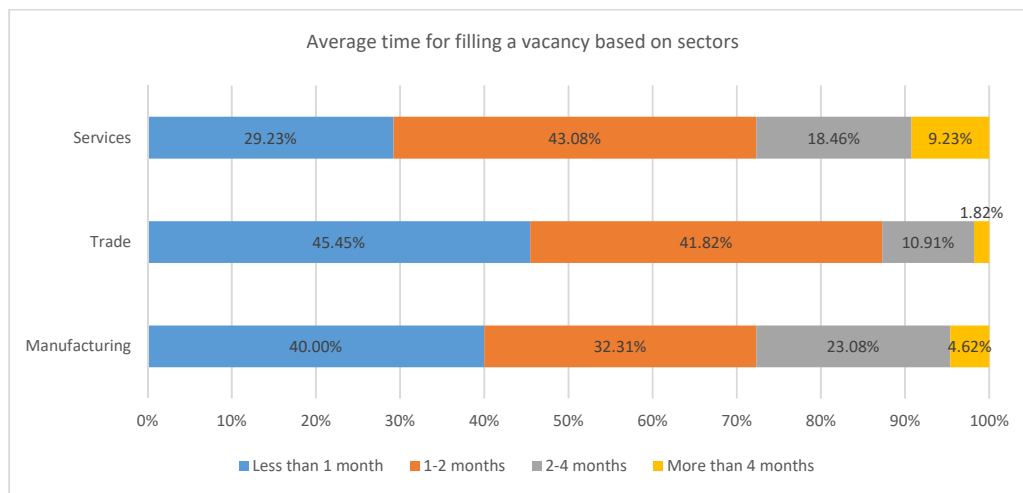


Figure 46 Time Estimates for filling a vacancy based on sectors

Breakdown data on time estimates for filling a vacancy show a similar trend to the disaggregated data on the time needed for employees to gain full competency (i.e. employees in trade sector vacancies are found slightly faster compared to other sectors). 87.5% of jobs are filled within the first two months in the trade sector, whereas the corresponding figure for manufacturing and services sectors is approximately 72.5%. At the other extreme, 9.23% of respondents from the services sector claim to need more than 4 months for finding the right candidate with the required skill set for a vacancy, more so than in the manufacturing (4.62%) or in the trade sector (1.82%).

This graph in itself shows that the skills gap issue is predominantly present in manufacturing and services sectors compared to the trade sector, whereby employees are found to some extent easier. As a reminder, the skills gap revealed an overall index of 1.41 for service companies, 1.33 for manufacturing companies and 0.91 for trade companies. On the other hand, the level of sophistication of skills and the types of skills required in each sector is different, as will be demonstrated below.

Sought after skills

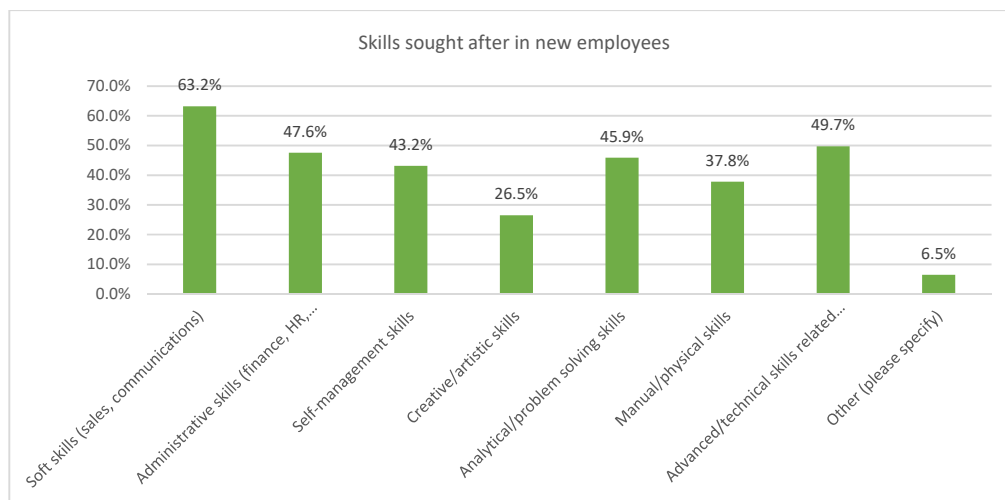


Figure 47 Skills most sought after for upcoming vacancies

Across sectors, soft skills emerge as being very important to all employees. In general, there is a perception that education institutions can do more to teach students about business communication and related subjects to facilitate their entrance in the labor market. Soft skills rank high among requirements particularly because these skills are relevant across industries; however, this does not mean that they are the most important skills for each sector.

Also, advanced technical skills related to the industry ranks high among in the list of skills sought after by employers. Responses provided under other are mainly related to narrow industry fields deepening on the subsector (such as tailor, wood carpenter, assembly line workers, graphic design etc. However, there are also those that provide more general responses, such as client relation specialist, team working skills and so on.

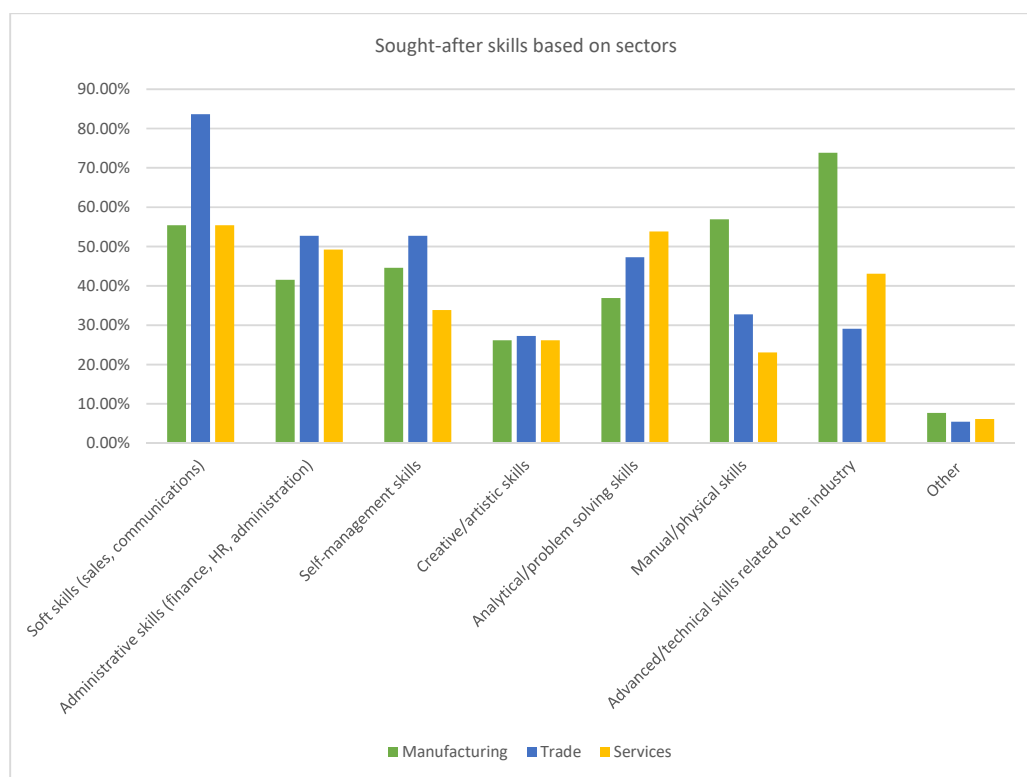


Figure 48 Sought-after skills based on sectors

According to the data presented, soft skills are particularly important in the trade sector, despite the fact that they are ranked as a priority across all sectors. As the table below provides, having good soft skills is considered an advantage across all sectors. Analytical & problem solving skills are more appreciated in the services sector, while advanced technical skills are highly sought after in manufacturing companies (74%). The table below provides a list of top three sought-after skills based on industries:

MOST SOUGHT AFTER SKILLS IN NEW EMPLOYEES					
Manufacturing Sector		Trade Sector		Services Sector	
Advanced technical skills	73.85%	Soft skills	86.34%	Soft skills	55.38%
Manual/physical skills	56.92%	Administrative skills	52.73%	Analytical skills	53.85
Soft skills	55.38%	Self-management	52.73%	Administrative skills	49.23%

Figure 49 Most sought after skills in new employees during hiring procedures



e) Opinion on the role of education institutions

Required qualifications for upcoming vacancies

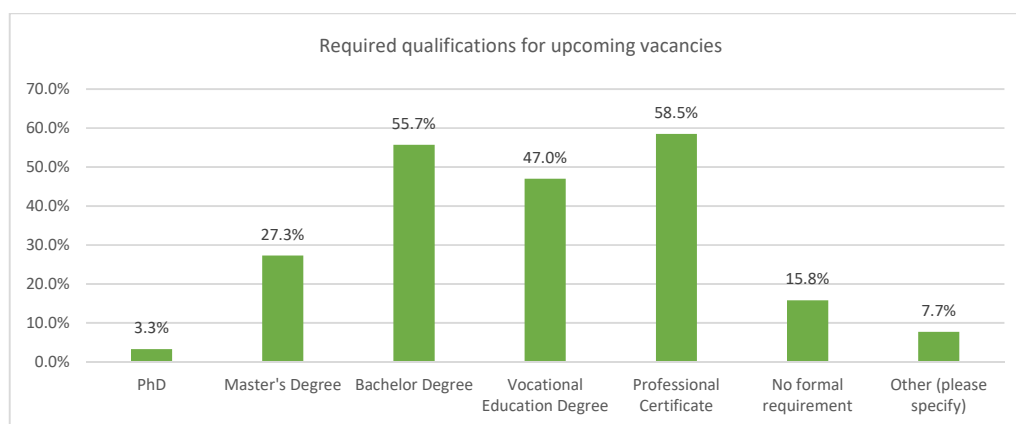


Figure 50 Required Qualifications on new vacancies

Certificates from professional bodies and Bachelor degrees appear to be the most common qualification requirement by employers when looking to hire new employees, followed closely by Vocational Education Degrees.

15.8% of respondents state that they have no formal qualification requirement in a number of vacancies. Among responses provided under “other” companies have stated that the most important thing that they look for is prior experience in the industry. In some cases, employers state that having a primary school diploma or a high school diploma is more than enough, provided that the employees have the necessary skills to complete the tasks at hand.

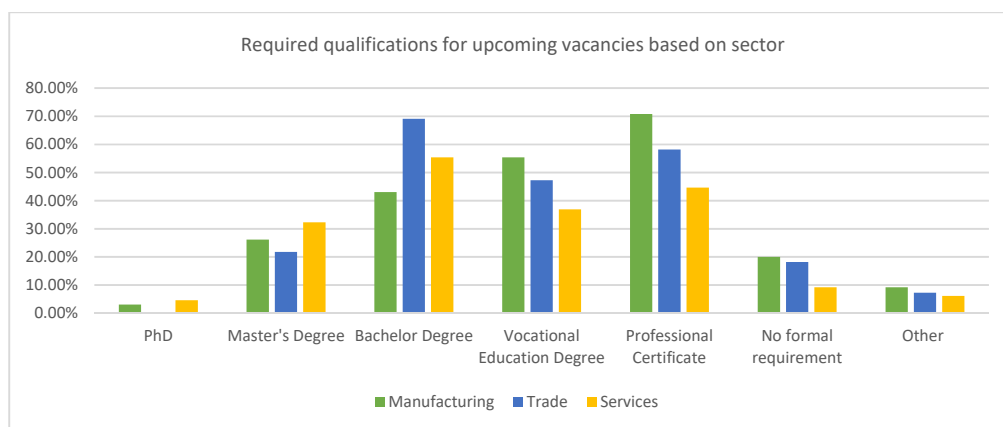


Figure 51 Required qualifications for next vacancies based on sectors

As the table reveals, bachelor degrees appear as main qualification requirements in trade and services sector, while vocational education degrees and professional certificates are the main requirements in the manufacturing sector. Considering that based on previous responses manufacturing appears to be the sector that will be needing the largest number of employees, a special focus should be placed on these two pillars of the education system. A closer inspection of results from this skills gap analysis underlines the need for further advancing vocational education and professional certification programs in the country.

Another significant result which requires a further analysis, is the large proportion of trade sector companies that have selected “Bachelor Degree” as a qualification requirement for upcoming vacancies. Arguably, the level of sophistication of skills in the sector, particularly for entry level positions, is lower compared to other sectors, which makes this finding quite paradoxical. However, this is a reflection of the tendency of employers to include excessive qualification

requirements on vacancies which otherwise would be suitable to candidates with a lower education level. This can certainly further encourage students to pursue a university track as opposed to a vocational one.

On a side note, the trend shown in this graph closely resembles the figure depicting the current composition of the workforce based on represented sectors, which was shown in previous sections of this study.

Private sector needs vis-à-vis education curricula

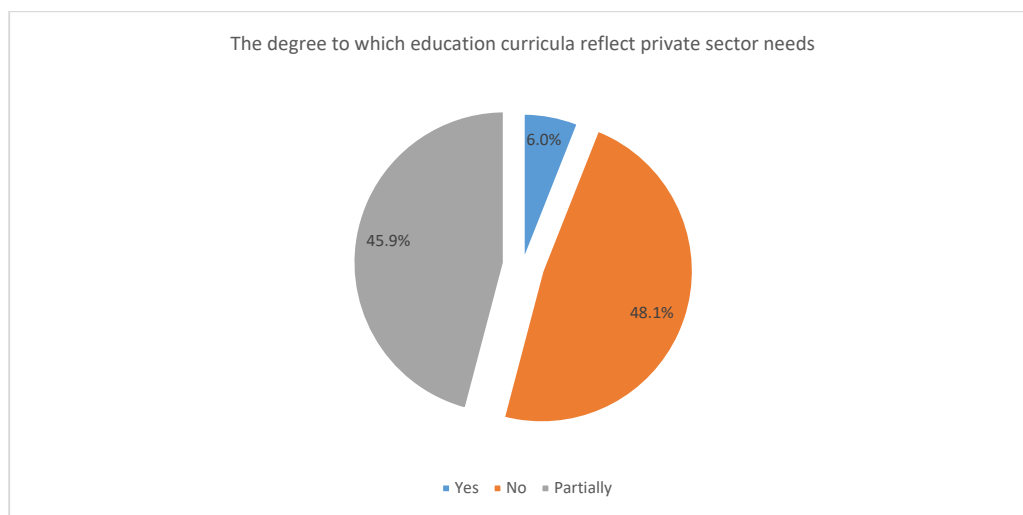


Figure 52 Respondents' opinion on whether or not the education curricula reflects private sector's needs

Roughly 48 percent of respondents state that they do not believe that the education curricula reflects what the private sector actually needs. Only 6% believe that the education institutions are doing a good job at supplying the labor market with jobseekers who possess relevant skills in the labor market, while 46% are of the opinion that this objective is fulfilled only partially. Considering that the private sector is seen as the engine for economic growth and for the generation of employment, one would expect a greater commitment of the education sector overall towards providing the private sector with the required human capital.

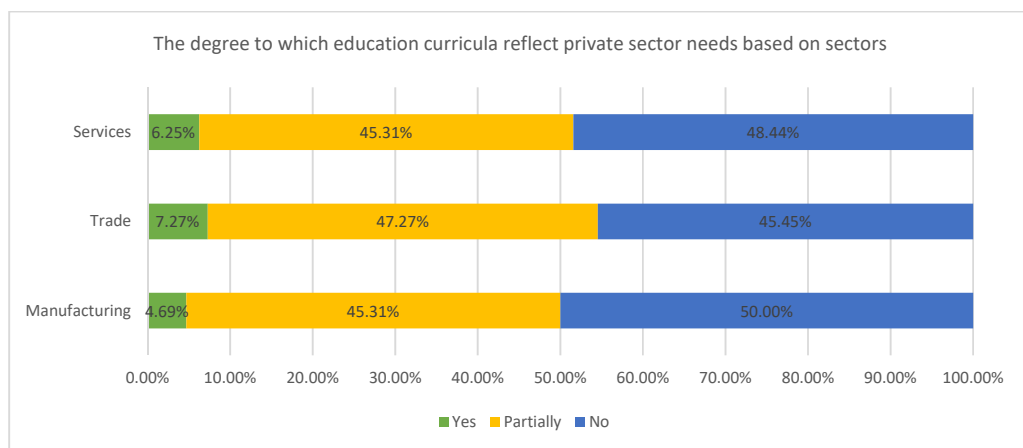


Figure 53 Degree to which education curricula reflect private sector needs based on sectors

Disaggregated data do not reveal any significant difference with regards to the perception of different sectors toward the degree to which education curricula reflects private sector needs. On average, 50% of respondents from all sectors are not satisfied with the curricula taught at education institutions.



Interaction between the private sector and education institutions

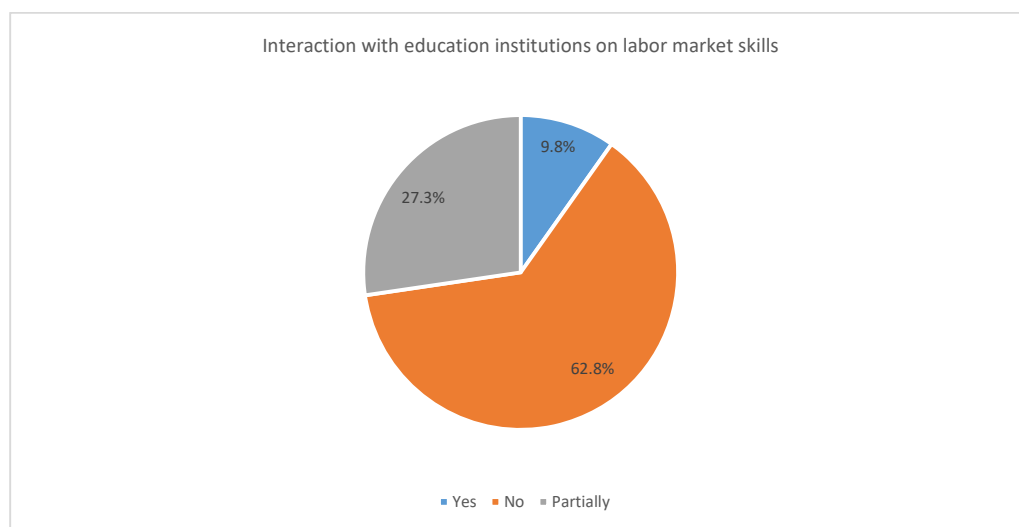


Figure 54 Interaction with education institutions

Roughly 37% of employers reveal that they interact with education institutions at some level regarding the skills they need from their employees. Around 63% of respondents state that they have never interacted with any education institution for this purpose. However, larger manufacturers seem to dialogue more regularly with certain education institutions for the purpose of filling their vacancies.

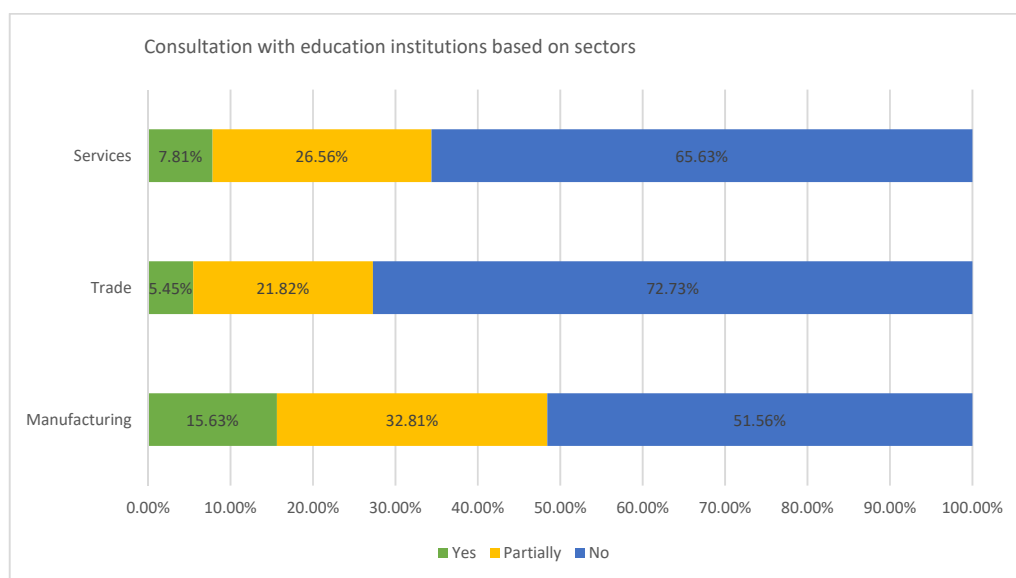


Figure 55 Consultation with education institutions based on sectors

From all the sectors that were subject of this study, manufacturing companies appear to be at a slight advantage in terms of being consulted by education institutions for the development of programs at their institutions. Roughly 48.5% of respondents from this sector are at least partially consulted on this topic, while the corresponding figures for services and trade sectors are 34% and 28% respectively. Data on manufacturing companies is slightly encouraging, however even a greater engagement of the private sector is highly needed. Case studies from selected countries in following segments of this study show that the private sector should be the engine for driving reform and addressing the skills gap through education institutions.

Education Institutions' Success in Workforce preparation

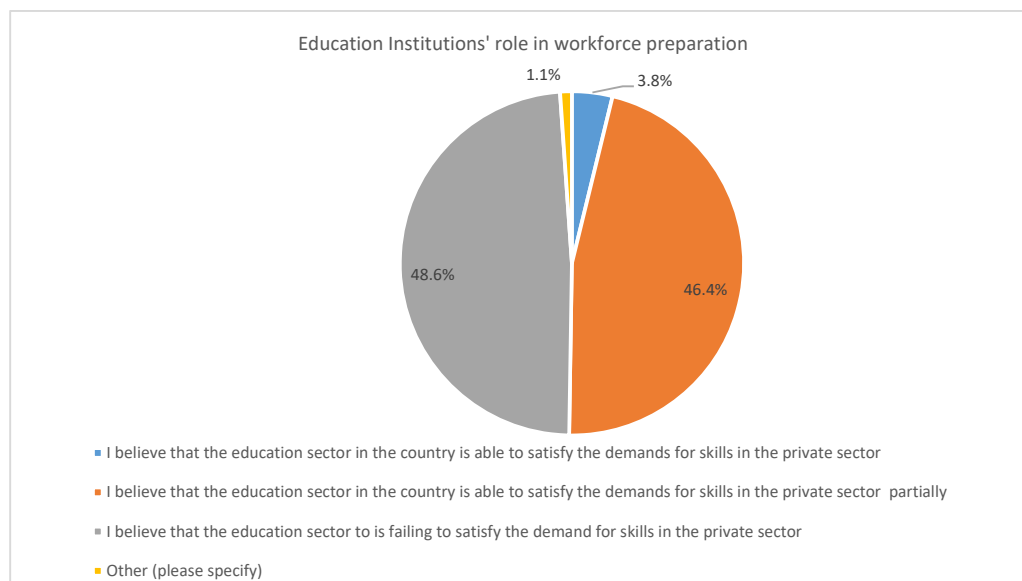


Figure 56 the degree to which education institutions are being able to satisfy the demand for skills

A significant proportion of respondents, namely 48.6%, state that they believe that the education sector is failing to satisfy the demand for skills in the labor market. Only 3.8% of respondents are confident that education institutions are completely successful at achieving this objective. Two responses have been provided under “other”, one respondent claiming that only 10% of the demand for skill is being met, while another stating that the oversupply of professions (such as Economics and Law) has caused the quality of education to be dropped drastically.

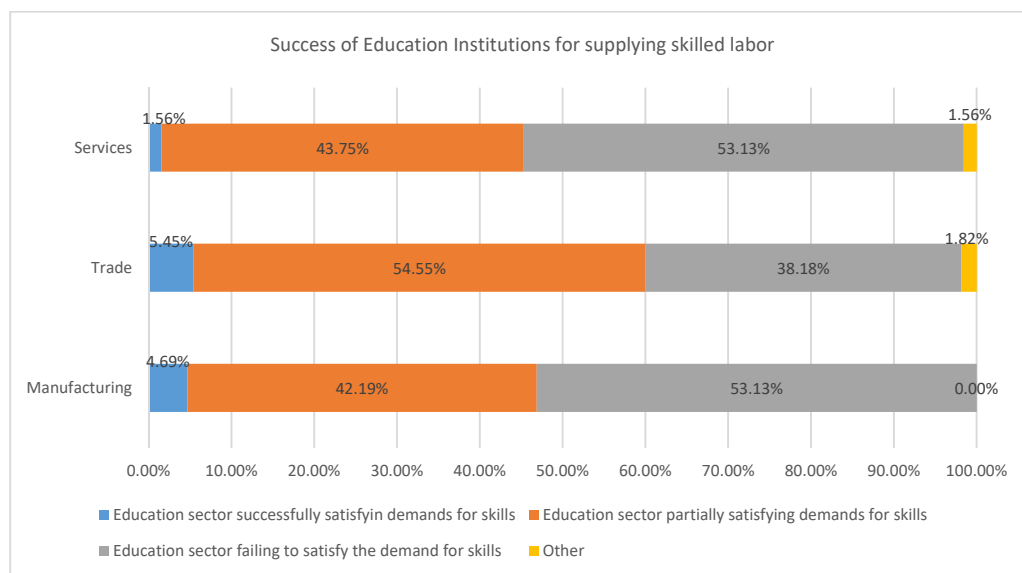


Figure 57 Level of Success of Education Institutions for supplying skilled labor based on sectors

Disaggregated data on this topic do not reveal any significant variation with regards to respondents pertaining to different sectors.



What should Education Institutions do according to businesses?

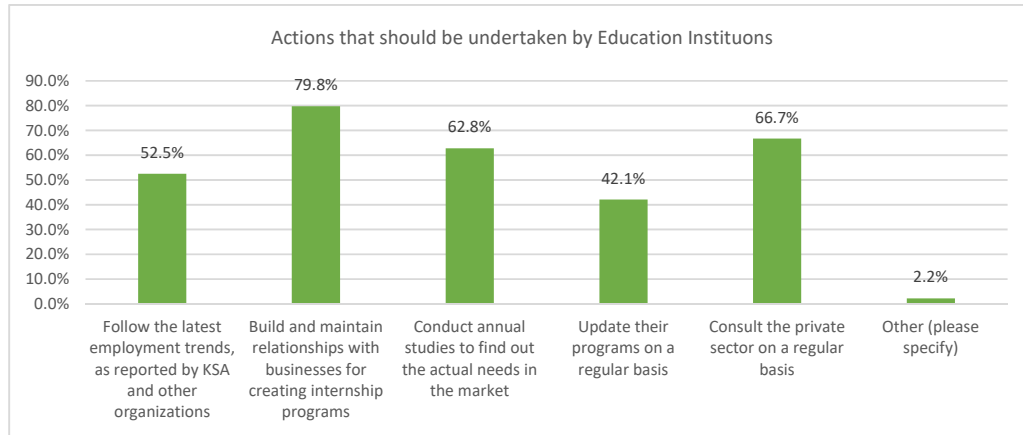


Figure 58 Actions that need to be undertaken by Education Institutions to lower the skills gap

Maintaining relationships with businesses for engaging students in internship programs and regularly consulting the private sector for skills needed in the labor market are the two most common responses provided by respondents in terms of actions that education institutions should follow to address the skills gap.

This is perhaps the most straight-forward method for trying to address the existing skills gap, but in order to achieve this, the education institutions need to become more flexible and more dynamic in their approach to the private sector, while at the other hand, businesses need to develop a more proactive approach and build a solid cooperation with relevant education institutions.

A respondent has claimed that the education curricula should include lecture on relevant laws in Kosovo, while another respondent states that in order for the education system to flourish, political influence should be removed from the system at a grassroots level.

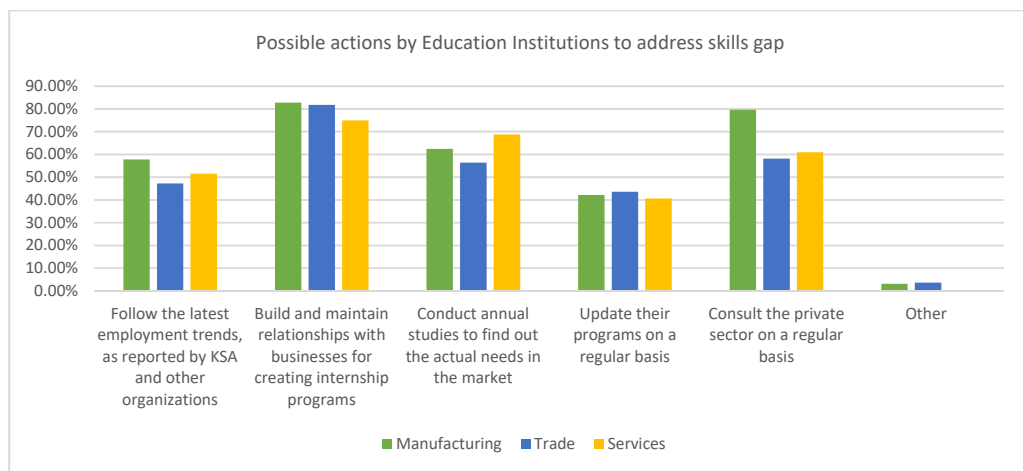


Figure 59 Possible actions by Education Institutions to address skills gap based on sectors

The opinion of different sectors regarding the approach to be taken by education institutions for addressing the skills gap follows more or less the same trend. Manufacturing companies seem to value regular consultation with the private sector to a certain degree more compared with the other sectors. Perhaps, education institutions need to consider establishing industrial boards within their institutions to provide a platform for first hand recommendations from the business community with regards to skills sought after in the young generation.

Building and maintaining internship programs is a common choice among all respondents. This method not only allows students to obtain valuable experience in their fields and the possibility to expand their knowledge, it benefits companies as well, given that they get eager students that might be potential employees in the future.

Are businesses' interests taken into consideration when education legislation is prepared

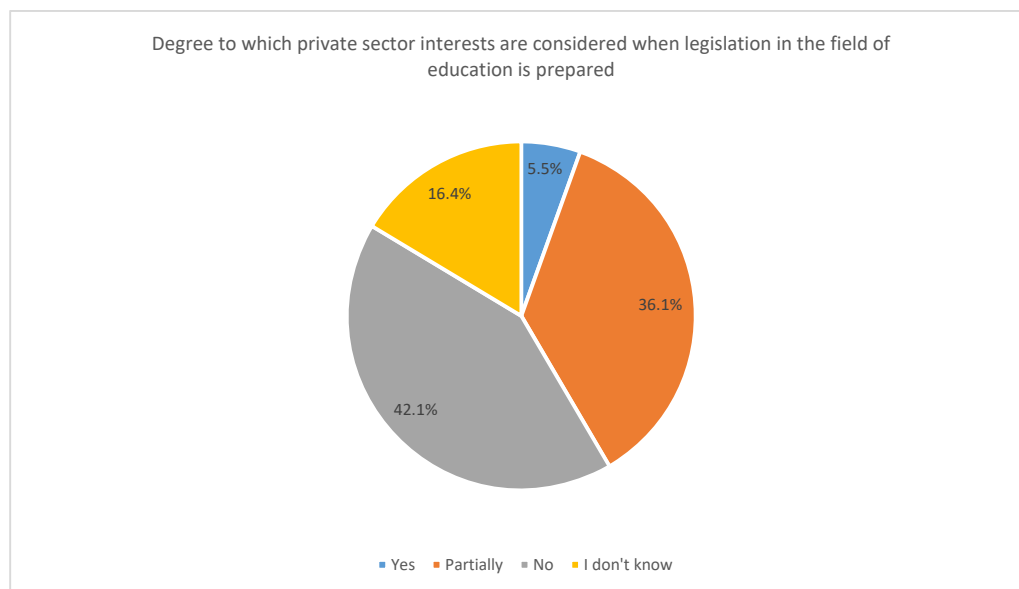


Figure 60 Taking businesses' interests in consideration when legislation is prepared

42.1% of respondents state that the interests and requests of the business community are not taken into consideration at all by policy makers in the field of education. Only 5.5% claim that their interests are considered, while 16.4% do not have sufficient information to provide a meaningful response.

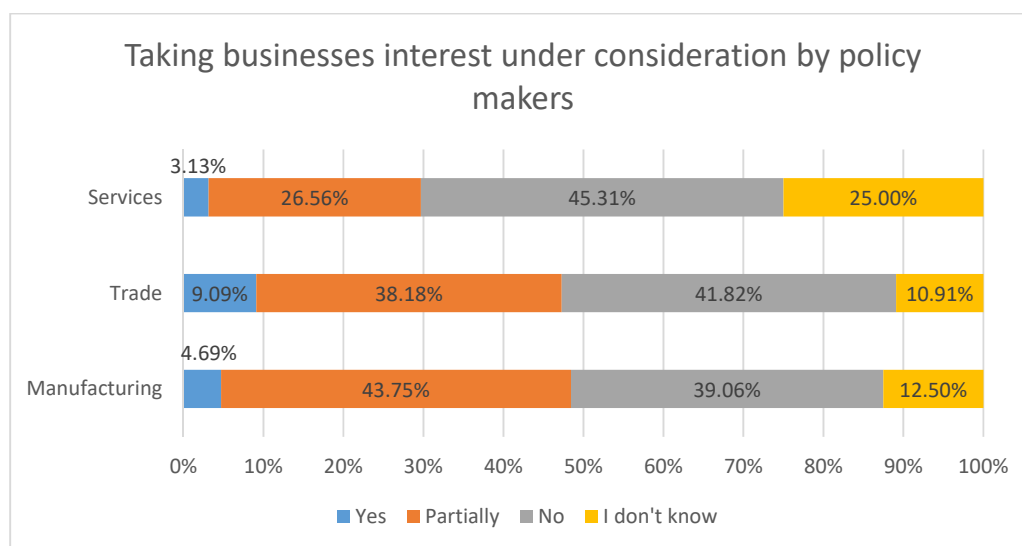


Figure 61 Degree to which businesses' interests are taken into consideration by policy makers based on sectors

From the data depicted in the graph above, the service sectors appears to be the most neglected in terms of having their interests taken into consideration by policy makers. However, the difference to other sectors is not very telling, considering that a significant percentage of respondents from this sectors did not feel confident of providing a response due to lack of information on the topic. Manufacturing Sector companies and Trade Sector companies have a similar perception in this topic, based on responses provided to the survey.



Information on Vocational Training Centers

Given that there is a perception in the overall public that a large number of requests by the business community for specific labor skills can be fulfilled through Vocational Training Centers, the survey also asked respondents whether they have information on what these VTC's do. 33% of respondents did not have any information on VTC, while the remaining 67 percent had either full or partial information on the subject.

From this group of respondents pertaining to the 67%, roughly 30% of them (38 companies) knew that they have employees that have participated in these centers, while 70% claimed that they have no such information.

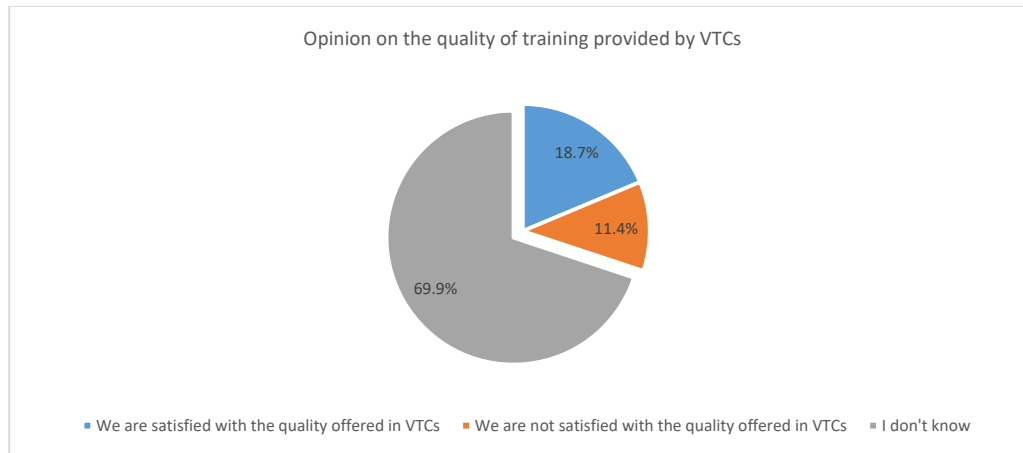


Figure 62 Opinion on the quality of training offered by VTCs

The vast majority of respondents did not feel confident that they have enough information to state whether or not the quality of training provided by VTCs is of the required level, while 18.7% stated that they are satisfied with the work done in these centers. Perhaps this is an indication that more should be done to connect these VTCs with the business community and to educate businesses on how they can benefit from building partnerships with these institutions.

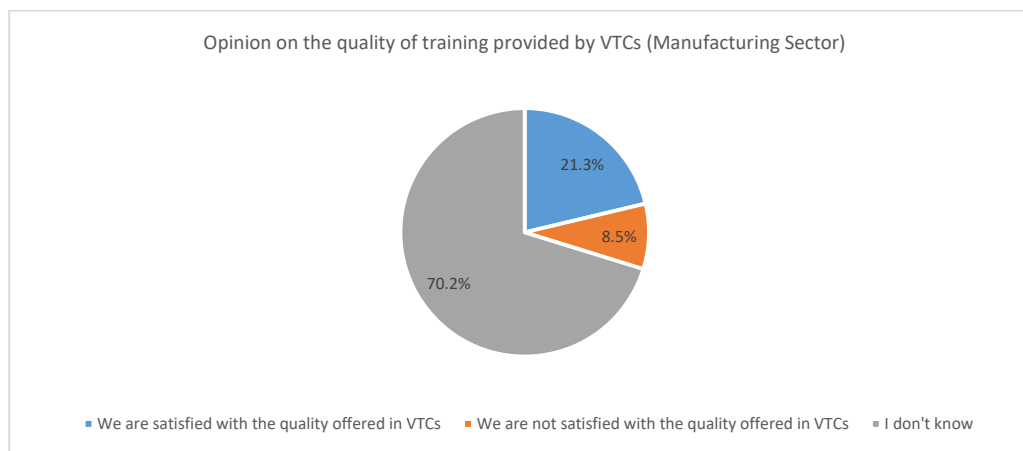


Figure 63 Opinion on the quality of trainings provided by VTCs (Manufacturing Sector)

Given that Vocational Training Centers are arguably the most relevant to the manufacturing sector, the graph above depicts the opinion of respondents from this sector on the quality of trainings provided at these institution. While the responses depict a trend similar to the overall opinion, it should be stated that a larger degree of respondents that have information on this topic report being satisfied with the quality offered at these institutions. In fact, if those that have selected "I don't know" are omitted from the calculations, we would be able to conclude that 71% of respondents are satisfied with the skills possessed by employees that have participated in these programs, while 29% are not.

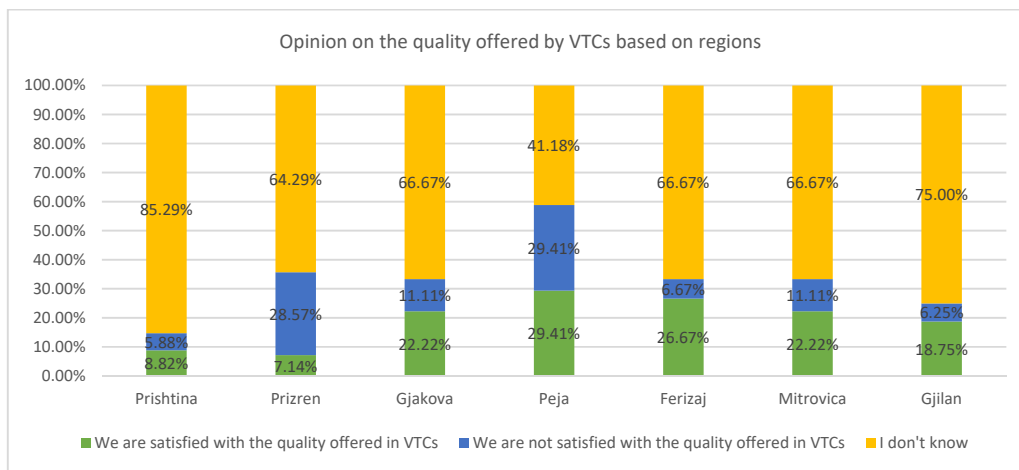


Figure 64 Opinion on the quality of trainings offered by VTCs based on regions

Respondents from Peja and Ferizaj region, appear to be the most satisfied with the quality of trainings offered at VTCs, followed by other cities. At the same time Peja (which has the lowest number of respondents selecting “I don’t know” as their answer), has a high number of respondents claiming that they are not satisfied with the quality offered at these institution, similarly to Prizren. If “I don’t know” responses are omitted from calculations, we would get the following graph.

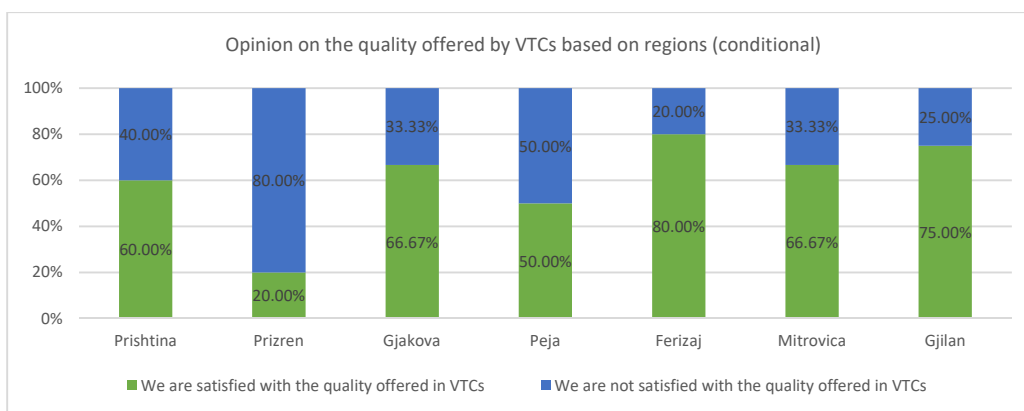


Figure 65 Opinion on the quality of trainings offered by VTCs based on regions (conditional)

f) Most needed skills in the next 10 years

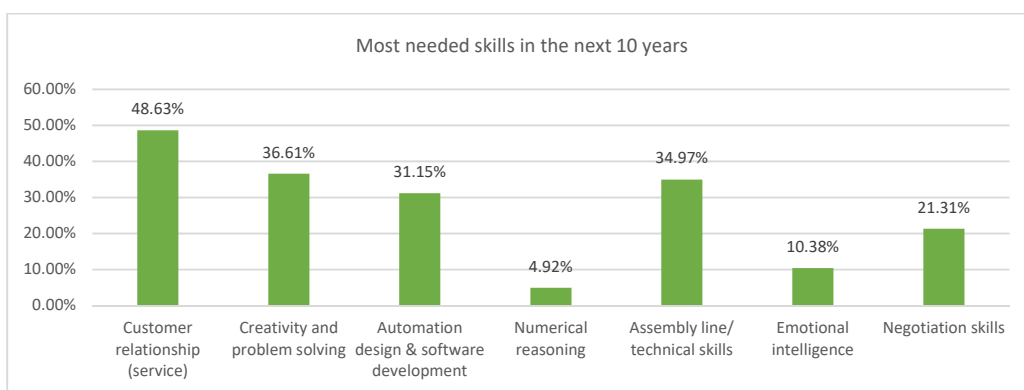


Figure 66 Skills most needed in the next 10 years



On a final note, respondents were asked to provide their input on the two most needed skills in the next 10 years. Customer service (48.63%), creativity and problem solving (36.61%), and technical skills (34.97%) emerge as the most frequent selections from respondents. Numerical reasoning skills and emotional intelligence appear at the bottom of the list on this occasion.

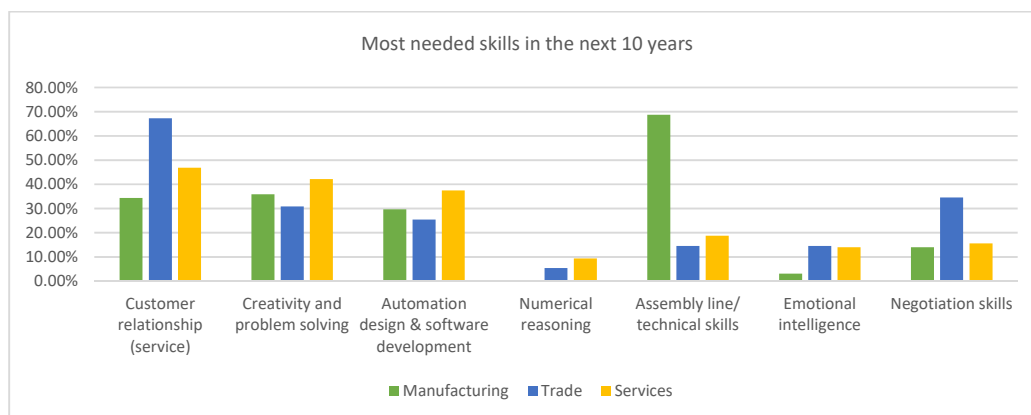


Figure 67 Skills most needed in the next 10 years by sectors

Disaggregated data reveal a tendency for respondents to pay more attention to their sector-specific needs in their responses. 68% of manufacturers claim that assembly line/technical skills will be key skill in a 10-year window, while other sector respondents do not pay a particular importance to this skill for the future. The table below provides a summary of three most important skills in a 10-year framework based on sectorial responses.

MOST NEEDED SKILLS IN THE NEXT 10 YEARS					
Manufacturing Sector		Trade Sector		Services Sector	
Assembly-line skills	68.75%	Customer Service	67.27%	Customer Service	46.88%
Creativity & problem solving	35.94%	Negotiation Skills	34.55%	Creativity & problem solving	42.19%
Customer Service	34.38%	Creativity & problem solving	30.91%	Automation design & software develop.	37.50%

Figure 68 Skills most needed in the next 10 years (top 3 per industry)

As evidenced in the summary table above, customer service skills and problem solving skills appear in the top three list for each represented sectors. Additionally, manufacturers stress that the need for assembly line workers will continue even after 10 years, while trade companies place a particular importance on negotiation skills.

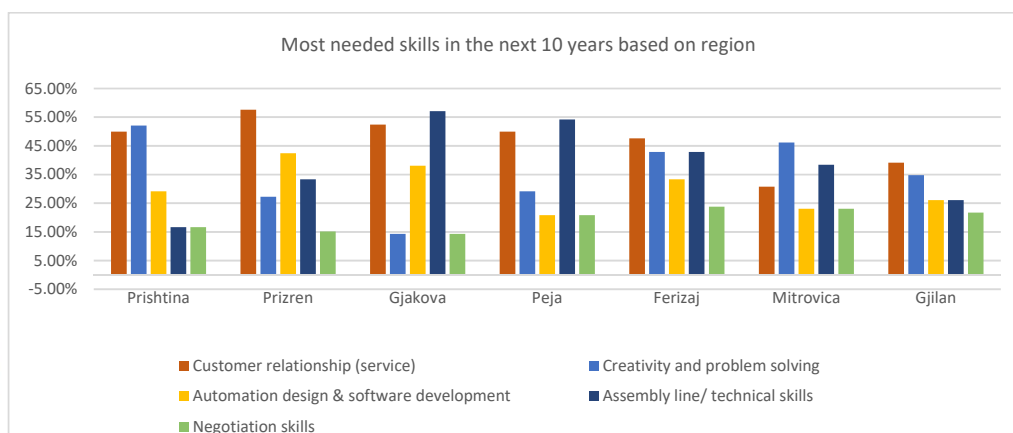


Figure 69 Skills most needed in the next 10 years by regions

In regional terms, it must be noted that respondents from Gjakova and Peja region seem to place a special emphasis on assembly line/technical skills, in terms of their importance in a 10-year time span. 57% of respondents from Gjakova region and 54% of respondents from the Peja region have selected this option as one of the two most important skills to have in the future in order to increase employability. Alternatively, Prishtina, Mitrovica and Ferizaj regions have outlined creativity and problem solving skills as being important in the future. In fact, this is the most frequent selection for both Prishtina (52%) and Mitrovica (46%) region respondents. Numerical reasoning and emotional intelligence rank very low in the majority of selected regions, and consequently have been removed from the graph altogether.

g) Skills Gap Data disaggregated by regions

The following graphs represent a breakdown of Skills Gap data based on the region of respondents.

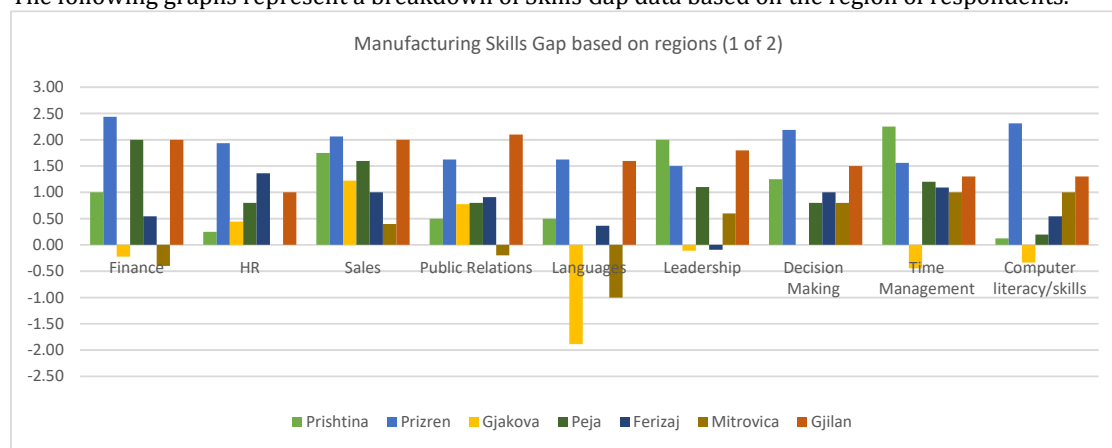


Figure 70 Skills Gap in the Manufacturing Sector based on respondents' region (part 1 of 2)

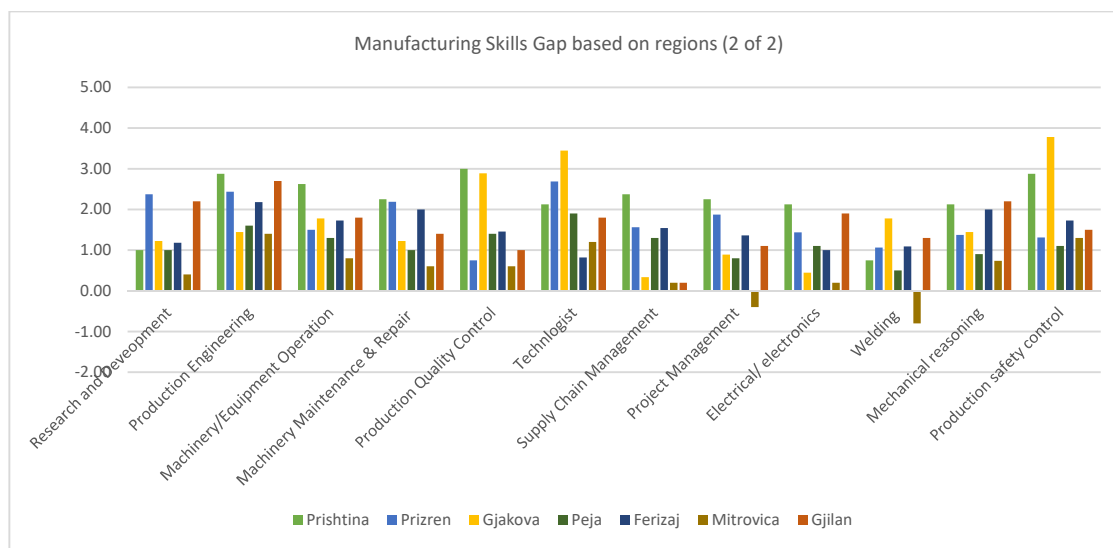


Figure 71 Skills Gap in the Manufacturing Sector based on respondents' region (part 2 of 2)



Discussion on Skills Gap in the Manufacturing Sector disaggregated based on regions

A regional analysis of the question regarding the self-evaluation of skills is useful in assessing the degree of the existing skills gap in a local level. The first table lists a set of skills which are applicable throughout sectors, while the second table lists a number of skills which are more predominant (or more relevant) in particular sectors.

- **Prishtina-** According to the responses provided by manufacturing companies in Prishtina region, the following skills seem to be the most lacking in this region for the sector: Production Quality Control (3.00), Production Engineering (2.88), and Production Safety Control (2.88). In terms of general skills, respondents report a gap in time management skills (2.25)
- **Prizren-** Manufacturing sector respondents in Prizren region list the following skills as the most difficult to find: Technologists (2.69), Production Engineering (2.44) and Research and Development (2.38). Finance skills (2.44) are listed as being difficult to find in the region in terms of general skills.
- **Gjakova** region respondents from the manufacturing sector list Production Safety Control (3.78), Technologists (3.44), and Production Quality Control (2.89) among skills which are difficult to find in the labor market. In terms of skills applicable throughout sectors, manufacturers in Gjakova complain on the lack of sales skills (1.22)
- **Peja-** Manufacturing companies in Peja region have provided the following results for the biggest skill gaps in the labor market: Technologists (1.90), Production Engineering (1.60) and Production Quality Control (1.40). Similarly to Prizren, Peja manufacturers also report a skills gap in Finance Skills (2.00)
- **Ferizaj** region respondents from the manufacturing sector report a skills gap for the following skills: Production Engineering (2.18), Mechanical Reasoning (2.00) and Machinery Maintenance and Repair (2.00). Human Resource Management skills are among the general skills most in shortage in the region of Ferizaj (1.36).
- **Mitrovica-** Responses from Mitrovica region manufacturers reveal a shortage of supply for the following skills in the sector: Production Engineering (1.40), Production Safety Control (1.30), and Technologists (1.2). Time Management and Computer Literacy Skills (1.00) rank the highest among general skills which are difficult to find in the region by manufacturers.
- **Gjilan-** Production Engineering (2.70), Research and Development (2.20) and Mechanical Reasoning (2.20) are skills with the biggest reported gaps among manufacturing sector representatives in the region of Gjilan. At the same time, in terms of general skills, manufacturers in Gjilan report a shortage of people with Public Relations skills (2.10).

If the logic of creating an index of the existing skills gap is applied in a regional context, we would get the following indices:

	Manufacturing skills	General skills	Overall Index
Prishtina	2.20	1.07	1.71
Prizren	1.71	1.92	1.80
Gjakova	1.72	-0.06	0.96
Peja	1.16	0.95	1.07
Ferizaj	1.51	0.75	1.18
Mitrovica	0.52	0.25	0.41
Gjilan	1.59	1.62	1.60



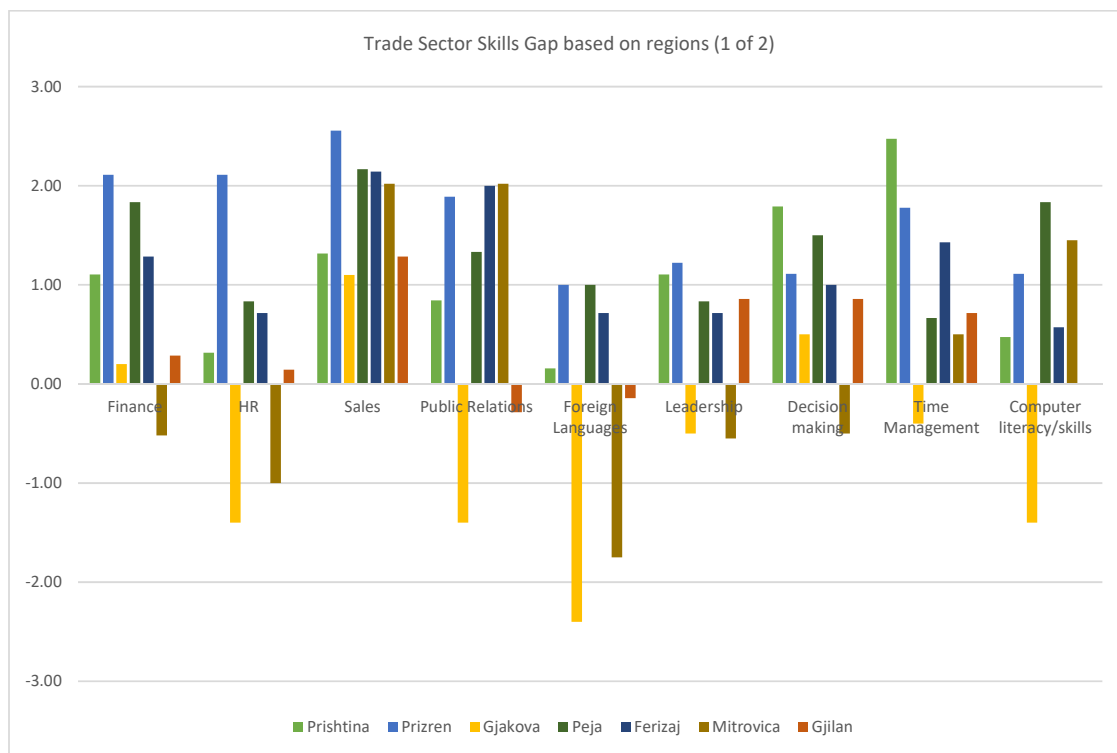


Figure 72 Skills Gap in the Trade Sector based on respondents' region (part 1 of 2)

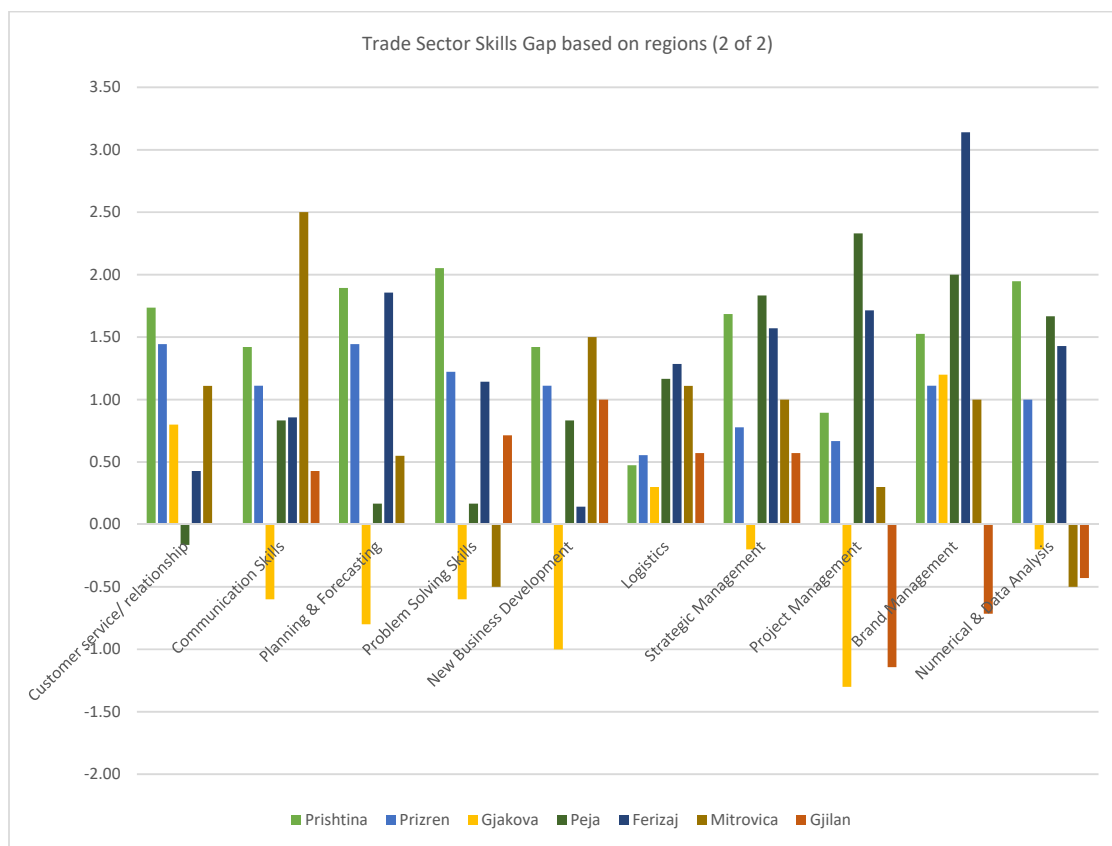


Figure 73 Skills Gap in the Trade Sector based on respondents' region (part 2 of 2)



Discussion on Skills Gap in the Trade Sector disaggregated based on regions

- Trade companies in the **Prishtina region** place a high emphasis and report a shortage on the following skills for the trade sector: Time Management (2.47), Problem Solving Skills (2.05), Numerical and Data Analysis (1.95), and Planning and Forecasting (1.89). On the other hand, the lowest skills gap is reported in foreign languages (0.16).
- **Prizren region** respondents from the trade sector report a significant skills gap for the following skills: Sales (2.56), HR (2.11), Finance (2.11), Public Relations (1.89) and Time Management (1.79). On the other hand, the gap for logistics (0.56) or project management (0.67) seems not to be a pressing issue for the sector in Prizren.
- **Gjakova region** respondents name Brand Management (1.20), Sales (1.10), and Customer Service (0.8) among the skills most lacking in the labor market. On the other hand, according to respondents, for a number of skills the supply surpasses the need for those skills considerably, namely in terms of foreign language knowledge (-2.40), Computer literacy skills (-1.40) etc.
- Sales (2.17), Project Management (2.33) and Brand Management (2.00) are named among the skills with the most gaps in the **region of Peja**. On the opposite end, respondents report being sufficiently covered in terms of Customer Service/Relations skills (-0.16), Planning and Forecasting (0.17), and Problem Solving Skills
- **Ferizaj region** respondents report having significant shortages in the supply of the following skills: Brand Management (3.14), Sales (2.14), Public Relations (2.00), Planning and Forecasting (1.86) etc. Among skills with the least reported gaps are New Business Development (0.14) and Customer Service (0.43)
- In the **region of Mitrovica**, respondents have reported significant skill gaps in terms of Communication Skills (2.50), Sales (2.02), and Public Relations (2.02). In the other hand, respondents claim that they do not have any difficulties in accessing the following skills in the labor market: Foreign Languages (-1.75), Human Resources (-1.00), Numerical Data Analysis (-0.5) etc.
- Sales skills (1.29) and New Business Development skills (1.00) are among the skills which trade companies in **Gjilan** have reported as being in shortage, while they claim to be satisfied with the supply of other skills such as Project Management (-1.15), Brand Management (-0.71), Numerical and Data Analysis (-0.43) etc.

	Trade Sector skills	General skills	Overall Index
Prishtina	1.06	1.51	1.30
Prizren	1.65	1.05	1.35
Gjakova	-1.03	-1.06	-1.04
Peja	1.33	1.18	1.25
Ferizaj	1.17	1.45	1.33
Mitrovica	0.17	0.75	0.47
Gjilan	0.41	0.11	0.25



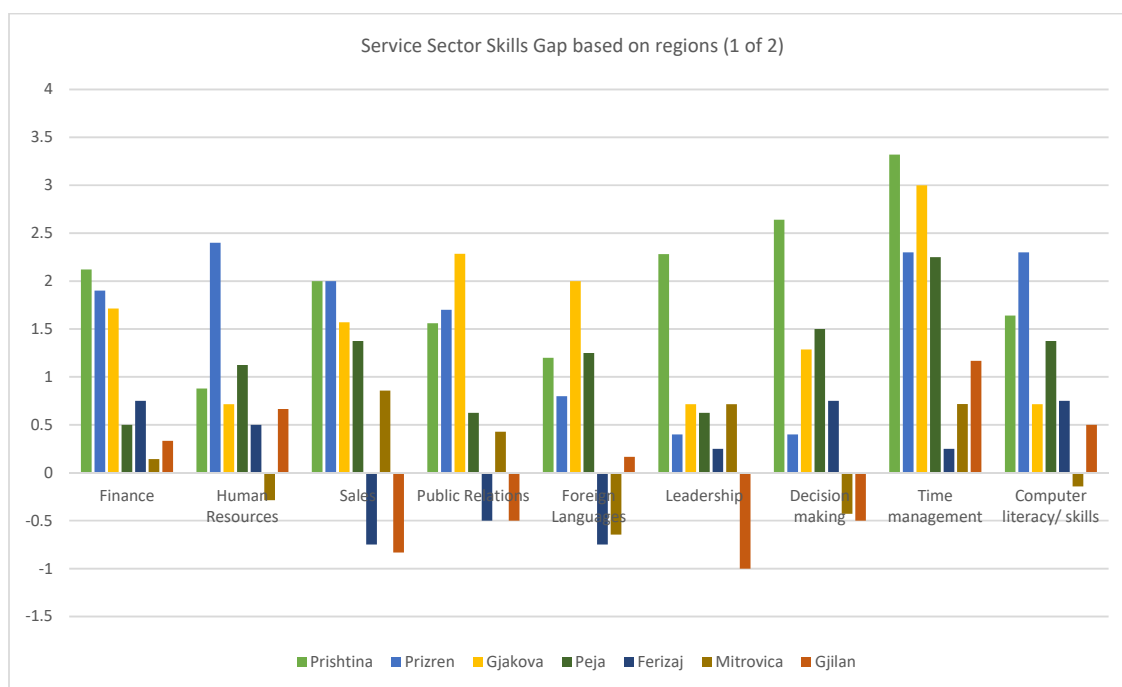


Figure 74 Skills Gap in the Services Sector based on respondents' region (part 1 of 2)

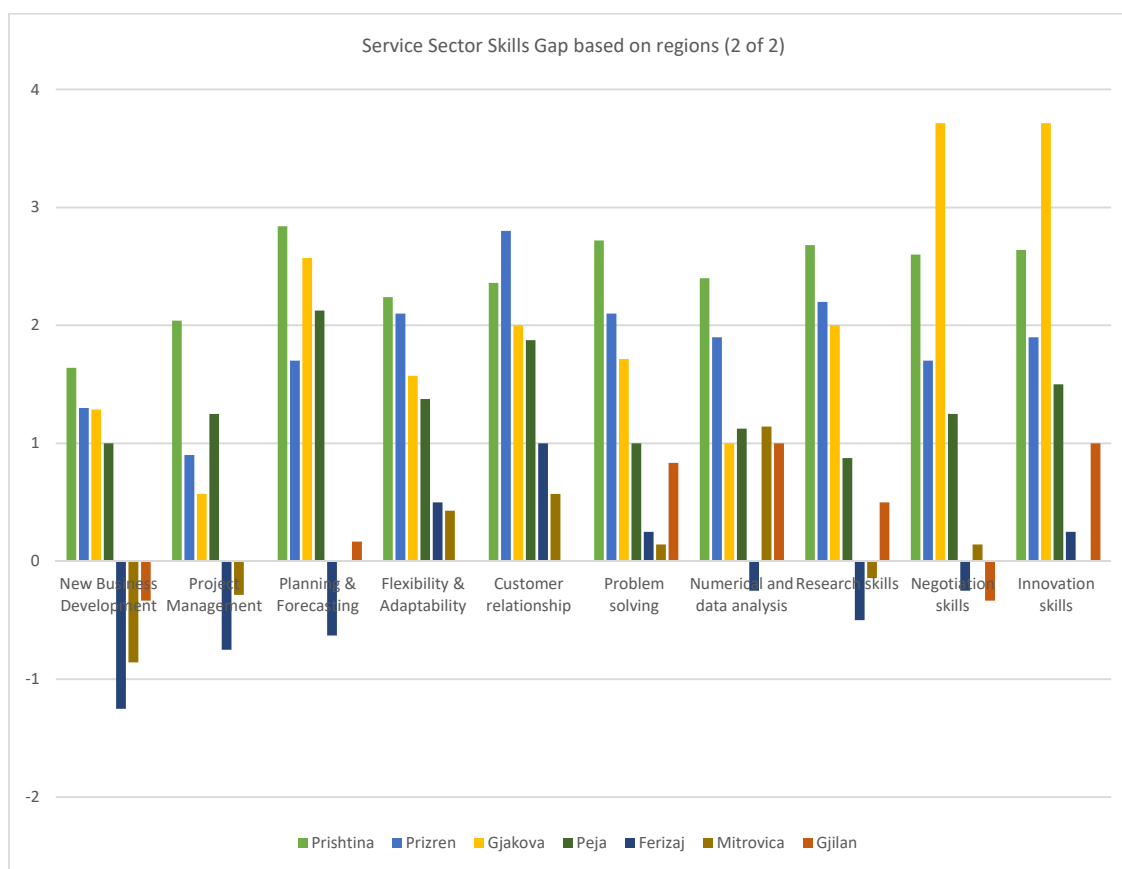


Figure 75 Skills Gap in the Services Sector based on respondents' region (part 2 of 2)

Discussion on Skills Gap in the Services Sector disaggregated based on regions

- Companies operating in the services sector in the **Prishtina region** report a shortage of supply for the following skills: Time Management (3.32), Planning and Forecasting (2.84), Problem Solving (2.72), Research Skills (2.68) etc. In general, they report a skills gap in most skills. The two skills with the least reported skills gap are: Human Resources (0.88) and Foreign Languages (1.2)
- Similarly to service companies in Prishtina, respondents from the **Prizren region** also report significant gaps in many skills, including Customer Relationship (2.8), Human Resources (2.4), Time Management (2.3) etc. On the other hand, they do not report any significant shortages in Leadership (0.4), Decision Making (0.4), or Foreign Languages (0.8)
- Service sector companies in **Gjakova region** report a significant gap in Innovation skills (3.71), Negotiation skills (3.71), Time Management (3.00) and Planning and Forecasting (2.57). On the opposite end, they report a smaller skills gap in terms of Project Management (0.57), Human Resources (0.71), and Computer Literacy (0.71).
- **Peja region** respondents name Time Management (2.25), Planning and Forecasting (2.13) and Customer Service (1.88) as skills which are lacking in the labor market at the services sector. They do not report any significant shortages in Finance skills (0.5), Public Relations (0.63) or Leadership skills (0.63).
- According to the data provided by respondents from the services sector in **Ferizaj**, only one of the listed skills has a coefficient larger than 1, namely Customer Relations. Other skills appear to be well covered in the municipality for the services sector, whereby the presence of a number of skills (new business development, project management etc.) is greater than the need for those skills.
- Similar to the region of Ferizaj, respondents from this sector in the **region of Mitrovica** report a significant gap in only one of the listed skills, namely Numerical & Data Analysis (1.14). Also, the need for a number of skills is lower than the supply of those skills in a number of cases, including in terms of knowledge of foreign languages (-0.65), new business development (-0.86) etc.
- Responses from service sector companies in the region of Gjiilan suggest for the existence of a skills gap in the following skills: Time Management (1.17), Numerical and Data Analysis (1.00) and Innovation (1.00). On the other hand, skills such as leadership and sales can be found in abundance according to respondents' answers

	Service Sector skills	General skills	Overall Index
Prishtina	2.41	1.96	2.2
Prizren	1.86	1.58	1.72
Gjakova	2.01	1.56	1.79
Peja	1.33	1.18	1.26
Ferizaj	-0.65	-0.08	-0.38
Mitrovica	0.12	-0.08	0.03
Gjiilan	0.28	0.00	0.14



V. Discussion on the results

The results from the survey provide useful insight on some of the main barriers that employers have in accessing qualified labor force to facilitate their development and competitiveness.

As a recap, the greatest skill gaps are found in the Manufacturing and Services sector, while the Trade Sector is generally less inclined to face skill gaps obstacles. On a national level, based on the surveys conducted with the business community the skills gap index for each of the sectors is as follows:

- **Manufacturing Sector:** 1.33
- **Trade Sector:** 0.91
- **Non-ICT Services sector:** 1.41

Readers should note that these indices have been constructed based on respondents' self-evaluation on the desirability and availability of selected skills in the labor market, as opposed to a third party employee competency analysis. As reflected in the results, this can cause major variances among answers provided by different regions, and consequently a micro-level analysis would be needed to help all respondents address the skill gaps at their organizations. These results should instead be seen as an overall evaluation of respective sectors and respective regions with regards to the availability of skills in the labor market.

Respondents to the survey have largely confirmed the perception of an existing skills gap, which hinders private sector's competitiveness and causes a loss in efficiency. A major portion of the blame for this situation is attributed to the Education Sector in the country, which is failing to keep up to date with the requirements in the private sector in the country. 64.3% of respondents believe that Education Institutions are failing to supply the labor market with a labor force which possesses relevant skills in the labor market. As a result, employers rely mostly on on-the-job trainings to address the skills mismatch, and by doing so, the time it takes for employees to get entirely up-to-speed with the job is increased. Only 4.3% of respondents state that their employees are able to complete all their assigned duties with full competence within a month of employment. The situation is worse in manufacturing and services sector in this aspect.

The consultation between private sector and academia is underdeveloped to say the least, and a lot is needed to be done in order to bridge this gap. Only 37% of respondents claim to have been consulted by education institutions at least partially, while the rest have had no contact whatsoever in this aspect. If the private sector is to be considered an engine of economic growth and job creation, these numbers need to change. Having said this, companies should bear a portion of the responsibility as well, given that they hesitate to build a long-standing cooperation with education institutions.

Perhaps, one of the most telling results of the entire survey is that the level of awareness among the business community on the work and importance of Vocational Training Centers is very low. For a significant number of skills, particularly in the Manufacturing Sector, the appropriate address for finding a solution to the existing gap are these VTCs, which are created with the purpose of supplying the labor market with employees that possess technical skills that are in dire need in the labor market. There is immense potential in creating partnerships between the private sector and these institutions for building a qualified workforce. An encouraging finding is that from those businesses that have information on VTCs and have employees that have graduated from these institutions, they report being satisfied with the level of skills of those employees. Also, vocational education degrees and professional certificates rank high among the qualifications to be asked by employers on new vacancies. However, one of the main challenges that these VTCs face is the lack of financing and a better cooperation with the business community can be useful in exploring new financing opportunities as well.

Based on survey results, education institutions must do a lot more to align their curricula with the needs and requirements of the private sector. 48.1% of respondents claim that the education curricula is not in line with what the private sector needs, and consequently 48.6% of



respondents state that the education institutions are failing to meet the need for skills in the private sector. This is very worrying considering the high unemployment rate in the country. A logical solution to this problem is to increase the dialogue between businesses and education institutions. In fact, according to respondents' feedback, "consulting the private sector in a regular basis" is the second most selected response after "partnering with businesses for internship opportunities for students" as a means to address the failure of education institutions for supplying a workforce with desired qualifications.

A very encouraging finding of the survey is that despite the challenges reported, respondents are very optimistic on the potential for creating new jobs, primarily in the manufacturing sector. Overall, soft skills appear to be very much appreciated across all sectors when searching for new employees, while the manufacturing sector places the largest importance to technical skills related to the industry. Here, these are the sort of skills that can be acquired primarily in VETs and VTCs as opposed to higher education institutions, further underlining the need to reform the sector. To add to this, manufacturing companies state that these skills will not be needed only on short term, but in the long run as well, with 68% of them having selected "technical/assembly line skills" as skills still to be highly sought after in a 10-year time span.

The regional and sectorial disaggregation of data provides a closer picture on the challenges each sector is facing in different regions, and should serve as a reference to education institutions and policy makers for undertaking necessary steps to address the skills gap.



VI. Case Studies

In order to get a full picture regarding the challenges Kosovo companies face in finding qualified labor for their needs, and to understand their strategies and tactics for hiring the personnel, the project conducted in-depth interviews with a number of companies. For the purpose of these case studies, a number of companies that have shown substantial potential for increasing the number of employees at their organizations have been selected. These interviews provided fundamental insight on the topic at hand.

a) Manufacturing sector

Calabria – Gjilan Region

Calabria is a company located in Gjilan, which has recently privatized and functionalized a meat processing facility. The company employs roughly 75 workers, with plans to employ an additional 50-60 workers in the short term (next 3-6 months). The company sells their products under *Natura* brand name, and have recently established a number of retail points and have signed contracts with a number of supermarket chains in the country. Given their potential for creating new jobs, we have interviewed Mr. Gëzim Selimi, co-owner of the company, who shared his insights with the plans of the company and their approach for hiring new workers.

First, Selimi explains that processing capacities of the company far exceed the demand for these products in the local market, thus they have plans to increase their presence in the foreign market. In terms of the need for skills, the company has one technologists (a key position for the company), who has finished his education in Turkey. However, the company has invited a technologist from the neighboring country of Macedonia for further training needs. Entry-level positions at the company are filled through public announcements on online portals and local radio stations, and the company does not require any specific qualifications for these positions. These new employees are initially hired on a probationary basis/internship for a period of 2 to 3 weeks, in order for the employer to assess whether the employee is genuinely interested to work in the company and whether he/she is trustable.

One of the key functions in the company is butchers. The company explains that they have contracted a private institution for delivering trainings for their butchers, who were consequently certified. The training institution has contracted an expert from Italy to deliver the training and consequently assess the individuals that underwent the training. According to the website of the National Qualifications Authority, the occupational standard for butchers was developed by EU KOSVET V, supported by Swisscontact. The company has not been approached and does not have any knowledge on the work of Vocational Training Centers, which may assist them in efforts for finding qualified labor. However, in general terms, the company notes that vocational education in the country is underdeveloped and more is needed to be done to strengthen this sector of the education system.

They have accepted students from the Agricultural School for internship placements in a number of cases. However, given that the company is still in its early phases, they do not have any specific plans for establishing long-term internship placement partnerships with institutions, despite the fact that they express their willingness to test the dual system of education in practice.

Devolli Corporation – Peja and Gjakova Region

For the purpose of this study, we have conducted a detailed interview with Mr. Zija Shabi, Chief Operations Officer at Devolli Corporation, a company producing coffee products, mattresses and polyetheranes (sponge). They are currently investing in further expanding their production capacities and the range of their products, highlighting the need for increasing the number of employees. Overall the company employs roughly 500 workers, with existing plans to increase



this number to 600. The majority of the new employees will be working in the production of mattresses (textile processing sub-sector).

Shabi explains that the company plans to transfer the production of mattresses and polyetheranes from company headquarters in Peja, to a larger facility in Gjakova, in order to invest in increased capacities for these products and to invest in new technologies for coffee production. The company plans to arrange transportation from Peja to Gjakova for its existing employees in the mattresses line, and to recruit the additional employees in the Gjakova region. Based on this, and based on two other case studies that will be summarized next, **the need for qualified labor in the textile industry in the Gjakova region appears to be growing significantly.**

For entry level positions, employees are recruited through open vacancy calls, and there are no strict education qualification requirements. Usually, new employees are trained by the existing staff of the company, who are required to share their know-how with the new recruits. However, for specific tasks, such as operating a CNC machine, employees are trained by the staff of the CNC supplier.

That being said, Devolli Corporation faces with the issue of skills gap regularly, particularly in **technical areas**. Electrical engineers and mechanical engineers graduating from education institutions often lack practical experience and knowledge for performing tasks which are required of them. This emphasizes the need to pay more attention to creating a bridge between education institutions and private sector through internships and apprenticeships during studies, in order to facilitate the transition from schools to workplaces. This seems to be a common finding in many sub-sectors in the manufacturing industry.

The company also notes the lack of interest among younger generations towards VETs, despite the fact that ideally students should start to develop their particular profiles during that age. So far, the company has had limited cooperation with VETs and VTCs in the region. Particularly, in some instances they have tried to employ people from VTCs, but despite being unemployed, those individuals had **unrealistic expectations** for their jobs. That being said, the company has recently started to recruit interns for various activities based on their interest. The company has the capacity to accommodate at least 10 interns in three-month paid internship agreements.

Creative SHPK – Gjakova Region

Creative SHPK is a manufacturing company based in Gjakova, serving as a CMT contract manufacturer in the textile industry for a company based in Netherlands. The company, which was established only recently, produces work uniforms for the said company and exports the majority of its production. The company started with 12 employees, and now employs over 60 employees. According to Mr. Milot Bicurri, CEO of the company, they plan to further increase the number of employees with up to 100 employees given the large requests from the export destination country.

However, finding the required personnel in this industry is becoming more difficult. The company has **contracted specialists from Albania** for managing the manufacturing operations in the company, considering difficulties in finding the personnel with required skills in the country. These specialists from Albania are also in charge of delivering trainings to new employees in the company. Bicurri states that all employees undergo an initial training upon being recruited, which lasts from 2 weeks to a month, depending on the level of skills of the new employee. The company has tried to hire jobseekers that have followed training courses in VTCs, but state that they are not satisfied with the skills possessed by candidates, and were forced to deliver on-the-job trainings for them as well.

As a result of **difficulties in finding qualified labor**, the company has developed its own routine for recruiting new staff. Initially, the new employees undergo a training for a month, whereby the company only covers the food expenses for them. In the next three months, the employees are engaged in probationary contracts with a lower-than-average-salary. Following the successful



completion of these three months, the new employees are employed in a longer term basis and are offered a competitive salary of 230-270 euro, depending on the level of productivity. The longer time to achieve full work competency has resulted in a **lower labor productivity rate** for the company (approximately 30%), while companies in this industry in other countries (such as Albania) are able to achieve a much larger productivity rate (80-90%). This figure is to be increased in order for the company to become profitable and to become fully competitive in a broader context. Otherwise, the benefits from having an affordable labor force are lost as a result of the decreased productivity.

Furthermore, the company expresses concern about the **lack of machinery technicians** in this sector, which makes the maintenance of machinery very difficult. The company has found a solution by contracting a technician from Albania, who conducts visits the company premises once in two weeks and provides maintenance services if needed. According to the company (which was also confirmed by Intertex in the following section), only one person in the entire region of Gjakova has the technical expertise for repairing textile processing equipment. The said person received his education in Croatia a long time ago, and continues to serve the local industry up to this day, despite the fact that he is past retiring age. Interestingly enough, there is **no school in Kosovo addressing this field**.

Intertex – Gjakova Region

Similarly to the case study above, Intertex is a manufacturing company based in Gjakova, serving as a CMT contract manufacturer in the textile industry for a number of clients, including car manufacturers such as Volvo and Volkswagen. The company which for the moment employs roughly 200 employees, is planning to increase employment substantially, based on the requests of their partner companies in destination countries.

Company representatives express their concerns on difficulties for finding qualified labor. This factor for the moment represents their main impediment towards increasing production capacity and consequently increasing the level of exports towards EU countries. For the moment, the recruitment process (including training of new employees) lasts up to 5-6 months, entailing additional costs for the company. The company has received a request from one of its partners for starting a new production line for a specific product, and they are in the process of finding the required labor force for starting the operations.

All new employees undergo a training delivered by the heads of production after working hours, in order to get them up to speed with their job requirements. In the training period, employees receive a lower wage, which is increased to a competitive level in the industry after the training is finished. Despite this, the company is reporting substantial difficulties in finding willing workers. As an initial thought, this suggests that due to external factors (such as remittances), despite the huge unemployment, the reservation wage is higher than one would expect. Additionally, the company also reports difficulties in finding qualified labor for the position of Head of Manufacturing Operations, and they have adopted a learning-by-doing approach in addressing this deficit. As a reminder, the other company in this industry has decided to contract personnel from Albania for these positions.

In contrast to the example of Creative SHPK, Intertex has hired around 10 employees that have underwent a training in VTCs and they state that they are satisfied with the level of skills possessed by those workers. In most cases, those employees needed a shorter on-the-job training (roughly 2 weeks) to become competent in carrying out their duties. It should be noted that there is a Technical High School in Gjakova with a specialization in textile; however the company has not established any cooperation with that institution.

Intertex echoes the concerns previously expressed by Creative SHPK about the lack of machinery technicians for the industry in the country. Given the considerable potential that this sector is showing, be it in terms of job creation or increased exports, policy makers should necessarily develop alternatives for addressing the skills gap in this region.



b) Trade sector

Orbico & Passable – Prishtina Region

Fikret Havolli, co-founder of two companies, namely *Orbico* and *Passable*, agreed to share his experiences with the labor market in the context of Skills Gap. These two companies which operate in the wholesale trade sector in Fast Moving Consumer Goods, Hygiene Products, and Cosmetics, jointly employ roughly 110 people, the majority of which in entry level positions.

Both of these companies used **open calls and headhunting** services by local companies for filling vacancies concerning managerial level positions, while they have mostly relied on **other employees' references** for employing people in entry level positions. The reason for this approach, which might not necessarily result in employing jobseekers with the most valuable skills, is due to the nature of their industry and their operations. Most of the payments they receive are in cash when the delivery reaches their customers, whereby a fiscal cash receipt is produced. Given that field employees (entry level positions) are required to handle cash transactions, the companies need to have reliable and trustworthy personnel, whom are hired through references. In the past, they have encountered a number of problems with previously unknown employees that they have hired through vacancy calls, which has forced them to alter their employment strategy. However, in the future they plan to abolish cash transactions altogether, which will pave the way for them to pay more attention to skills and qualifications in entry level positions as well.

As a result of the growth of the company, they have established plans for increasing the number of employees at their organizations. The main drivers behind this anticipated growth in this case are new brands to be introduced in the cosmetics area, and the possibility of entering the retail market for cosmetics products. The two companies make use of a joint **internal training academy**, which they use for getting their employees up to speed with the requirements of their jobs and updating their skills on a regular basis. External experts are contracted as trainers, especially for delivering training programs for key functions of the company, such as sales, logistics etc. They make use of the knowhow and expertise of international companies they cooperate with for structuring their training programs. New employees usually undergo basic trainings of **1-3 months**, while extensive and specialized trainings can last between **1-3 years**.

Internships and mentorships are seen as crucial for building and maintaining a constructive cooperation between education institutions and the private sector. They already have a good cooperation with one of the education institutions in the country (Riinvest Institute) for internship programs for their students in the sales divisions of the two companies, and they have a potential to house and mentor even more interns at their businesses. The German/Swiss dual system is seen as an exciting opportunity for a better linkage between private sector needs and labor market supply. Last but not least, Havolli emphasized his belief that more emphasis should be placed in instilling a good work ethic from a very early age to all individuals, and that all institutions have a role to play in this regard.

c) Services sector

Hymeri Kleemann and Mjeshtri – Prishtina Region

Hymeri Kleemann is a company specialized in the assembly and maintenance of elevators and escalators, with an established presence in Kosovo, Albania, and recently in Germany. The company is the official partner of *Kleemann Group* for the territory of Albania and Kosovo. On the other hand, Mjeshtri is maintenance and Installation Company for water, electricity and heating equipment in Kosovo. For the purpose of this study, we have conducted an in-depth interview with Mr. Hysni Ymeri, owner of both companies which employ more than 55 people.

Skills gap is truly a pressing issue for both of these companies, be it for functioning in the internal market, or for extending their presence in the foreign market. Putting the issue of skills gap into context, Ymeri explains that in cases when the company publishes a vacancy for “an office job”,



such as Call Center Operator, they receive up to 120-150 applications, most of which from university graduates. On the other hand, when they publish a vacancy for technical profiles, such as Heating System Maintenance worker, they consider themselves lucky if **one or two persons apply for the job**. The existing skills gap is posing **serious threats to the growth of both companies**, be it internally or externally. Recently, Mjeshtri was forced to turn down a contract for maintenance services for a retail market chain in Kosovo, precisely as a result of difficulties in finding qualified personnel.

In terms of the current hiring and training practices, the company explains that they conduct on-the-job **trainings lasting 6-12 months for all their employees**. The company hires both low-skilled and high-skilled workers, which are needed for elevator and escalator maintenance activities. In many cases they hire directly from the Faculty of Electrical Engineering or the Faculty of Mechanical Engineering, firstly offering employees 3-month probation contracts, and consequently hiring them on a permanent basis. The degree to which they are satisfied with the skills of the employees vary on a case by case basis.

On the other hand, the company explains that they have tried to cooperate with one of vocational education schools, and the experience they had was disastrous. They agreed to offer internship opportunities to 25 students from a professional school, with the possibility of employing a number of good performers. However, the company ended up not employing a single one of the students. As the company claims, ***“half of the students requested us to sign a verification on their behalf that they participated in the program in the first day in order not to proceed with the program, while the remaining half did not even want to wear proper uniform in the work place (e.g. helmets or protective gloves), giving us the impression of total disinterest, or that they did not know why they were participating in this program altogether”***. This story is paradoxical to say the least, given that vocational schools are intended to prepare the workforce needed in such industries.

Plans for operating a post-secondary VET

The company has recently identified significant growth opportunities in the German market, for the provision of elevator and escalator assembly and maintenance services to a number of clients. The company already operates there, and they have identified opportunities for expanding the presence in the market. Considering the vast challenges with finding qualified labor and noting the need for additional staff, the company has decided to **establish a Vocational School**, to offer qualifications under the 5th pillar of the National Qualifications Framework. This school will offer qualifications in 5 different profiles relevant to the industry, mainly with the aim of creating a workforce for the needs of the company in the German market (but open to other individuals as well). The school will **make use of the Swiss/German dual system**, whereby individuals enrolled in the program will combine school-based learning with practical experience while working for the company, for a period of 2 years. Individuals will firstly undergo a 6-9 month German language training, before proceeding with the technical education.

They have identified a number of problems that may present difficulties for implementing this program. First and foremost, they are anticipating difficulties in finding qualified trainers for delivering the training to participants. Second, the recognition of qualifications earned in Kosovo by German authorities may represent an obstacle. However, the company has already established a cooperation with the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), which is offering substantial help to the company for implementing this project and surpassing the barriers. They will assist the company in finding qualified trainers for the program and for establishing a cooperation with vocational education institutions in Germany. The company has already initiated a cooperation with a vocational school in Dortmund, which will be pivotal to the success of the project. Upon the completion of two-year programs, the company will invite a licensed trainer from Germany to assess the knowledge and skills of the students. If the assessment is positive, individuals will travel to Germany to pursue a three month intensive training program, and after the completion of this program, their qualifications will be recognized in Germany as well.



Individuals pursuing the program will be charged approximately €2,000 to €2,500. However, in the meantime they will receive a working salary and combine **3 days of work in the company with 2 days of school education**, while being considered company employees in legal terms.



VII. Case studies: Successfully addressing the skills gap

a) India

India is a country which is certainly worth looking at, considering the vast advancements it has made in the global business community over the last two decades. A main source of India's growing competitiveness is certainly its affordable and skilled labor force. The country has managed to become a prominent player in the global economy and is currently in the top 10 of world's biggest economies by making a good use of the available human capital in the country.

Skill development in India is closely linked to the functioning of Sector Skill Councils, autonomous & industry-led bodies which function under the umbrella of the National Skill Development Corporation (NSDC).⁴⁷ NSDC was established as a public-private partnership with the aim of upgrading the skills of the Indian workforce and matching the demand and supply for sector specific skills. For the moment, there are 37 Sector Skills Councils across a wide number of industries. To name a few Automotive Skills Development Council, Electronics Sector Skills Council, Food Industry Capacity and Skill Initiative, Leather Sector Skill Council, IT Sector Skill Council etc.

The Sector Skills Councils (SSC) are comprised of representatives of the business community pertaining in that sector. They play a fundamental role in the skill ecosystem in the country, by identifying skills gap in respective industries and creating Qualification Packs (QP) and National Occupational Standards (NOS) for a very wide number of roles and profiles in the industry.⁴⁸

NOSs "specify the standard of performance, knowledge and understanding when carrying out a **particular activity** in the workplace".⁴⁹ For example, a NOS for a clerk in a retail store would be to "assist customers upon payment procedures". As opposed to NOSs, Qualification Packs refer to a set of NOSs aligned to create a job profile/role, such as "Retail store clerk". As of April 2017, the SSCs have adopted 10578 NOSs and 1930 QPs. It is worth taking a detailed look at one of the qualification packs adopted by SSCs.

For the purpose of this document, we will be looking at a Qualification Pack developed by the *Food Industry Capacity and Skill Initiative*, for the qualification of a "Dairy Processing Equipment Operator". The Qualification Pack has the following sections:

Role Description	"a Dairy Processing Equipment Operator is responsible for operating various types of dairy processing machineries for producing dairy products"
NSQF Level	4
Training	this section of the QP lists a number of trainings which are suggested for the profile (not mandatory), such as trainings on food standards, GMP, HACCP etc.
Minimum job entry age	18 years
Experience	2-3 years in dairy processing unit
Applicable NOSs	<p>This section lists a number of Occupational Standards which make up the Qualification Pack. For this particular QP, the following NOSs are required:</p> <ul style="list-style-type: none"> • Prepare and maintain work area and process machineries for operating dairy processing equipment • Prepare for operating dairy process machineries and production of various dairy products • Operate dairy processing machineries • Complete documentation and record keeping related to operation of dairy processing equipment • Food safety, hygiene and sanitation for processing food products

Figure 76 Example: Qualification Pack for a Dairy Processing Equipment Operator⁵⁰

⁴⁷ Ministry of Skill Development and Entrepreneurship of India, *National Skill Development Corporation*, online source available at: <http://www.skilldevelopment.gov.in/nationalskilldevelopmentcorporation.html>

⁴⁸ Ministry of Skill Development and Entrepreneurship of India, *QP and NOS*, online source available at <http://www.skilldevelopment.gov.in/qp&nos.html>

⁴⁹ *ibid*

⁵⁰ Food Industry Capacity & Skill Initiative, *Qualifications Pack - Dairy Processing Equipment Operator*, p. 2



Furthermore, a model curriculum is approved by the Sector Skill Councils for each qualification pack. The model curriculums specify modules that candidates have to follow, and designate a specific timeframe for practical and theoretical studies, with the aim of achieving the stated learning outcomes. Furthermore, the model curricula contain a list of prerequisites for trainers of the program and a list of assessment criteria for evaluating the students. The assessment criteria can also be found within the Qualification Packs.

The National Skill Development Corporation maintains a list of more than 300 training partners which offer courses that are firstly certified by Sector Skill Councils. The NSDC offers skills development funding for scalable, for-profit vocational training initiatives in the form of loans, equity and grants based on proposals/requests which are evaluated based on a certain set of criteria.

b) Germany

Arguably, Germany has one of the most highly-valued skills development systems through its dual system of Vocational Education & Training. The German VET framework is considered as a model not only by developing countries, but also by the developed ones. This dual system has helped form a strong interlink between the education system and the labor market, and as a result, Germany today has one of the lowest youth unemployment rates in the European Union.

The German apprenticeship program is called a “dual system” due to the fact that training takes place both at firms (work-based) and in public vocational education institutions (school-based). With this system, companies acquire skilled workers through apprenticeships at a relatively low cost. Furthermore, apprentices who are paid a modest salary (compared to the actual salary of skilled workers) are particularly trained for meeting the exact needs for skills of the respective firm. The VET system as a whole is well-resourced, combining public and private funding.⁵¹

Interested young people are encouraged to approach potential employers and enter into an apprenticeship contract with the employer. The contract is then registered at the appropriate chamber of commerce, which supervises the trainings and acts as a mediator if difficulties arise. There are more than 370 training programs available. The apprenticeships usually last around three years, whereby apprentices usually spend three days per week at the company and the remaining days at the vocational education school. The investments in these apprenticeships in the employers’ point of view are recovered thanks to the increased productivity of the employee at the workplace. The costs for operating the “dual system” are more or less evenly spread between the private sector and the public sector.⁵²

While the German Model at first sight may seem very attractive and perhaps easy to adopt, it may not be so in reality. It must be noted that approximately 2/3 of the workforce in Germany comes from the vocational education sector, and in general blue-collar work is held in high regard, something which cannot be said about Kosovo, whereby a vocational track is seen as a second option by many.

⁵¹ Federal Ministry of Education and Research, *The German Vocational Training System*

⁵² Germany Trade and Invest, *Vocational Training “Made in Germany” - Germany’s Dual System of Vocational Education and Training (VET)*



VIII. Conclusions

The skills gap in the private sector is real and tangible. Survey results confirm the existence of a substantial mismatch between what businesses need, and what education institutions are able to supply. This situation causes a loss in efficiency and compromises the quality of products and services rendered by domestic companies, thus decreasing their competitiveness in a broader context. Companies need to allocate substantial resources in terms of time and money for training their staff and enabling them to obtain the necessary competencies for carrying out their duties and responsibilities. However, the survey conducted with 200 businesses, along with in-depth interviews with a selected number of companies, as well as interviews conducted with a number of stakeholders, reveal some insights that can serve as a basis for developing recommendations and policy actions for solving the situation:

1. The skills gap is mostly noticed in the Manufacturing and Services sector, compared to the Trade Sector. This might be due to the fact that the value added in these sectors is higher, and the level of specialization of skills required is consequently higher. Particularly in the manufacturing sector, there is a shortage of supply of labor possessing technical skills needed in assembly lines. Largely, companies seem to favor on-the-job trainings for addressing the skills gap.
2. The link between education institutions at all levels and the private sector is weak to say the least. Without dwelling in the quality of education, it should be noted that some profiles in the economy are over-supplied, while significant shortages can be noted in other profiles. Many respondents to the survey state the need to draft a comprehensive strategy for education and employment as a means to better plan and accommodate labor needs in the future.
3. The communication between the two pillars (private sector and education) is sporadic in some cases, and inexistent in others. Very few respondent companies have ever had a contact with education institutions regarding their labor needs. Functionalization of “industrial boards” in education institutions (both at university and pre-university levels) can aid the existent situation. Businesses should be more involved in curricula and program development activities at these institutions, and a direct involvement of the industry through such boards can be very beneficial. These industrial boards might be particularly useful in the VET level. However, the establishment and the well-functioning of these boards is largely dependent on a proactive approach by businesses themselves. Additionally, a donor support in the establishment of these bodies might be necessary, particularly considering the lack of financing.
4. The process for the development of occupational standards should continue. The example of India reveals how the private sector can be more involved in this process, which at the end of the day will benefit them directly. Sector Skill Councils in India have enabled the development of thousands of occupational standards, which makes hiring employees with the desired skills and know-how much easier. A greater involvement of the private sector will yield positive regards, as they are in the best position to know the requirements and skills needed for respective profiles
5. There is a noticeable tendency among private sector to look at or consider higher education institutions as the main supplier of labor force for their companies, regardless of skills needed for particular profiles. The tendency for requiring bachelor degrees in profiles which might be more suitable for graduates from VET institutions puts pressure on higher education institutions, and encourages students to consider a university-track as a primary career choice. Furthermore, there is very little knowledge on the work done by VETs and the benefits that employers can have from a possible cooperation with them. More emphasis needs to be placed in informing businesses about these centers.
6. The VET sector in the country appears to be at a disadvantage compared to gymnasiums, with regards to the preferences among young people that finish the lower middle school. IVETs are often seen as a secondary choice in case students fail to register in gymnasiums. Despite this, it should be noted that the most employment opportunities are expected to be created in profiles which are mostly suited to VET graduates in the



future. Institutions must work towards increasing the awareness among parents and lower middle school students about the importance of pursuing a VET track as a career choice.

7. Career counseling and orientation services need to be established in all education institutions, and this should begin at an early phase (i.e. during lower middle school years). The Ministry of Education and other relevant institutions can study and make use of models used by other countries in developing a sustainable career counseling system. Some private education institutions in the country have already developed successful models which has helped in increasing the employability of their graduates.
8. Creating a bridge between education institutions and the workplace might be a complex exercise; however, there are examples in the developed world which might serve as a model for future reforms. The dual education system (i.e. combining school activities with employment), which is implemented very successfully in countries such as Germany and Switzerland, can help in increasing the readiness of students for the work place. Combining theory with practice is very important, particularly in highly technical industries. Also, the dual education system can enable a better anticipation of the needs of the market regarding labor skills.



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X. Annexes A – National Qualifications Framework

National Qualifications Framework				
NQF Level	Contains qualifications associated with			EQF ref. level
	Education programs	Currently available qualifications (Type)	Potential roles/occupational requirements	
8	Higher education - Bologna 3rd cycle (Doctorate)	Doctorate (A)	Entry to, or continuing professional development within, senior levels of management or higher level professional occupations	8
7	Higher education - Bologna 2nd cycle (Master)	Master degree (A)		7
6	Higher education - Bologna 1st cycle (Bachelor)	Bachelor degree (A)		6
5	Bologna short cycle and /or post-secondary VET	Title of qualifications still unknown (A), (C) Certificates of non-formal providers (D or E)	Specialist/Trainer/Manager	5
4	Preparation for progression into higher education and/or labor market entry	Matura diploma in general or vocational subjects (B), (C), Vocational education diploma (C)	Qualified Worker/Supervisor	4
3	Preparation for labor market Semi-skilled Worker entry (young people and adults)	Vocational education certificate (C) Certificates of non-formal VET providers (D or E)	Semi-skilled Worker	3
2	Progression from lower to Low-skilled Worker upper secondary education (young people), preparation for labor market (adults)	No existing qualifications of formal education system identified Certificates of non-formal providers (D or E)	Low-skilled Worker	2
1	Basic education	No existing qualifications of formal education system identified Certificates of non-formal providers (E)	Minimum level of basic skills, inc. literacy/numeracy, required for entry to lowest level of employment	1



